

NATIONAL BANK OF PAKISTAN

# THE BANK YOU TRUST

ANNUAL REPORT  
2022

شاہد باو  
پاک سروسز بینک



National Bank of Pakistan

نیشنل بینک آف پاکستان

*The Bank You Trust*



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# VISION

To be the Nation's leading bank  
enabling sustainable growth  
and inclusive development

# MISSION

We will achieve our vision by  
subscribing to the qualities  
captured by the word  
**IMAGINE**





I

**Integrity** is the cornerstone of everything we do



M

**Market leadership** is what we aim across all our target sectors



A

**Agility** and strategic nimbleness will help us adapt to changing market conditions



G

**Good governance** and transparency



I

**Innovation** to provide for the customer needs of tomorrow



N

**Nation-building** remains our priority



E

**Employee** engagement through a merit-based culture



# Our Reporting Suite

Dear Readers,

Welcome to the 73rd Annual Report of National Bank of Pakistan (“NBP”, “the Bank”). This report covers the financial and non-financial performance of the Bank for the year ended December 31, 2022.

We wish you a pleasant read!

## Our Purpose



## Our Integrated Approach to Value Creation



## Organisational Purpose

Our vision is ‘to be the Nation’s leading bank enabling sustainable growth and inclusive development’. We endeavour to achieve this by subscribing to the qualities captured by the word ‘IMAGINE’ (elaborated in detail Page # 05). Our vision and mission act as axis for all our decisions and actions for value creation.

## Governance & Culture

Our strong corporate governance culture places great emphasis on transparency, accountability, good governance and protection of the interest of the stakeholders. Our governance structure is explained in detail in the Corporate Governance section on Page # 81.

## Material Matters

Issues that are material to our strategy are those that have a significant impact on our ability to create enterprise value in the short, medium and long terms. These include our operating context i.e. risks and opportunities presented by the operating environment, stakeholders’ considerations and internal strengths and weaknesses.

## Strategy & Objective

Being a domestic systemically important bank ‘D-SIB’, NBP has a significant impact towards socioeconomic growth in the country. Our strategy is aimed at transforming the institution into a future-fit, agile and sustainable Bank while maintaining market leadership and driving socioeconomic value creation for the society at large. Our business model elaborates in detail (Page # 177) the impact of various CAPITALS and their application in the value chain, following an effective risk management and internal control, to achieve its short, medium and long-term goals.

## Targeted Readers

The report is intended to address the information requirements of a wide range of stakeholders including shareholders, employees, local communities, customers, governments and non-governmental organisations (NGOs), etc.

## The Medium

1. This Annual Report is published within three months of the date of approval of the Financial Statements. The comprehensive end-to-end online version is also published online on the same date as the date of issue of this Annual Report at <https://www.nbp.com.pk/InvestorInformation/index.aspx>
2. This Report is circulated among shareholders in a digital format (on Compact Disk).
3. A limited number of printed copies has been produced for the shareholders who have requested the same.

*This short version of the report has been published for specific audience only. A full version is printed separately and is also available on the Bank’s website.*

## Other Information:

We also have a presence on digital platforms:

- <https://www.facebook.com/NBPTheNationsBank>
- <https://www.instagram.com/nationalbankofpakistan/>
- <https://www.youtube.com/channel/UCcl-feuO5V4sCcIm0xigzVg>
- <https://www.linkedin.com/company/national-bank-of-pakistan/>
- <https://twitter.com/TheNBPak>

## Suggestions & Queries

We welcome our readers’ inquiries, comments and suggestions on this Annual Report. Readers may please contact the office of the Chief Financial Officer.

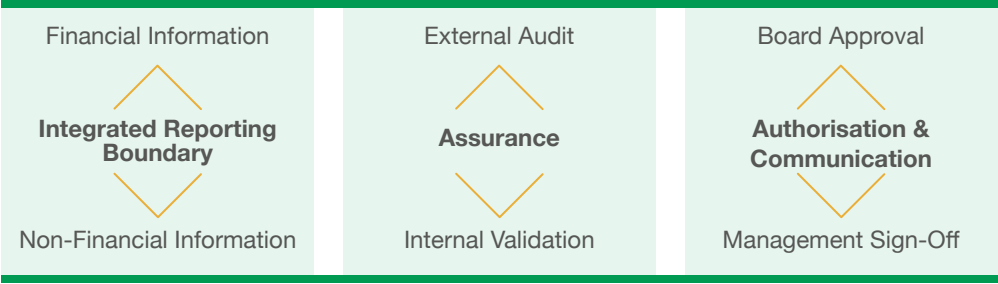
The Chief Financial Officer  
National Bank of Pakistan  
2nd Floor, NBP Head Office Building, I.I. Chundrigar Road, Karachi  
Stakeholders may also contact our Investor Relations Office by email at:  
[investor.relations@nbp.com.pk](mailto:investor.relations@nbp.com.pk)

## Integrated Reporting

The Bank’s integrated thinking approach towards strategy formulation has enabled it to proactively respond to emerging challenges presented by the internal and external operating landscapes.

This Annual Report is structured to provide the readers with integrated insight into the Bank’s organisational purpose and how this purpose shapes up the Bank’s approach to value creation, governance & culture, setting strategies & objectives and realigning its activities with the emerging external and internal influences and material matters impacting its long-term sustainability.

## Integrated Outcomes Reporting



## The Reporting Process and Boundary

This Report encompasses both financial and non-financial information on standalone as well as consolidated basis. Key contents of this Report include:

- i. Governance & Stewardship
- ii. Our Value Creation & Business Model
- iii. Strategic and Operational Review by the Board, Chairman and the CEO
- iv. Material Risks and Opportunities
- v. Audited Standalone Financial Statements of the parent entity; along with the Auditors’ Report thereon
- vi. Audited Consolidated Financial Statements of the Bank, its subsidiary companies, a joint venture and associate companies “Group” as depicted in the Consolidated Financial Statements, along with the Auditors’ Report thereon
- iv. Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019, and the Public Sector Companies (Corporate Governance) Rules, 2013
- v. Auditors’ Review Report on the above Codes of Corporate Governance

The Board Audit Committee, as mandated by the Board, reviewed and recommended these audited Financial Statements to the Board for approval. The Board of Directors, in its meeting held on February 28, 2023 has approved the release these audited Financial Statements.

Reporting Considerations		
	Financial Statements	Narrative Report & Corporate Governance
Standards and Principles	<ul style="list-style-type: none"><li>• The Banking Companies Ordinance, 1962</li><li>• The Companies Act, 2017</li><li>• The Listed Companies (Code of Corporate Governance) Regulations, 2019</li><li>• The Public Sector Companies (Corporate Governance) Rules, 2013</li><li>• International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board</li><li>• Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan</li><li>• Other related directives issued by the SBP, SECP and PSX</li></ul>	<ul style="list-style-type: none"><li>• Listing Requirements of the Pakistan Stock Exchange</li><li>• The Listed Companies (Code of Corporate Governance) Regulations, 2019</li><li>• The Public Sector Companies (Corporate Governance) Rules, 2013</li><li>• Integrated Reporting Framework</li><li>• Guidelines for Presentation of Annual Reports Issued by the Institute of the Chartered Accountants of Pakistan and Institute of Cost and Management Accountants of Pakistan</li></ul>
Internal Assurance Mechanism	<ul style="list-style-type: none"><li>• Board Audit Committee</li><li>• Robust framework of internal controls</li><li>• Statement of Internal Control by the management</li><li>• Sharia Board</li></ul>	<ul style="list-style-type: none"><li>• Robust governance framework which embeds regulations and best practices</li><li>• Code of Corporate Governance</li><li>• Code of Conduct for employees and other governance-related policies of the Bank</li><li>• Reporting to the relevant BoD Committee and Board of Directors</li></ul>
External Assurance Mechanism	PwC A. F. Ferguson & Co. Chartered Accountants Yousuf Adil Chartered Accountants	PwC A. F. Ferguson & Co. Chartered Accountants Yousuf Adil Chartered Accountants



# ORGANISATIONAL OVERVIEW

شاوینا

سیر

From monumental peaks of fertile lands, National Bank is the thread that connects all people across different terrains and lifestyles, bringing services to each individual based on their unique needs through our product range.



# About NBP

## The Bank You Trust

National Bank of Pakistan (the Bank) was established on November 09, 1949 under the National Bank of Pakistan Ordinance, 1949 and is listed on the Pakistan Stock Exchange. The Bank's Registered and Head Office is situated at 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 as an agent to the State Bank of Pakistan. The Bank operates 1,512 (2021:1,513) domestic branches in Pakistan and 18 (2021:19) overseas branches (including the Export Processing Zone branch, Karachi).

The Bank has a wide local and international outreach through a network of branches, ATMs, subsidiaries, representative offices, agency tie-ups, correspondent banking relationships, etc.

With a total asset base of PKR 5.2 trillion, (USD 23.1 billion) and accounting for ~15% of total industry assets, the Bank has been designated a “Domestic Systemically Important Bank” by the State Bank of Pakistan.

In pursuit of its vision of enabling sustainable growth and inclusive development, the Bank is well-diversified across its major business segments of retail, commercial, corporate & investment, Islamic, treasury and international operations. The Bank's international operations exist in South & Central Asia, Middle East, Western Europe and North America. Demonstrating a strong franchise, 58% of average assets of the Bank were funded by average customer deposits. The domestic current and savings account (CASA) ratio was 79.4% as at December 31, 2022.

## 7 Decades of Serving the Nation

After independence in 1947, Pakistan was inherited with a very weak financial system architecture. There was an emergency need to have a commercial bank “truly national in character” and capable enough to navigate the country through the then uncertain times. Ever since, the Bank's purpose and mission have been to support the financial well-being of the Nation, and to provide strength in uncertain times - Then, Now and Always.

The Bank's 15,000+ employees serve 9.5+ million customers through a wide local and international network of branches, agency arrangements, business promotion offices in Europe, America, Central Asia, Far & Middle Eastern countries and correspondent banking relationships.

## Strong Capitalisation and Risk Profile

With PKR 300.8 Bn as Net Assets, NBP is the highest capitalised bank in Pakistan. The SBP through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid up capital (net of losses) for all locally incorporated banks of PKR 10 Bn. The paid up capital of the Bank for the year ended December 31, 2022 stood at PKR 21.27 Bn (2021: PKR 21.27 Bn), comfortably well above the SBP requirements.

The Bank is also subject to maintaining minimum capital ratios under the Basel III framework as advised by the SBP from time to time. The Bank has been identified as Domestic Systemically Important Bank ‘D-SIB’ by the State Bank of Pakistan. Accordingly, the Bank's total capital adequacy requirement stood at 13.0% (2021:13.50%). The Bank is required to maintain capital conservation buffer of 1.5% (as reduced under the BPRD Circular Letter No. 12 of 2020). Moreover, being a D-SIB, the Bank is also required to maintain higher loss absorbency ‘HLA’ capital surcharge in the form of additional Common Equity Tier 1 (CET1). At January 1, 2022 the required HLA was 2.0% that was revised downward to 1.5% in December 2022.

With the Common Equity Tier 1 (CET-1) ratio of 16.30% (2021: 15.42%) and overall Capital Adequacy Ratio (CAR) at 21.59% end 2022 (2021: 20.39%), the Bank is compliant with the enhanced regulatory requirements.

The Bank's leverage ratio at end 2022 was 3.08% (2021:3.47%). The Bank's liquidity and net stable funding ratios stood at 147% (2021:164%) and 251% (2021:278%), respectively against regulatory requirements of 100% for each.

The Bank is rated AAA/A1+ with a stable outlook by both VIS Credit Rating Agency and PACRA Credit Rating Agency. This is the highest credit rating awarded to a Bank in Pakistan. Thus, the Bank's risk profile reflects a restrained risk appetite, a strong funding base, a secure level of liquidity, a sound domestic franchise and consistently stable performance.

## Diversified Coverage

The Bank's business is well-diversified across main business segments. Besides geographical diversification, the Bank has accomplished a higher level of diversification in its operations across many other parameters such as customer profile, products and services portfolio, funding profile, maturity profile, economic sectors and the sources of income.

## Significant Changes in Organisation

There are no significant changes from prior years with respect to: - Ownership; and - Business Model of the Bank.

## Group Structure

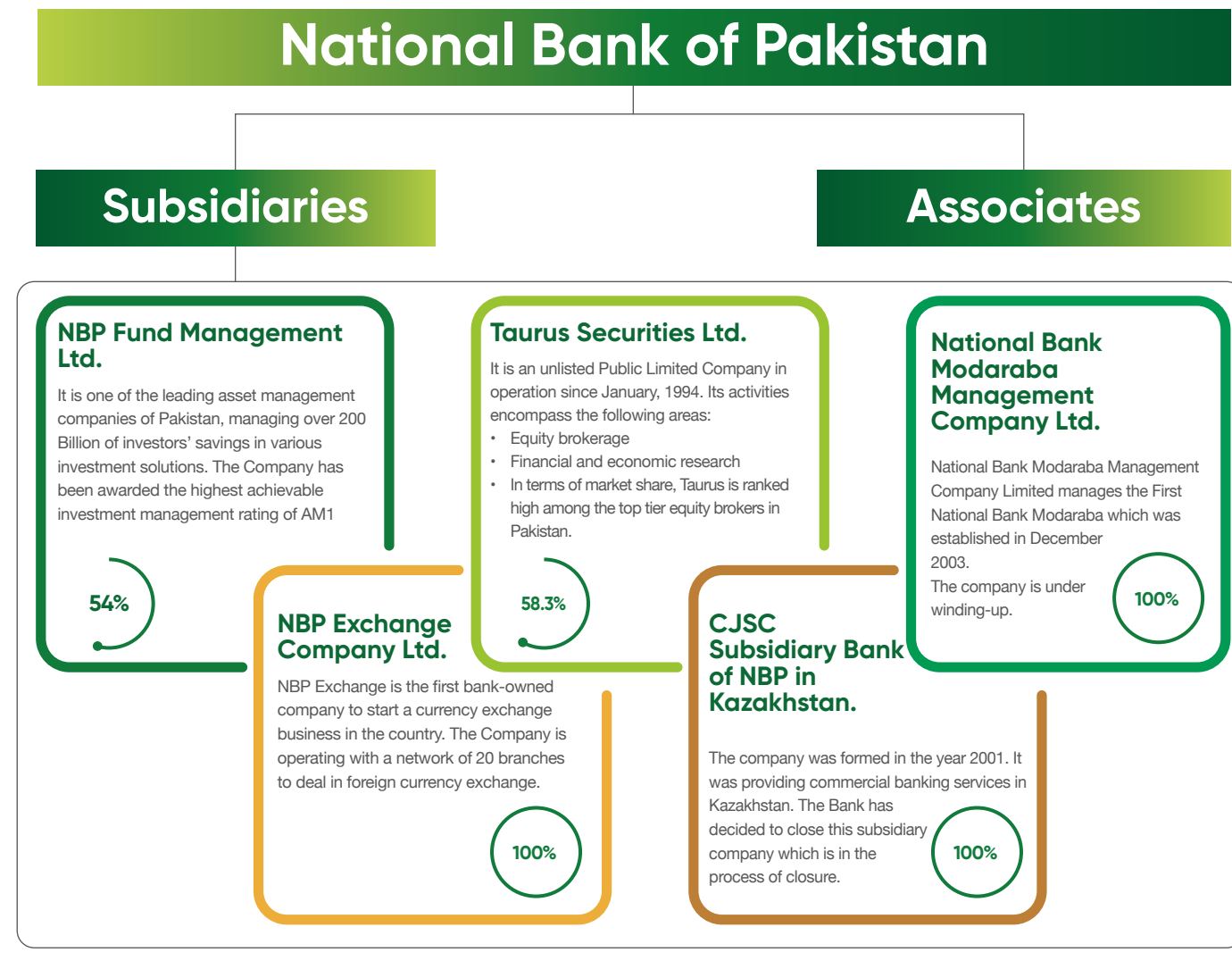
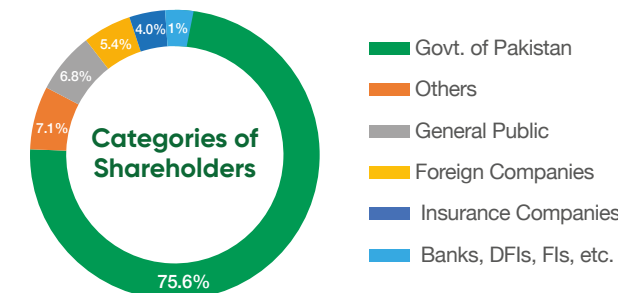
The Bank has subsidiary companies operating in both the financial and non-financial sectors. The Bank's subsidiaries include, inter alia, an Asset Management Company, an Exchange Company and a Securities Brokerage House. Operations by the parent entity i.e. the Bank however account for the largest share of Group assets and profits.

## Shareholding in Associated Companies

Besides the subsidiary companies mentioned below, the Bank also has significant shareholding in several associated companies and a UK-based joint venture i.e. the United National Bank Ltd “UNBL”, which was formed in 2001 through the merger of the UK branches National Bank of Pakistan and United Bank Limited. NBP holds 45% shares in UNBL. The principal business of UNBL is to provide retail banking products through its branch network in major cities in the UK; wholesale banking treasury and money transmission services, and finance facilities to businesses of all sizes. Further details of associated companies are provided in Note 10.2.2 to the Financial Statements.

## Ownership Structure

There are 2,127,513,026 issued & outstanding ordinary shares of the Bank, of which the Federal Government through the State Bank of Pakistan holds 75.2%, Ministries/Public Sector Companies 0.4%. Other major shareholders include Foreign Companies (5.4%), the general public (6.8%), insurance companies (4.0%), others (7.1%) and Banks, DFIs, Fls, etc., (1.1%). (Details Page # 120)



# Corporate Information

Name of the Company	National Bank of Pakistan
Legal Form	A listed Public Limited Company established in Pakistan on November 9, 1949 under the National Bank of Pakistan Ordinance, 1949.
Accounting Year End	December 31

## Board of Directors

Mr. Ashraf Mahmood Wathra, Chairman	Mr. Rehmat Ali Hasnie, President/CEO (A)
Mr. Asif Jooma, Director	Mr. Farid Malik, Director
Mr. Ali Syed, Director	Mr. Ahsan Ali Chughtai, Director
Mr. Nasim Ahmad, Director	Mr. Amjad Mahmood, Director

## Board Committees

1. Board Audit Committee	4. Board Technology & Digitalization Committee
2. Board Risk & Compliance Committee	5. Board Inclusive Development Committee
3. Board HR & Remuneration Committee	6. NY Governance Council (Sub-Committee of BRCC)

## Chief Financial Officer

Mr. Abdul Wahid Sethi	Syed Muhammad Ali Zamin
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## Registered & Head Office

NBP Building I.I. Chundrigar Road, Karachi, Pakistan Phone: 92-21-99220100 (30 lines), 92-21-99062000 (60 lines), Phone Banking: 111-627-627	CDC Share Registrar Services Limited, CDC House, 99-B, Block-B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi, Pakistan UAN: 111-111- 500
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## Auditors for 2022

Yousuf Adil Chartered Accountants	A. F. Ferguson & Co Chartered Accountants
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## Website

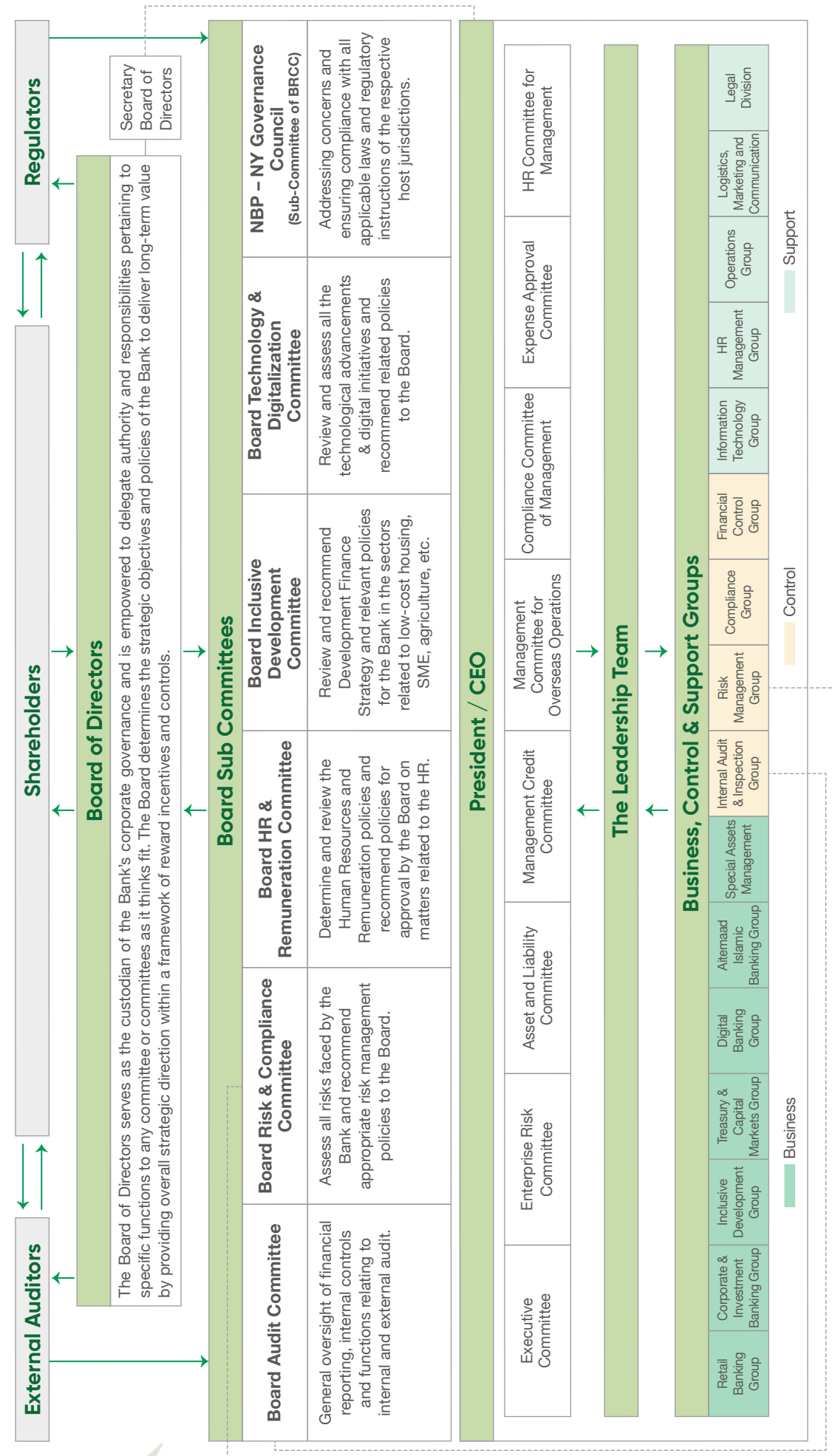
www.nbp.com.pk	Pakistan Stock Exchange Symbol - "NBP"
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## Company Secretary

## Registrar & Share Registration Office

# Organogram / Governance

NBP governance structures are designed to ensure an appropriate balance of authority and decision-making power, driving accountability, transparency, and integrity across the organisation. The Bank's governance structure is set out below:

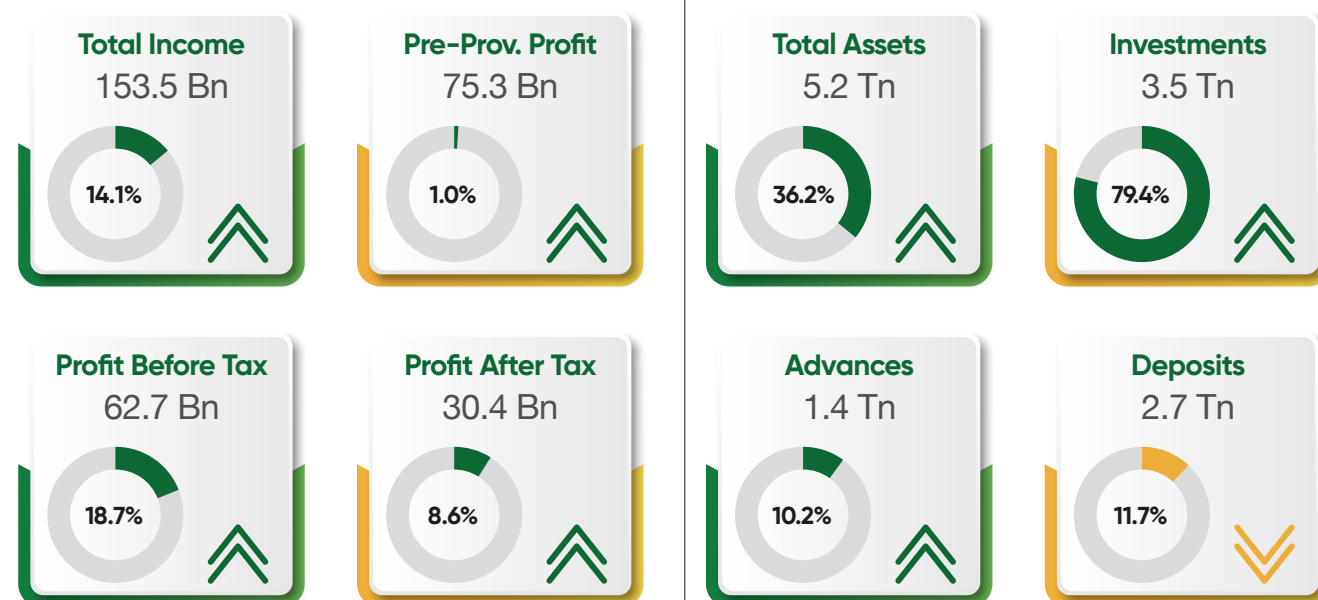




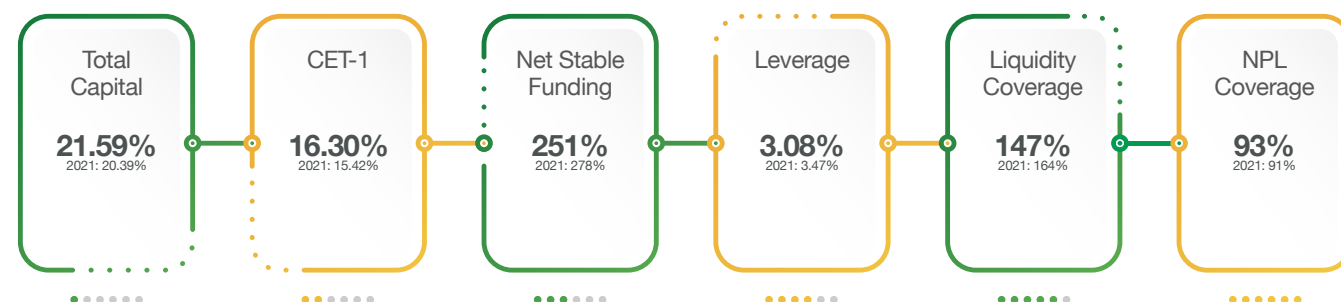
# Highlights 2022

## Profitability (PKR)

## Financial Position (PKR)



## Financial Soundness



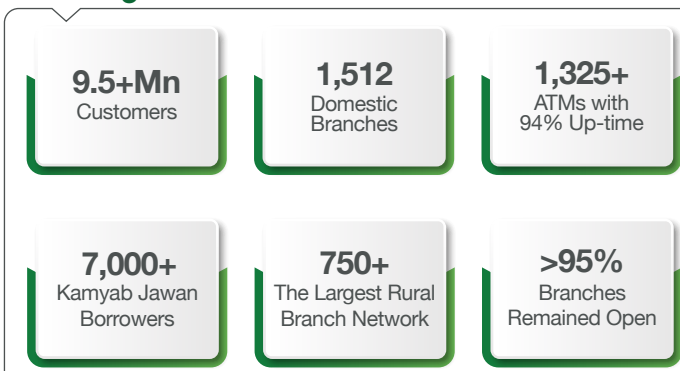
## Credit Rating

**PACRA** A1+ Short-Term  
AAA Long-Term

**VIS** A-1+ Short-Term  
AAA Long-Term

## Our National Impact

### Coverage Across the Nation



The **FIRST** Bank to provide **LOW COST** housing loan to **2,000+ Families**



### Economic Value Distributed

**PKR 540 Bn**

to Depositors, Suppliers, the Governments, Colleagues, Shareholders and the Community



Community Investment **PKR 107 Mn**



Credit to the Corporate Sector **PKR 633 Bn**



**PKR 75 Bn**  
**AGRI LOANS**

### EMPLOYMENT

Bank Staff  
**15,112**

Outsourced  
**1,218**

Taxes to the Government  
**PKR 32.3 Bn**



# 7 DECADES FOR THE NATION

(PKR 'Mn)	1950	1960	1970	1980	1990
ASSETS	120	1,253	5,374	32,380	135,074
ADVANCES	49	664	2,148	11,803	47,025
DEPOSITS	56	885	3,343	21,384	87,900

## The 1950s... The Beginning

- » During the 1950s, the Bank undertook the expansion of the branch network.
- » The first overseas branch was established in Jeddah, Saudi Arabia (1950), a branch in London (1953) and another branch in Baghdad (1957).
- » The Bank took Government Treasury Operations and established currency chests at various locations. It managed currency chests or sub-chests at 57 of its offices. Deposits which constituted 3.1 per cent of total deposits of all Pakistani banks in 1949 had risen to 38 per cent by 1952.

## The 1960s... Dawn of Developments

- » In the 1960s, NBP Started the School Scheme to popularize the banking and savings habit. This scheme was offered to industrial workers and school & college students.
- » Operative in 1,189 schools, deposits raised to PKR 2.9 million. By 1969, NBP's "worker scheme" raised the total deposits by factory workers into PKR 2.84 million and the number of accounts opened had touched 8,767.

## The 1970s... Restructuring & Growth

- » During this period, there was growth in the branch network both at home and abroad.
- » The 1970s witnessed the nationalisation of Pakistani commercial banks operating in the country.
- » In 1972, the National Bank of Pakistan evolved the Supervised Agricultural Credit Program, and introduced a new methodology of viable credit for small farmers available at their doorstep.
- » On January 1, 1974 National Bank of Pakistan along with 13 other scheduled Pakistani banks was nationalised.

## The 1980s... New Trends and Alliances

- » In the 1980s, the Government announced a three-year plan for the implementation of an Islamic Economic System.
- » NBP introduced a separate and comprehensive procedure for banking under this system from branch level to the Head Office.
- » Consolidation and reorganisation resulted in closure of 286 branches from 1,646 branches (1979) to 1,360 branches (1989).
- » Overseas expansion continued with the opening of a representative office in Beijing (1981) and in Seoul, South Korea (1985); the latter was converted into a branch in 1987.
- » The Bank increased its authorised and paid-up capital twice during the 80s, gaining a much broader and stronger equity base.

After independence in 1947, Pakistan inherited a very weak financial system architecture. There was an emergency need to have a commercial bank, "truly National in character" and capable enough to navigate the country through the then uncertain times. This created your Bank, the National Bank of Pakistan. Your Bank's purpose and mission has been to support the financial well-being of the Nation, and to provide strength in uncertain times - Then, Now and Always.

2000	2010	2020	2021	2022
371,636	1,037,750	3,008,527	3,846,684	5,240,425
140,318	477,507	983,255	1,113,392	1,230,522
316,493	832,152	2,418,966	3,019,155	2,666,184

## The 1990s... Initiatives & Reforms

- » The 1990s was a decade of new financial reforms and initiatives.
- » The Bank became a SWIFT member in 1998. The facility provides modern technology to Bank customers for prompt and convenient cash transactions and remittances round the clock.
- » In 1999, the Bank celebrated its Golden Jubilee. By the close of the decade, its market share had reached around 22% and it remained the largest financial institution in the country.

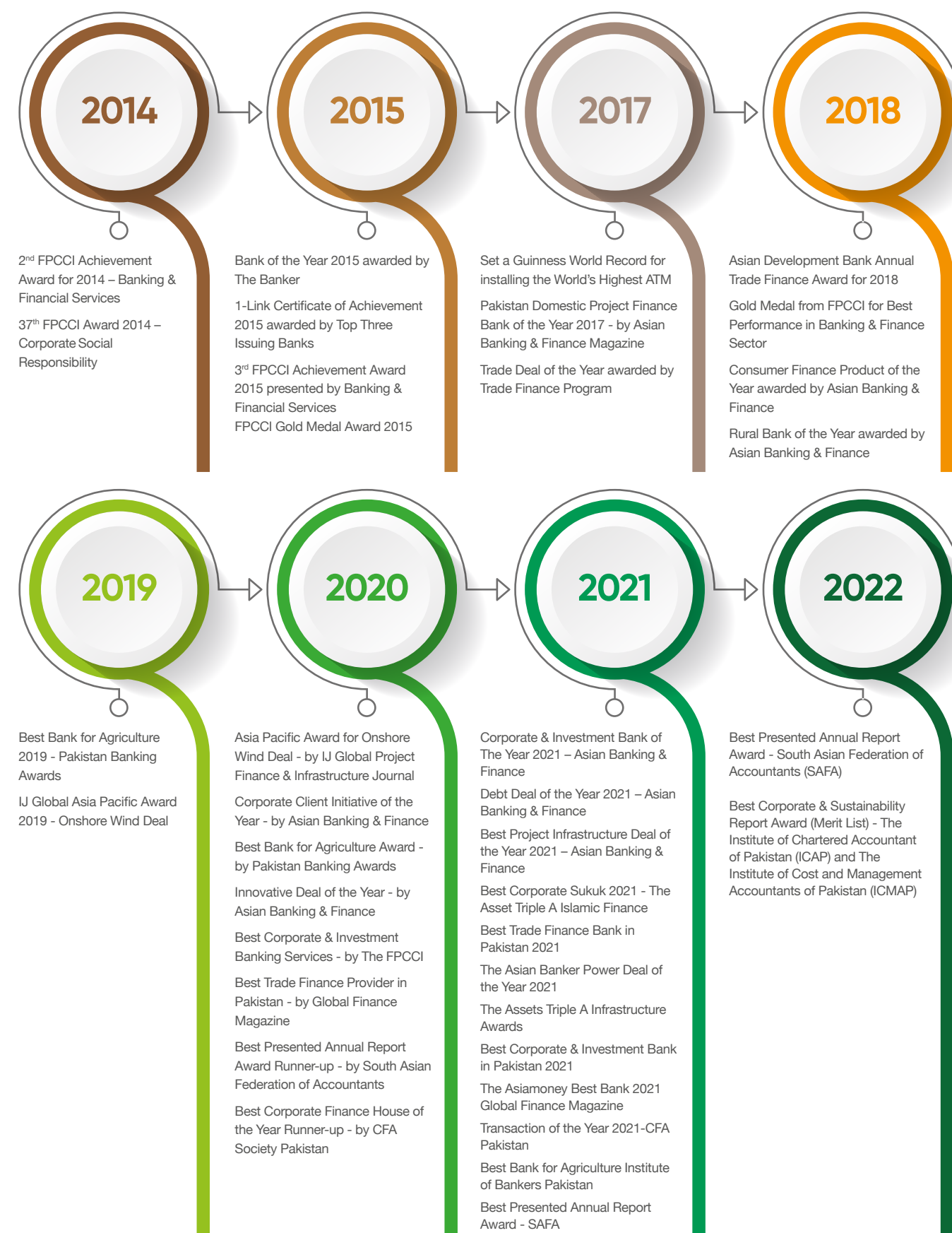
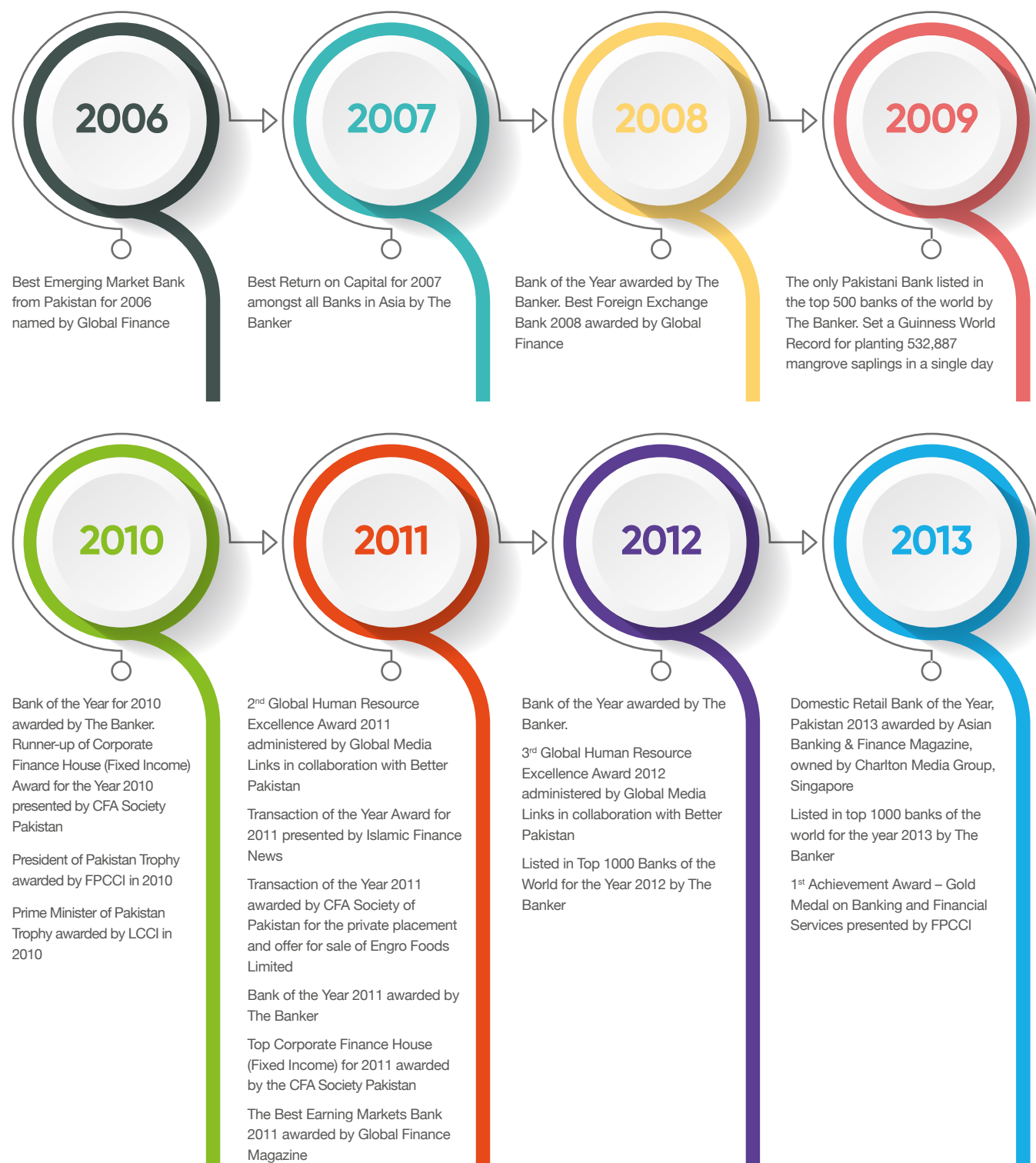
## 2000 – 2009... The Millennium

- » The decade witnessed a restructuring programme, where loss making branches were closed or merged. Number of Regions were reduced to 29.
- » National Bank of Pakistan went public with IPO of 23.2% shares and listing at all domestic stock exchanges (2001).
- » In 2002, the Bank signed an agreement with Western Union.
- » The Bank's wholly owned Exchange Company commenced operations in February 2003.
- » NBP gained market recognition and received over 30 international awards.

## 2010 Till Today... Still Focused & Driven

- » PKR 30.4 Bn as Profit After tax in 2022. The Bank achieved PKR 5 Trillion Milestone in Assets and becomes largest bank in the country.
- » PKR 28 Bn as Profit After tax in 2021. Achieved PKR 3 Trillion Milestone in Deposits.
- » In 2020, the Bank recorded profit after-tax of PKR 30.6 billion i.e. the highest ever profit in its history.
- » In 2019, NBP became "PKR three trillion" Bank by closing its balance sheet at PKR 3,124 billion.
- » NBP was Awarded Agriculture Bank of the Year Award 2020.
- » In 2017, the Bank posted after-tax profit of PKR 23.03 billion. NBP became the 'Two Trillion Rupee' Bank.
- » Reaching the 71st year of this great institution, we refreshed our Vision to become the nation's leading Bank enabling Sustainable Growth and Inclusive Development.
- » NBP made it to the Guinness Book of World Records by installing the World's Highest ATM at Pak-China border.
- » Won Bank of the Year Award 2015.
- » The bank deployed Core Banking Application in 2015.
- » In 2013, with the growing popularity of Islamic Banking, NBP successfully launched its brand 'Aitemaad' to offer the true spirit of Islamic Finance.

# A Legacy of Recognition





## Key Events

Successful NBPIans in Balloting of Government Hajj Scheme 2022



NBP collaborates with KPT to fulfil the banking needs of its employees and expand its customer base.



03-Day Training on Procurement Management under PPRA Rules 2021



The NBP team at IoBM's career fair. Counselling session regarding career opportunities was held with prospective candidates.



### Staff Capacity Building

The Wealth Management Team conducted training sessions in 11 cities for 18 regions across the country.



### Launch of E-Stamping System

A groundbreaking initiative designed to make life easier for the general public and taxpayers.



NBP debit cards t Spend & Win campaign bumper prize winner receiving the car from the President (A).



The Bank organised health awareness sessions as the well-being of our employees and their families are of the utmost importance.



### NBP Glows Purple!

The NBP building was lit up purple to commemorate Purple Tuesday, observed for the first time in Pakistan on the 1<sup>st</sup> Tuesday of November 2022.



### COVID-19 Health Support



NBP, in collaboration with its partner organisations, has stepped up to provide immediate aid to the flood affected communities by providing water purifiers.



## NBP Celebrates Pinktober



## Digital Heroes Campaign



NBP vigorously organises sports events pays special attention to organize sports events as part of its CSR programme



The Bank is promoting sports and physical fitness facilities in communities.



NBP and Sindh Enterprise Development Fund signed an MoU for provision of subsidised financing to SMEs in Sindh.



We opened more than 50 Islamic Banking Windows throughout the country.



NBP continues to invest in modernising its business premises with a special focus on providing assistance to differently abled persons.



## NBP Celebrates 75<sup>th</sup> Independence Day of the Nation.



The Bank rolled out Competency Framework for career progression and growth of its people.

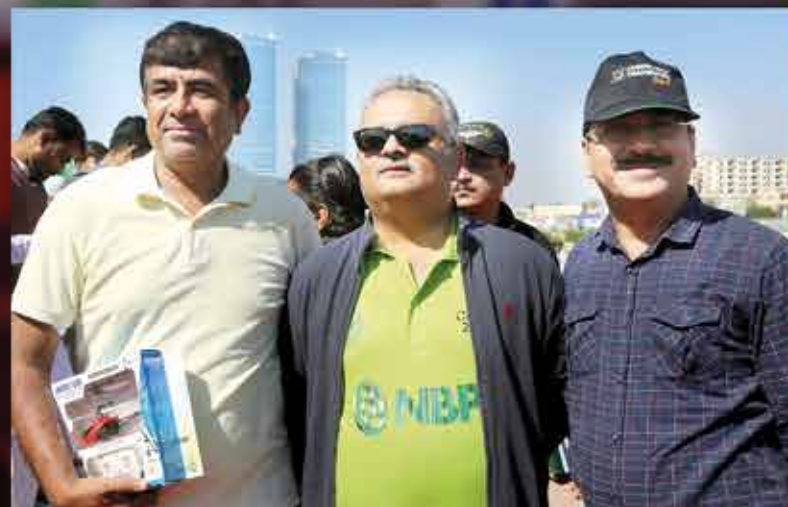




# NBP COMMISSIONER KARACHI MARATHON 4

Date: 29th January, 2023

Venue: Nishan-e-Pakistan (Sea View)





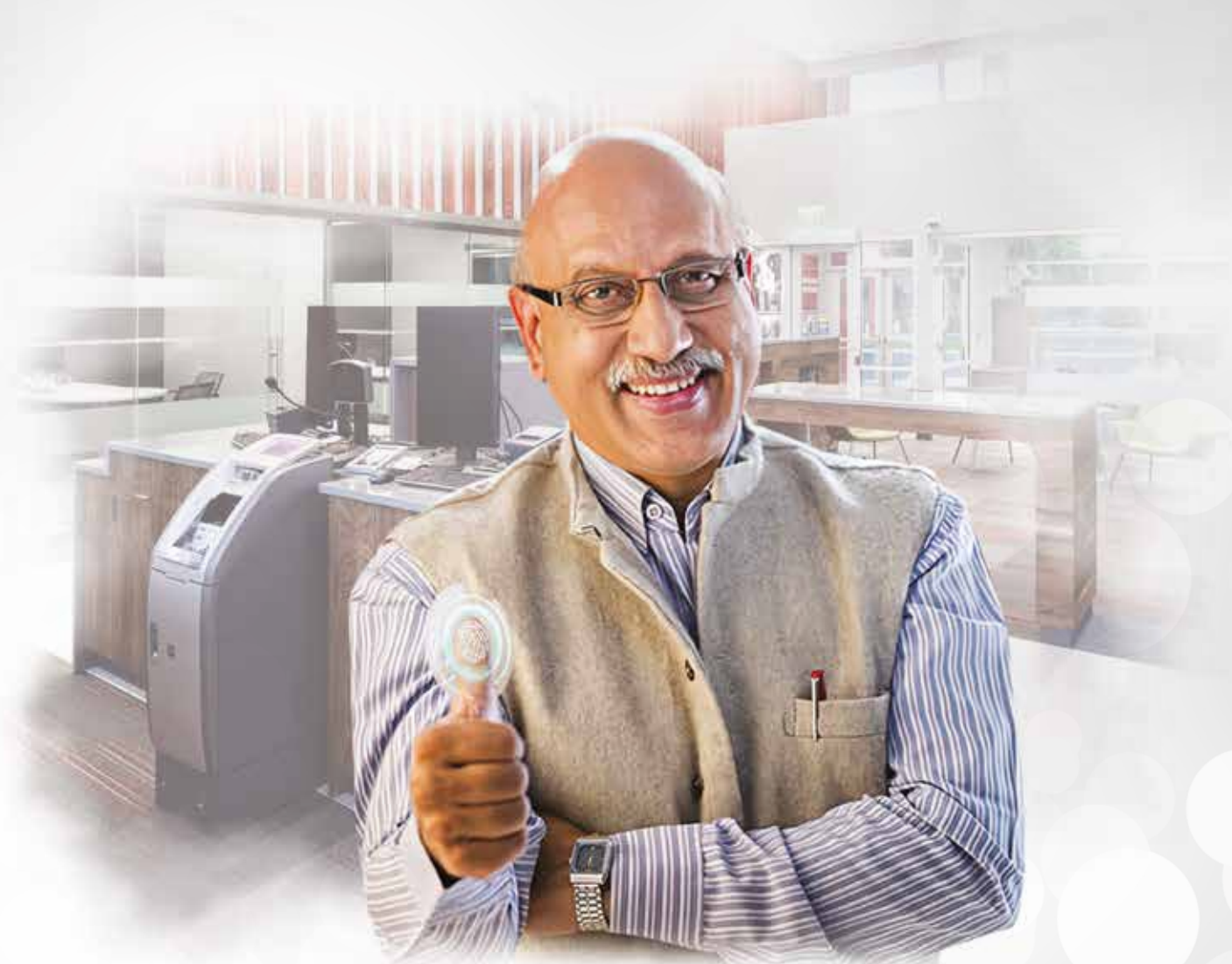
## Financial Calendar

### 2022

73 <sup>rd</sup> Annual General Meeting	30th March 2022
1 <sup>st</sup> Quarterly Financial Statements Approved by the BoD	28 April 2022
Half-Yearly Financial Statements Approved by the BoD	17 August 2022
3 <sup>rd</sup> Quarterly Financial Statements Approved by the BoD	28 October 2022
Annual Financial Statements 2022 Approved by the BoD	28 February 2023

### 2021

Analyst Briefing on Annual Financial Statements 2020	24 February 2021
72 <sup>nd</sup> Annual General Meeting	29 March 2021
1 <sup>st</sup> Quarterly Financial Statements Approved by the BoD	28 April 2021
Half-Yearly Financial Statements Approved by the BoD	26 August 2021
3 <sup>rd</sup> Quarterly Financial Statements Approved by the BoD	27 October 2021
Analyst's Briefing on 3 <sup>rd</sup> Quarterly Financial Statements	01 November 2021
Annual Financial Statements 2021 Approved by the BoD	8 March 2022



## COMFORT FOR SENIOR CITIZENS

with NBP Digital Pension Solutions

More than 225,000 Pensioners' Accounts Activated  
 by Operations Group  
 From 1st to 28th February 2023





LEADERSHIP  
INSIGHT

شاد و باد  
سخت

As a people committed to hard work and committed to their goals, National Bank of Pakistan builds its legacy from sheer passion and self-determination. This is the cornerstone of all industries that are currently thriving in the country.



# Board of Directors



**Mr. Ashraf Mahmood Wathra**  
Chairman

BHRRC BIDC

Mr. Ashraf Mahmood Wathra served as Governor, State Bank of Pakistan (SBP) from 29th April, 2014 till 2017. Prior to this, he was working as Acting Governor since 31st January, 2014.

He represented Pakistan in several international forums and served on the Board of Governors of the International Monetary Fund (IMF), Asian Clearing Union (ACU) and ECO Trade and Development Bank. He was also the council member of Islamic Financial Stability Board. Since 1st July, 2015, Governor Wathra was the co-chair of the Financial Stability Board - Regional Consultative Group for Asia (FSB-RCG Asia), Basel, based at Switzerland.

He held important positions within Pakistan including the member of Monetary and Fiscal Policies Coordination Board, National Financial Inclusion Strategy (NFIS) Council, National Executive Committee on Anti-Money Laundering (AML), Chair of the Board of Institute of Bankers in Pakistan (IBP), NFIS Steering Committee, and Agricultural Credit Advisory Committee (ACAC).

His association with SBP started when he assumed charge of the office of Deputy Governor, on 11th March, 2013.

Prior to joining SBP, he has been associated with various international and national banks and worked in various regulatory regimes in leadership positions; including Singapore, Hong Kong, Australia, Bangladesh, Sri Lanka etc. He also served as a member of Board of Directors of Habib Finance International Hong Kong, Habib Finance Australia and as First Vice Chairman of Himalayan Bank Nepal for several years.

He started his career with Grindlays Bank Plc in 1978 after completing his Masters in Business Administration.



**Mr. Rehmat Ali Hasnie**  
President/CEO (A)

BRCC BTDC BIDC NYGC

Mr. Hasnie is presently the Acting President of National Bank of Pakistan since May 2022. He has over 26 years of work experience in the financial sector including stints in economic research, capital markets, investment banking, treasury and credit markets at various institutions in Pakistan. He is a financial markets professional with a MA in Development Banking from the American University (USA). He has been with NBP since 2010 and has been the Group Chief of the Inclusive Development Group (IDG) since 2019. IDG is NBP's most recent and ambitious initiative to position the Bank as an institution focused on priority sectors' financing (i.e. SME and Agriculture lending) to enable sustainable growth and inclusive development in the country. Prior to this, Mr. Hasnie was heading Investment Banking at NBP for many years.

He is presently chairing the Board of Pakistan Mortgage Refinance Company as a nominee of NBP - a position he has filled for the past 6 years. Further, he has also Chaired the Board of First Credit & Investment Bank Limited as well as First National Bank Modaraba as NBP's nominee director. The other companies in which Mr. Hasnie has also had stints as a nominee Director of NBP are Pakistan Mercantile Exchange Limited, Agritech Ltd and Fauji Akbar Portia, Marine Terminals Ltd.



**Mr. Farid Malik, CFA**  
Director

BHRRC BTDC

Mr. Farid Malik has over 27 years of diversified experience and has worked on a number of infrastructure development, project finance, corporate finance, capital markets regulatory administrative and operational assignments both in Pakistan and abroad. He is a CFA charter-holder and a graduate of the London School of Economics.

Mr. Malik has served as the Chief Executive Officer/ Managing Director of LSE Financial Services Limited (formerly Lahore Stock Exchange Limited) and has also worked with Tomen Power (Singapore) Pte. Limited and The Securities and Exchange Commission of Pakistan. During his various assignments, he has had extensive exposure to green-field project based equity investments, limited recourse debt financing facilities, cross border project financing facilities including export credit agencies and multilateral lending agencies financing facilities, risk allocation & management techniques including hedging through derivative instruments, due diligence methodologies, portfolio management, equity and fixed income valuations, financial analysis, asset securitization and capital market operations and regulations.

He is currently on the Boards of National Bank of Pakistan and Fauji Akbar Portia Marine Terminals Limited and has also served on the Boards of Central Depository Company of Pakistan Limited and National Clearing Company of Pakistan Limited. He is a Certified Director from Pakistan Institute of Corporate Governance.

Mr. Malik has also previously served on the Boards of the Privatization Commission, the Gujranwala Electric Power Company Limited and the Pakistan Credit Rating Agency Limited. He has also attended a large number of international and local management courses, seminars and workshops conducted by world renowned providers.



**Mr. Asif Jooma**  
Director

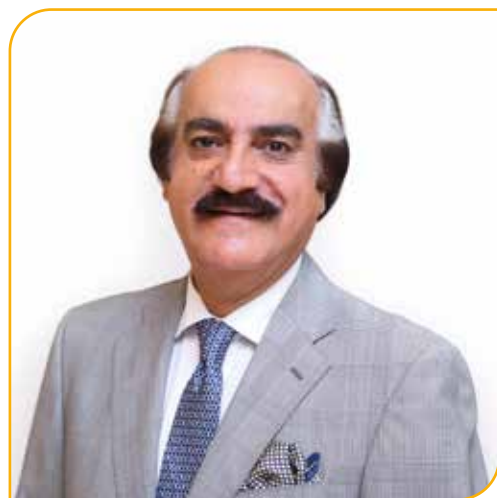
BAC BRCC BIDC

Mr. Asif Jooma began his career in the corporate sector with Lucky Core Industries Limited (Formerly ICI Pakistan Limited) back in 1983. He has over 35 years of extensive experience in senior commercial and leadership roles. Following his early years with the Company and subsequently, Pakistan PTA Limited, he was appointed Managing Director of Abbott Laboratories Pakistan Limited in 2007. After serving there for nearly six years, he returned to Lucky Core Industries Limited (Formerly ICI Pakistan Limited) as Chief Executive in February 2013.

Mr. Jooma has previously served as the President of the American Business Council, President of the Overseas Investors Chamber of Commerce and Industry (OICCI) and Chairman of the Pharma Bureau. He has also served as a Director on NIB Bank Limited, Engro Fertilizers Limited and Director and Member Executive Committee of the Board of Investment (BOI) - Government of Pakistan and currently serves on the Board of National Bank of Pakistan, Systems Limited, Pakistan Tobacco Company Limited and International Industries Limited. Mr. Jooma is also the Chief Executive of NutriCo Morinaga (Private) Limited.

Additionally, Mr. Jooma is on the Board of Governors of the Lahore University of Management Sciences (LUMS) and a Trustee of the Duke of Edinburgh's Awards Programme, whilst previously also serving on the Board of Indus Valley School of Art and Architecture (IVSAA). He himself graduated cum laude from Boston University with a Bachelor of Arts in Development Economics and attended Executive Development programmes at INSEAD and Harvard Business School thereafter.





**Mr. Ali Syed**  
Director

BHRRC BAC BRCC

Scion of a highly respected family of Lahore, Punjab, Ali Syed's ancestry can be traced to Pirkot in the district of Jhang. Ali did his Masters in Economics from the Government College Lahore and then went on to receive Masters Degree in Business Administration from the George Washington University, Washington D.C.

Ali started his illustrious career in Marketing and Finance from U.S.A. and worked with some of the best-known companies such as The Time Life U.S.A., General Development Corporation and Tandy Corporation. Back home, he founded and managed successfully Amil (Pvt.) Ltd and Simzain International.

He is presently heading Altrac (Pvt.) Ltd as Chief Executive Officer and CEO of a solar energy company namely IDC (Pvt.) Ltd. He is currently on the Board of National Bank of Pakistan and has remained on the Board of Directors of many companies including Pak Arab Refinery (PARCO), Port Qasim Authority (PQA) and Pakistan National Shipping Corporation (PNSC). He has made significant contributions as a director in important committees viz Audit & Finance, Human Resource Committee, Strategy and Risk-Management along with Technical and Projects Evaluation Committee.

Ali Syed is widely travelled and specializes in successful negotiating skills. Ali is happily married with two children.



**Mr. Amjad Mahmood**  
Director

BAC BTDC BIDC

Mr. Amjad Mahmood is currently having charge of Additional Finance Secretary (IF/INV/IGF) with 32 years of diversified work experience, in Civil Services of Pakistan. He has served in various executive positions during his service.

He has served as Advisor to the Board of Directors of the Asian Development Bank (ADB). He has vast experience in dealing with matters relating to the Securities and Exchange Commission of Pakistan (SECP), State Bank of Pakistan (SBP), National Bank of Pakistan (NBP), House Building Finance Company Limited (HBFC), National Security Printing Corporation (NSPC) and other Financial Institutions/Regulators/Organizations.

He holds a Master's degree in Administration & Management from the Institute for Development Policy and Management, Manchester University, UK. He also holds Master's degree in English Language and Literature and International Affairs.

Mr. Amjad's areas of expertise include Public Financial Management & Public Administration. He has proven capacity to work in a challenging atmosphere with diversified stakeholders and against strict timelines.



**Mr. Nasim Ahmed**  
Director

BAC BTDC BIDC

Mr. Nasim Ahmad possesses vast experience in Asset Management, Commercial Lending and Investment Banking at senior management levels internationally. He initiated issuance of sovereign bonds for the Islamic Republic of Pakistan – coordinated with debt syndication team at Deutsche Bank for making presentations to Ministry of Finance in 2014-2015 and participated in annual reviews of asset management in various countries including Switzerland, UAE, Singapore, Thailand, Hong Kong, Macao and South Africa.

He holds a degree in Development Financing from McGill University, Canada, Law degree from Pakistan and Fellow Institute of Bankers, London, UK.



**Mr. Ahsan Ali Chughtai**  
Director

BAC BRCC NYGC

Senior Banker/Financial Sector/Public Policy and Development/Investment and Planning/ PPP Specialist.

Key Skills: Financial sector, Infrastructure structuring, development, implementation.

Over 42 years of banking and consulting experience with international and domestic banks, Provincial Government and its agencies, MLAs and other foreign donor agencies.

# Chairman's Review

*Despite all headwinds, the Bank will continue to play an important contributory role towards the country's economic stability.*

## Dear Shareholders,

I am pleased to present this Review Report as the new Chairman of this major National Institution that has been partnering and contributing to Nation's growth for over seven decades.

## Your Bank

NBP, stakeholders will join me in appreciating that NBP has always embraced its responsibility in putting the country first as Pakistan's leading financial institution over the decades. The Bank's business model is evolved as an institution which primarily handles the banking needs of the government its entities and their employees. We are now working towards redefining this traditional role to include main stream commercial and retail banking business with more focus on the ever growing SME midmarket segment including the needs of small businesses, agricultural and related farming sector and the supply chain segment which has the capacity to generate short cycle cash flows.

## Operating Context

Global economy is facing multiple challenges. The World Bank has slashed the global economic growth outlook to 1.7% for 2023 from its earlier projection of 3%. High inflation has triggered rapid and synchronous monetary policy tightening globally. The spill over of sluggish growth is exacerbating headwinds faced by emerging markets and developing economies.

Pakistan's economy is also confronted with multiple challenges like high inflation, low growth, and low levels of official foreign exchange reserves. To stem the rising inflation, the State Bank of Pakistan has increased the policy rate from 7.5% in September'21 to 17%. GDP growth is projected to fall below 2% in FY23.

The Banking industry is now subject to higher base tax rates, additional taxes related to income from government securities, lower ADR and higher minimum lending targets for various segments. Conventional banking systems are facing competition from the innovative Fintech and less regulated non-bank institutions.

Let me concede at present, our preparation to meet the aforementioned challenges is not adequate. We need to acquire new technology and enhance our skills set and aggressively strategize to retain our prominent role in the competitive market place.

## The Board

In April 2022 four Directors on the Board including the Chairman completed their tenure and to fill the vacant positions, Government of Pakistan appointed myself and two other Directors in January 2023.

The Board is an optimum mix of non-executive, executive and independent Directors which fully meets the regulatory requirement. My fellow directors are accomplished professionals and bring diversity and rich experience to the Bank.

The Board is cognizant of the current economic situation in the country and its effects on the Banking and Financial sector. This together with the critical interdependency that exists between our socio-economic environment, the well-being of our stakeholders and under the circumstances the sustainability of the Bank shall create immense challenges. The Bank will have to proactively manage these critical challenges effectively by implementing planned strategies.

Against this backdrop, the Bank will continue to play an important contributory role towards the country's economic stability by managing desirable growth and value creation for the stakeholders.

We are mindful of the current and legacy issues that persist and remain our crucial challenges. Going forward the Bank is committed to address and resolve these challenges while protecting its capital and franchise and to the satisfaction of its stakeholders.

The Board is also aware of the Bank's Corporate Social responsibilities and its commitments towards environmental preservation and wellbeing of its employees who are the key stakeholders, and this shall remain one of the foremost priority.

## Compliance

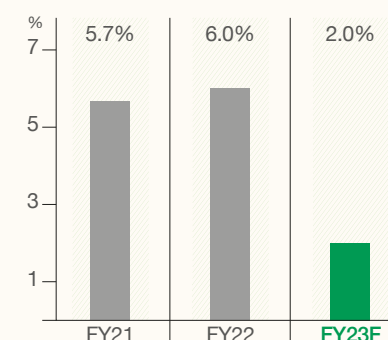
The Board is fully committed to instil and implement industry best practices, state of the art technology and requisite skills to augment the Bank's standing as one of the largest banks in Pakistan.

The Bank has in the past faced key compliance issues largely due to outdated systems and controls, inadequate technologies, weak processing and lack of skills. This has led to numerous regulatory actions and heavy penalties and reputational concerns.

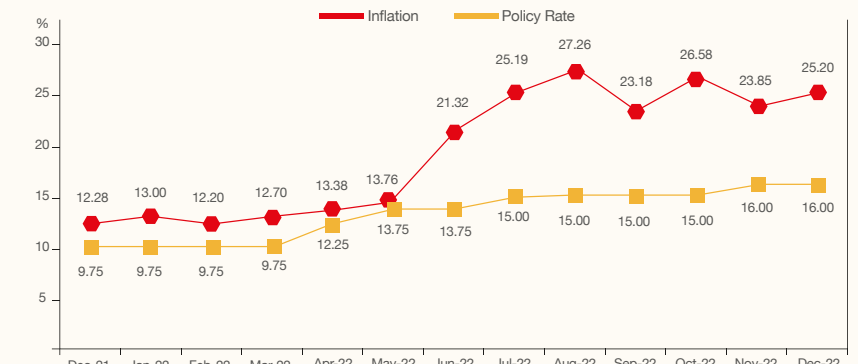
The Enforcement Action by Regulators (NYDFS & FRB) at NBP US Operations has been under remediation. Annual Examination Report issued by Regulators in April 2022 acknowledged that the previous regulatory observations have been met and there are no new AML/CFT and sanctions related observations. As part of the de-risking, the Bank is in the process of moving USD clearing business to the correspondents.

This will be taken up under a carefully planned and structured methodology and in full compliance with all regulatory requirements.

## Pakistan GDP Growth FY21 - FY23F



## Policy Rate and Inflation





## Global Franchise

The Bank’s international franchise has historically lacked strategic direction and the overall control structure is not considered sufficient to meet the ever-increasing challenges in the global marketplace. The inherent risks of value erosion from these international operations clearly outweigh the opportunities for value creation.

Accordingly, and in view of huge operational and compliance risk, the Bank has implemented an exit strategy from various markets which shall be continued in a planned manner and completed effectively at the earliest.

A strong franchise in key global markets built around correspondent banking relationships, investments, trade linkages with Pakistan, abilities to extend quality service to overseas Pakistani diaspora supported by a strong technology platform replacing weak systems, strengthening controls and placement of skilled HR shall remain the ultimate goal for the Bank. This shall be the hallmark of our future strategy for Bank’s franchise in global markets.

## Public Sector Entities

The Bank shall continue its support for the public sector entities however Bank will endeavour to revisit its credit underwriting strategies, strengthen assets monitoring procedures and realize loan restructuring opportunities. We shall be seeking recovery of overdue mark-up from public sector entities which is considered essential for Bank’s financial soundness.

## Looking Ahead

We understand the inevitable Macro Economic challenges are likely to prevail in the short-term, however, we remain confident of the Bank’s resilience to meet the challenges.

I trust the measures adopted by the Government will drive the country’s economic revival and help us succeed in positioning the country to achieve its full potential in the medium to long term.

As the Nation’s Bank NBP remains firmly committed towards supporting the Government’s national development agenda through strengthening the Agriculture, SME and the Export sectors, building capacity and encouraging the farmers and local manufacturers to meet the Macro Economic targets.

Full implementation of Treasury Single Account (TSA) will create new challenges for the Banking and Financial sector. TSA is being implemented under a phased plan. On its completion this would result in withdrawal of Federal Government and related departments deposits from the banking system estimated between PKR 150 Bn to PKR 200 Bn.

NBP by virtue of its business with Government and related departments will face large deposit withdrawals. This will not cause serious liquidity issues however Bank’s lending objectives will be temporarily affected. Bank has developed strategies to deal with these sensitivities and maintain liquidity and other key ratios within the acceptable limits. Bank is also working on targeting retail and institutional deposits to strengthen our market share and accordingly substitute the TSA withdrawals.

As we navigate the Bank through these challenging times, we look forward to continued support from the Government of Pakistan.

In particular, we request appointment of a fulltime President & CEO of the Bank. This will strengthen the leadership of the Bank and bring in the necessary and key functional and operational efficiencies. We also request appointment of Directors to the vacant Board Room positions; a complete Board will further strengthen the oversight and operational support to the management.

Board shall encourage the management to expedite transformation to achieve excellence in Islamic and Digital Banking product offerings, stronger focus on Consumer, SME, s, Housing Finance for low-income groups and the Agricultural Finance segments. This shall deepen our role as the Nation’s Bank, and enhance our presence in market niches which remain largely untapped.

The Board shall prioritise integrating social and environmental consciousness into the Banks overall business strategy. Strengthening Risk Management framework, Technology Platform and proactively addressing the anomalies in HR governance shall feature prominently in our key priorities for the Bank.

## My Message:

### - To Our Key Partners & Regulators

I am thankful to the Federal Government for the confidence reposed in me. I am also thankful to the Governor and Officials of the State Bank of Pakistan for their guidance and support.

I wish to convey our firm resolve to ensure strong governance within the Bank; Implement a strong control and compliance structure throughout the Bank and ensure that the Bank remains a good and compliant corporate citizen.

I extend assurance to our Regulators both in Pakistan and around the world that we continue to prioritize and build standards of Governance and operational discipline in our Bank to meet their expectations.

### - To Our Staff

The Bank shall be fair, equitable and transparent in its dealings which shall all be based on the principle of meritocracy. We are focused on resolution of legacy issues, though this may take time, however we have set our direction and would take a prioritized approach to resolve the issues. I appreciate efforts and contribution of all staff toward the continuing success of the Bank and I firmly believe that good and robust financial results would not have been possible without teamwork and the dedicated efforts of all employees of the Bank.

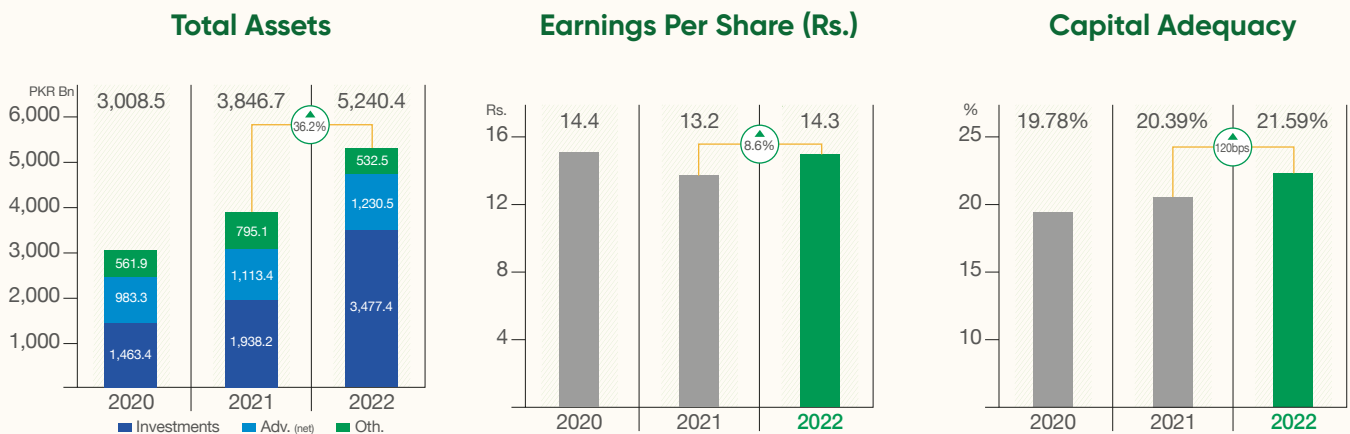
## Appreciation

I extend my gratitude to the retiring Chairman Mr. Zubyr Soomro, the outgoing Directors and the retiring President Mr. Arif Usmani for their leadership and guidance in making the Bank strong and more resilient. The Bank’s leading position, its market outreach, economic value generation and contribution to the national exchequer is a testimony of effective management and leadership and oversight of the Chairman and the Board of Directors.

Finally, I would like to thank all our valuable customers and business partners for their continued loyalty and support.

**Ashraf Mahmood Wathra**  
Chairman

February 28, 2023  
Karachi.



# Reflections from the CEO

*Against the backdrop of challenging operating context, we continued to deepen our role in driving the country's economic activity while ensuring resilience & sustainability deliver value to all our stakeholders.*



## Dear Readers,

I am honoured and deeply conscious that I am leading a Bank with a 74-year history of serving the Nation. Till the time a full time President/CEO is appointed, it is my turn to provide the Bank with the leadership to fulfil its role and deliver the necessary value to all stakeholders. I take the opportunity to thank all concerned for their trust & confidence within the Bank to have maintained continuity as well as delivered the strong results.

In this communiqué, I will brief you on our operating & business context, strategic and operational progress during 2022, our financial performance and our growth strategies going forward. To reiterate, we don't want NBP to just be a larger version of other Pakistani commercial banks. Our raison d'être remains to serve the Nation as well as deliver value for our stakeholders.

## Challenging Operating Context

**Globally:** Despite the COVID-19 pandemic fading away, global growth is projected to decelerate. The crisis facing development is intensifying as a result of supply disruptions, synchronized

monetary policy tightening to contain high inflation, less favourable financial conditions, and geopolitical tensions. Latest forecasts indicate a sharp, long-lasting slowdown, with global growth declining to 2.0% in 2023 from earlier projection of 3.0% primarily driven by geo-political tensions and the prevailing commodity price super cycle.

**Pakistan Economy:** Specific to Pakistan, the already precarious economic situation was exacerbated by devastating flooding that damaged infrastructure, one-third of the agricultural production (which accounts for approx. 23% of GDP and 37% of employment) and about 15% of the country's population. Recovery and reconstruction costs of large-scale flooding are expected to be 1.6 times the FY2022-23 national development budget. Overall, the country's economy is confronted with major challenges like lower forex reserves, limited foreign financial inflows, twin-deficits and inflationary pressures. As the structural adjustment programme that the country is in continues, the expectation of a slowdown in economic activity and reduction in imports in H2-FY23 poses substantial challenges for the economy due to the tightening policy. These factors have led to lowering of Pakistan's sovereign rating by major credit rating agencies.

To counter the inflationary trend, State Bank of Pakistan has continued its interest rate hike cycle by increasing the policy rate from 7.5% at the beginning of 2022 to 16.0% by the end of 2022, and further to 17.0%. The consequent impact of rising and high nominal interest rates will in turn have to be dealt with by not just the financial sector but will have its own impact on the real sector of the economy as we enter 2023.

## Banking Industry

Despite challenging economic conditions, the banking industry remained resilient, albeit with some rising risk concerns which emanate from Pakistan's macroeconomic environment as well as the overall perception of the direction of fiscal and monetary policy. Although the rise in the average policy rate of 590 bps from 7.28% in 2021 to 13.18% in 2022 had a positive impact on the banking industry's revenues, it has also raised concerns for banks with regards to potential future risks that can be faced by them going forward. The Pakistani banks carry large holdings of government securities and lending in each of these classes, the impact of rising policy rate has different but potentially adverse effects. Such impacts will have to be absorbed by banks on the capital and therefore sufficient buffers need to exist on their balance sheet such that they can withstand any shocks.

## The Bank is Profitable, Strong and Able to Absorb Shocks

The Bank has delivered yet another year of strong financial results and further strengthened its resilience to absorb shocks in uncertain times. The excellent strategic delivery and financial results are testament to the efforts & dedication demonstrated by the Bank's employees in serving the Nation. The Bank posted its highest-ever pre-tax profit of PKR 62.7 Bn, 18.7% up YoY. With a 40% YoY growth in interest bearing assets coupled with the beneficial impact of interest rate increases, the Bank's generated gross interest income of PKR 503.3 Bn i.e. 117% up YoY. In the rising interest rate environment, the Bank paid PKR 386.5 Bn in profit to the providers of interest bearing funds that averaged PKR 3,871.9 Bn. Pursuant to our effective deposit mobilisation strategy, average non-interest bearing deposits increased by PKR 60 Bn to PKR 571.2 Bn and saved deposit cost by approx. PKR 5.0 Bn. Consequently, net interest income

stood at PKR 116.8 Bn, 19.7% up YoY. Despite a challenging business environment and lower trade activity, the Bank maintained its non-fund income stream that amounted to PKR 36.7 Bn (2021:PKR 36.9 Bn).

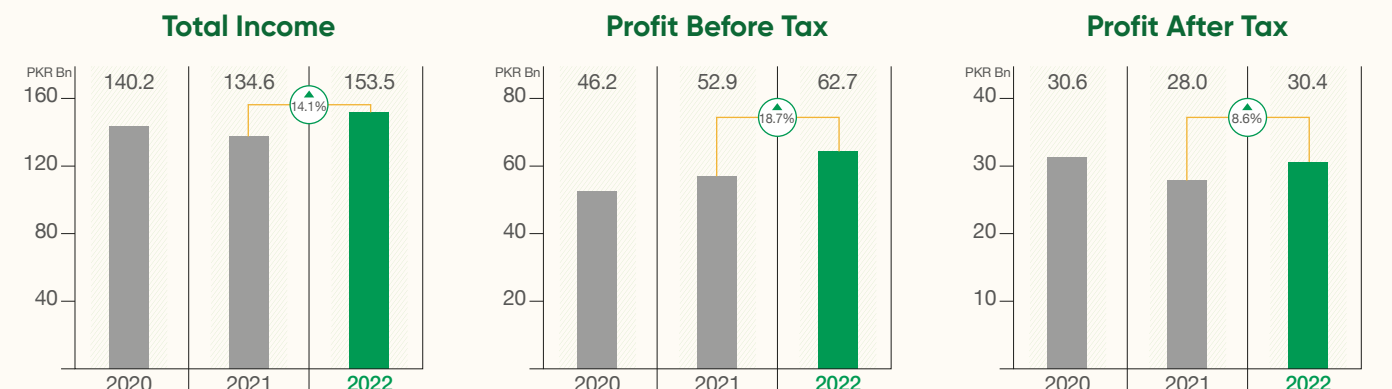
Pursuant to our prudent strategy to strengthen the capital base of the Bank in the challenging times, a provision of PKR 12.6 Bn has been charged. This is particularly important in the backdrop that IFRS 9 that stands implemented effective January 01, 2023. The Bank now holds PKR 190.7 Bn in specific provisions (translating into a high coverage ratio at 93%) and further PKR 12.5 Bn in general provisions.

It is a testament to the strength of the Bank that even with a highly prudent approach to provisioning, the Bank has reported its highest ever pre-tax profit amounting to PKR 62.7 Bn (i.e. 18.7% up YoY) and a profit after tax of PKR 30.4 Bn (i.e. 8.6% up YoY). It is important to highlight that the applicable tax rates were raised on the banking industry in 2022 as well as there was a retrospective application of tax as well. Therefore, the total tax charge amounted to PKR 32.3 Bn at an effective tax rate of 51.5% (2021:47.0%) which has resulted in the Bank showing a lower growth in after tax profit as compared to last year.

The Bank achieved PKR 5 Trillion milestone in its balance sheet that grew by 36.2% to reach PKR 5,240.4 Bn, making NBP the largest Bank in Pakistan in terms of total assets. Asset quality remains strong with no YoY increase in domestic NPLs during the year. As a conscious strategy to deliver higher after-tax profit to the Bank's shareholders, the year-end deposits stood at PKR 2,666.2 Bn (2021:PKR 3,019.2 Bn). Major share of the Bank's deposits comes from sticky customer deposits that contribute 98.1% of the total deposits with CASA ratio at 79.4%.

In summary, NBP is now the largest capitalised bank in the country (with net assets of PKR 300.8 Bn) with CAR at 21.9%, Liquidity Coverage at 147% and Net Stable Funding at 251%. This makes the Bank strong and resilient to absorb shocks in challenging times and therefore enjoys highest credit ratings of AAA/A1+ for both long term and short term respectively.

A detailed Financial Performance overview is given from Page # 115.





## Helping the Nation Prosper

Helping the Nation prosper has been a central tenet of our purpose. Against the backdrop of delivering strong results, NBP continued to deepen its role in driving the country’s economic activity in an uncertain environment. With more than 300,000 new customers this year, NBP is now serving more than 9.5 million customers, and continues to be a major financial intermediary that connects millions of ‘opportunities’ in the country. The Bank manages PKR 2.7 trillion of deposits for 7+ million depositors and has extended PKR 1.4 trillion of loans to more than 0.5 million borrowers. With PKR 100 Bn in outstanding, our ‘Advance Salary’ loan is the largest single consumer finance product in Pakistan meeting the financial needs of more than 270K+ families. We are also one of the largest providers of funding to large corporations (PKR 632 Bn) as well as to the agricultural/farm credit (PKR 74 Bn) serving more than 128 thousand farmers across the country. This year SBP nominated NBP as the ‘Champion Bank’ for AJK region to promote agriculture financing in the sector. The Bank was recognised for its CSR initiatives in the area of women empowerment and differently abled persons.

This year NBP contributed PKR 32.3 Bn to the national exchequer in taxes as well as enabled the Government to collect and pay PKR 8.4 Trillion. The Bank also disbursed loans of PKR 6.3 Bn as low cost housing finance under Mera Ghar Housing initiative to 2,000 families, and PKR 8.1 Bn in the Prime Minister Youth Business Loan scheme to 15,000+ young entrepreneurs.

We remained fully committed to resolving issues raised by our stakeholders through Pakistan Citizen Portal and the President NBP Portal through 23,932 complaints of which 23,706 stand addressed. Seven (07) Khulli-Kachehri were conducted in 2022 by my predecessor and myself to engage with the general public through telephone calls and resolve any issues raised.

## Our Transformation Journey

The Bank embarked on a transformational strategy in early 2019 to be able to capitalise on its leading position and become a financial institution with whom the customers “want to deal with” rather than to “have to deal with”!

We have made steady progress in addressing our key institutional challenges in areas like Risk, Compliance & Controls Technology, HR, etc. While visible progress has been made, we stay determined to fix these issues, come what may – it is an imperative!

### - Risk, Control and Compliance

As the Bank’s balance-sheet growth grows, we continue to focus on enhancing our risk & credit architecture. The transformation has led to establishing the roles and responsibilities of ‘three lines of defence’ for each material risk the Bank in line with international best practices. While these measures will help in the future, our carry-forward NPLs in the private and public segment will require special attention in the coming years and can be the source of future profitability for the Bank. Historically, the Bank has been carrying on its books NPLs that are significantly higher than its peers and industry average (although fully provided). With the implementation of IFRS-9, addressing NPLs is necessary to improve better risk and tax management for NBP in future.

### - Accelerate Technology & Digital Transformation

We have embarked on a technology upgrade journey as an initial step to evolve as a modern financial institution. With the upgrade of our Core Banking Application underway, there is a simultaneous thrust to improve the digital application and the ATM network. The Bank’s core strategy remains focused on financial inclusion and a major component of this strategy is digitalisation enabling access to financial services to all Pakistanis - farmers, entrepreneurs (particularly women) running SME/cottage industries; beneficiaries of G2P subsidy schemes & welfare programs, etc. Our commodity subsidy platform is delivering support to more than two million beneficiaries for grocery purchases at 30K+ Kiryana stores by smoothly transferring food subsidies. This year the Bank also achieved a 60% YoY growth in debit card activation. This year the Bank processed seventy-seven million digital transactions of just above PKR one trillion value. The launch of the E-stamping initiative in collaboration with the Governments of Sindh and KPK was yet another achievement facilitating G2P payment.

### - Human Capital

NBP is continuously working on improving its overall working environment to attract better human capital. In this regard, the continuous process of policy review and efforts to become a more inclusive employer was achieved through team building, training & development and maintaining industrial harmony. Effective steps were taken to promote diversity in line with the ‘Banking on Equality Policy’ of the SBP and our incoming batch of Trainee Officers composed of 62% women and 15% are from minorities/under-represented applicants. In recognition of such efforts, NBP has been recognized at the Global Diversity, Equity and Inclusion Benchmarks Awards-2023 by winning a total of four awards.

### - International Franchise

Given the historically sub-optimal performance of many of our overseas operations, we are following a prudent strategy to consolidate and scale back our international footprint. Going forward, our strategy is selective growth with focus on trade, remittances and FIs business. In line with the plan approved by the Board, we are closing our Central Asian operations and will continuously remain focused reviewing all locations on the basis of profitability, sustainability and potential market prospects as a basis to decide on exit or stay. Also, we have rejuvenated our efforts on the recovery of overseas NPL portfolio. For international franchise, we continue to remain committed to ensure compliance with all the applicable laws, rules, regulations, and codes in the spirit of good governance.

## Integrating Sustainability

As the Nation’s bank, NBP has always been conscious of ensuring that its customers are in compliance with applicable environmental standards. Going forward, given the climatic risks in Pakistan (as evidenced by the recent floods) the Bank is further strengthening its processes to comply with the ESRM Implementation Manual (launched by the SBP) and the UN SDGs.

NBP endorses the objectives of the ESRM for reporting on environmental and social related measures of the banks. While a report on our CSR initiatives during 2022 is given elsewhere in this Annual Report, going forward we have clear plans to adopt Global Reporting Initiatives for sustainability reporting.

## Islamic Banking

To promote riba free Islamic banking, which I believe is the true ‘sustainable banking’ synonym, this year we opened 50 Islamic banking windows in our conventional branches. We launched new deposit and loan products specially focused to promote financial inclusion of women. Our total Islamic banking assets increased by 8.3% and reached PKR 109.3 Bn as we are managing PKR 77.1 billion of customers’ deposits. Home Remittance transactions processed by our Islamic banking cluster stood at 322,690 for the year. Whereas debit cards activation increased to 54,692 as of December-2022, showing a

25.5% growth, YoY. Over 4,800 digital banking users were activated during the year, taking the total users to 11,133, i.e. 75% up YoY.

## 2023 and Beyond

Being the country’s leading Bank, we are cognizant of the short-term challenges prevailing in our operating environment. We understand effective measures being taken by the government and the State Bank of Pakistan will mitigate the risks and lead to improvement of the country’s external position in the medium term. As a systemically important bank, we are determined to play our National role by supporting the Government’s efforts for a robust economic recovery in the country, while also maintaining a strong & resilient balance sheet to deliver sustainable performance to our shareholders. Operating conditions remain difficult but policy responses will help.

In 2023, we will continue to enhance our digital transformation for offering innovative solutions through seamless delivery channels. We will also prioritise our Inclusive Development programme with focus on priority sectors including Islamic, Agriculture, SME, Women, CSR and G2P initiatives. Focus will also be placed on empowering the country’s youth and emerging entrepreneurs through providing access to affordable finance, thereby fuelling economic activity across the country.

As our sustainability manifesto continues to evolve and mature, we have initiated plans to proactively integrate the ESG factors across our business verticals and key processes thereby contributing to sustainable development while strengthening the resilience of our business.

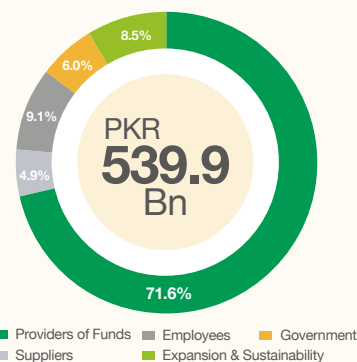
## Acknowledgements

As we look towards 2023, I would like to take this opportunity to thank our outgoing Directors in 2022 as well as Mr. Arif Usmani for their services. I am especially thankful to three Directors (Mr. Asif Jooma, Mr. Farid Malik and Mr. Ahsan Chughtai) who have continued as Board members through 2022 for their input and support. I would also like to mark my appreciation for the executive team and employees of the Bank who have delivered these results. I also thank the Ministry of Finance and the Governor and the staff of SBP for their continuous guidance. I would like to thank all our valuable customers and all other stakeholders who have placed their trust in the Bank.

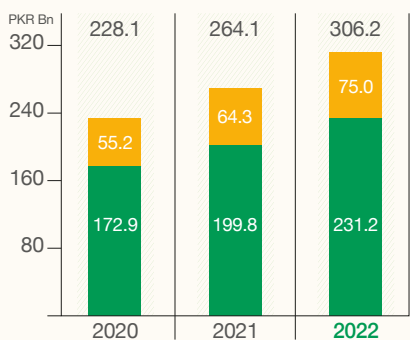
Finally, I would like to welcome our newly appointed Chairman Mr. Ashraf Mahmood Wathra and other Directors on the Board. We look forward to navigating the Bank against all headwinds under their stewardship and able guidance on its journey to transform itself into a modern and efficient company well equipped to deliver against its **Vision**.

**Rehmat Ali Hasnie**  
 President/CEO (A)

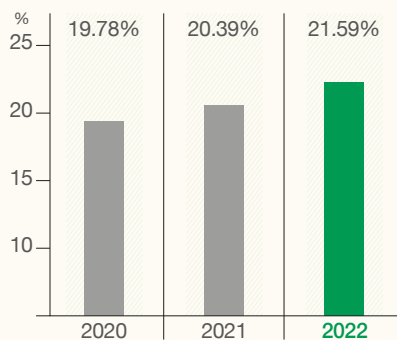
Value Distribution – 2022



Total Capital



Capital Adequacy



# Directors' Report to the Members

## Dear Shareholders,

The Board of Directors are pleased to present the Annual Report of National Bank of Pakistan “NBP” “the Bank” together with the audited financial statements for the year-ended December 31, 2022 and the independent Auditors’ Report thereon. Proper books of account have been maintained and these financial statements fairly present its state of affairs, the result of its operations, cash flows and changes in equity during the year.

## Operating Context

The global economy continues to face slowing growth, high inflationary pressures and geo-political tensions which, it seems will persist in the near-to-short term. In most countries (especially the developed economies), central banks are responding aggressively to manage the rising inflationary pressures with a tight monetary stance and the consequence of exchange rate pressures on most emerging market currencies. Consequently, most countries are facing a multi-year slow growth trend in which rising debt burdens and weak investment are being observed.

Pakistan’s economy is also beset by multidimensional challenges due to long-term macro imbalances and policy uncertainties. In early FY23, Pakistan’s economy had just recovered from the COVID-19 pandemic and was undergoing structural adjustments. Supported by accommodative macroeconomic policies, the GDP grew by 6.0% in FY22. However, strong domestic demand, coupled with low productivity growth, high world commodity prices, and the global economic slowdown has exacerbated the external imbalances. To stabilize the economy, the Government began implementing a range of corrective policy measures to constrain aggregate demand, including a contractionary budget, increase in the local energy prices and a free floating exchange rate. As a result of these stabilization measures, growth is expected to slowdown, the exchange rate to stabilize and appropriate macroeconomic space would be created to adjust the size of the public debt, while the country’s foreign exchange reserves were expected to gradually rise.

However, the economy suffered a setback due to catastrophic floods which have left nearly 33 million people devastated in the country and severely raised the economy’s requirement of funding (domestic and foreign) to cope with the relief and rehabilitation of the flood affected as well the adverse impact on the domestic economy. The Government faces difficulty in continuing its social protection programs for these relief & rehabilitation efforts while maintaining progress towards achieving macroeconomic stabilization that was needed on its own merits. Based on currently available information, GDP

growth could fall to around 2% in FY23, compared to the previous forecast of 3-4% before the floods. Meanwhile, higher food prices have raised the headline inflation around 25% YoY, somewhat above the pre-flood projection of 18-20%. In the prevailing inflationary environment, the State Bank of Pakistan has increased the policy rate from 9.75% at the beginning of 2022 to currently 17.0%. SBP has projected Large Scale Manufacturing to further slow down due to supply constraints and production cuts.

While removal of Pakistan from the FATF grey list was a positive development, the current account deficit, the external sector remains under stress due to delay in realization of official financial inflows and debt repayments. The Government is taking effective policy measures to address domestic and external imbalances. Key priorities include strengthening the fiscal position, continuing social protection to the poor, allowing free floating exchange rate and shifting from general subsidies (especially in terms of energy pricing) to a regime where subsidies are targeted. The timely implementation of these macro measures along with the revival of the IMF’s Extended Fund Facility should resume the flow of multilateral support which is critical for Pakistan to successfully regain macroeconomic stability and advance its sustainable development agenda.

## Performance and Outlook of the Banking Sector

Pakistan’s banking sector has performed well and remained resilient during 2022. Spreads have improved on the back of higher average policy rate. However, continuity of the stress in the macroeconomic environment may have adverse implications on asset quality and overall banking industry’s performance in 2023. Performance may also be affected by certain policy decisions like incremental tax regime (with particular reference to Advance-to-Deposit Ratio based tax) and the implementation of the Treasury Single Account. These fiscal measures can push the banks either to follow aggressive lending strategies, or to shed their deposits to avoid higher tax rates.

In the meanwhile, as per the SBP directives, IFRS 9 stands implemented effective January 01, 2023 which will change the computation of credit cost for banks - based on expected losses, resulting in, (i) a one-time provision on existing assets, routed through Equity and (ii) recurring provisions cost on P&L depending on each bank’s asset book quality, and reclassification of certain investment. Also, it will lead to reclassification of certain investments with related income routed through ‘Other Comprehensive Income’ instead of the Profit & Loss Account. However, no major impact is expected on capital adequacy of the banks, as SBP has allowed banks to opt for a ‘transitional arrangement’ staggering the impact over 5 years.

However, effective internal controls, customer confidence and robust regulatory monitoring by the SBP makes the Pakistan banking industry agile and resilient enough to adjust to changing regulatory requirements and emerging economic & regulatory environment.

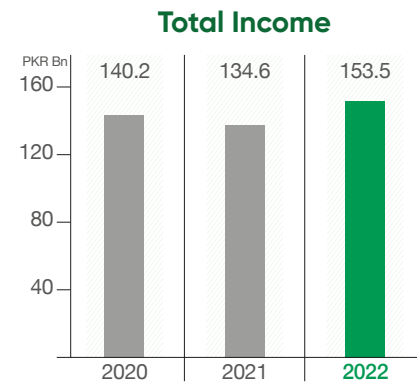
## NBP’s Strong Financial Delivery in 2022

The following financial discussion and analysis is based on statutory information unless otherwise stated. Despite the continued challenging environment, the Bank has delivered strong financial results for the year ended December 31, 2022. For the year under review, NBP has recorded after-tax profit of PKR 30.4 Bn.

### • Profitability

No.	Key Items	2022	2021	PKR Bn	
				Better/(Worse) Amount	%
1	NII	116.8	97.6	19.2	19.7%▲
2	NFI	36.7	36.9	(0.3)	(0.7%)▼
3	<b>Total Income</b>	<b>153.5</b>	<b>134.6</b>	<b>19.0</b>	<b>14.1%▲</b>
4	Admin Exp.	78.2	60.0	(18.2)	(30.3%)▲
5	Pre-Prov. Profit	75.3	74.6	0.8	1.0%▲
6	Provision Charge	12.6	11.9	(0.7)	(5.7%)▲
7	Extraordinary Item	-	9.8	9.8	100.0%▼
8	<b>Pre-tax profit</b>	<b>62.7</b>	<b>52.9</b>	<b>9.9</b>	<b>18.7%▲</b>
9	Tax	32.3	24.9	(7.5)	30.1%▲
10	<b>After-tax profit</b>	<b>30.4</b>	<b>28.0</b>	<b>2.4</b>	<b>8.6%▲</b>
11	EPS (Rs.)	14.29	13.16	1.13	8.6%▲

In the backdrop of higher average policy rates coupled with a major volumetric growth in interest bearing assets, the Bank generated a gross mark-up/interest income of PKR 503.3 Bn which is more than double the PKR 231.9 Bn of prior year. Likewise, interest/mark-up expense amounted to PKR 386.5 Bn, of which PKR 209.6 Bn or 54.2% was paid to the depositors. Consequently, net interest/mark-up income “NII” closed at PKR 116.8 Bn which is 19.7% higher, YoY. Despite a lacklustre trade & business activity during the year, the Bank succeeded in maintaining its non-mark-up/interest earning “NFI” stream that closed at PKR 36.7 Bn (2021:PKR 36.9 Bn). Accordingly, total revenue of the Bank closed 14.1% high YoY at PKR 153.5 Bn (2021:PKR 134.6 Bn).

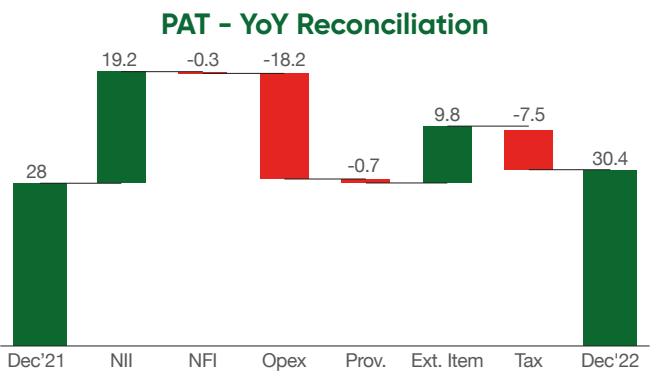


Operating & other expenses for the year amounted to PKR 78.2 Bn depicting a YoY increase 30.3%. HR costs that constitute around 62.5% of the total operating expenses, amounted to PKR 48.8 Bn i.e. 31.8% up against PKR 37.0 Bn in 2021. Pertinent to mention this YoY increase in HR costs is mainly due

to the fact that the year 2021 cost was on a lower side as compared to 2020 due to reversals of certain accruals created in the prior years which were no longer required. Excluding the impact of such reversals, the cumulative average growth in staff cost stood 11%.



The Bank invests appropriate funds in the uplift and maintenance of its business premises, providing a secure & healthy work environment to its workforce and customers. This year we spent a sum of PKR 1.1 Bn on repair and maintenance of our business premises. Overall property-related expenses amounted to PKR 10.7 Bn, which is 26.7% more than the prior year. Since Information Technology is pivotal for the Bank to achieve its strategic goals, we continue to invest in upgrading our core banking application, systems, and applications architecture. In 2022, we spent PKR 2.0 Bn on software maintenance and PKR 0.8 ‘Bn on network enhancement. In line with our prudent strategy to buttress the Bank’s balance sheet against possible stress, PKR 12.6 Bn provisions have been taken, of which PKR 8.1 Bn are against advances (mostly being general provisions in view of the credit risks associated with certain sectoral pressures which are becoming evident) and PKR 3.8 Bn against investments. Consequently, profit before tax amounted to PKR 62.7 Bn which is 18.7% higher YoY.



With the recent changes in taxation laws, the effective tax rate stood at 51.5% (2021:47.0%) and amounted to PKR 32.3 Bn. While the banking industry is already subject to a super tax charge of 10% with incremental 4% statutory tax rate, this additional tax has impacted after-tax profitability of the banks (including NBP). Furthermore, the Finance Act-2022 imposed 10% additional tax on banks if their Advances to Deposit Ratio falls below 50%; and 16% if the ADR goes below 40%. The Bank has also recognized a prior tax charge of PKR 3.8 Bn due to the retrospective applicability of additional tax on income from Govt. securities due to ADR below 50%.



Accordingly, the Bank’s after-tax profit closed at PKR 30.4 Bn which is 8.6% higher than PKR 28.0 Bn of previous year (in which the applicable tax rates and charges on banks were significantly lower).

The Bank’s end of year total assets closed at PKR 5,240.4 Bn which is a massive 36.2% increase from PKR 3,846.7 Bn at the end of 2022. Capital & reserve closed at PKR 300.8 Bn i.e. PKR 14.6 Bn or 5.1% up from PKR 286.2 Bn on December 31, 2021.

• Balance Sheet Growth

Key Items	2022	2021	Growth
Investments (net)	3,477.4	1,938.2	79.4% ▲
Advances (net)	1,230.5	1,113.4	10.5% ▲
Total Assets	5,240.4	3,846.7	36.2% ▲
Deposits	2,666.2	3,019.2	(11.7%) ▼
Borrowings	1,940.5	312.9	520.1% ▲
Net Assets	300.8	286.2	5.1% ▲
Break-up Value Per Share	141.4	134.5	5.1% ▲
Islamic Banking Total Assets	109.3	100.9	8.3% ▲

Gross loans & advances stood at PKR 1,438.6 Bn depicting a modest YoY increase of 10.2% or PKR 133.4 Bn; whereas, net advances stood at PKR 1,230.5 Bn. Growth in advances was achieved in most of our products including corporate, commodity, agriculture and Islamic. Consequently, the advance-to-deposit ratio improved to 54.0% at the end of 2022 as compared to 43.2% at the end of 2021. Non-performing loans recorded a small increase of 3.7% and amounted to PKR 205.3 Bn (2021:PKR 197.9 Bn). With PKR 190.7 Bn of specific provisions held, NPL coverage ratio stood high at 93%.

The Bank’s investments (at cost) amounted to PKR 3,509.0 Bn (2021:PKR 1,924.2 Bn) with a carrying value of PKR 3,477.4 Bn (2021:PKR 1,938.2 Bn). Pursuant to an effective yield/interest rate risk and liquidity management strategy, the Bank is maintaining a diversified investment portfolio across zero risk weighted GoP instruments, high dividend yielding equities and other interest-bearing financial assets with interest sensitive maturity pattern.

As of December 31, 2022, total deposits with the Bank amounted to PKR 2,666.2 Bn as compared to PKR 3,019.2 billion at the end of 2021. This reduction in deposits is based on a focussed strategy to reduce the ADR based tax imposition so as to deliver a higher after-tax profit to our shareholders. Major share of the Bank’s funding comes from sticky customer deposits that contribute 98.1% of the total deposits. With current deposits amounting to PKR 1,310.2 Bn or 49.1% of the total deposits, the Bank maintains a strong liquidity profile. The Bank maintained its CASA ratio high at 79.4%. Detailed coverage of the financial performance and other organizational development is also given elsewhere in this Annual Report. The Bank has enough resources to meet all its financial obligations and hasn’t defaulted in payment of any debt or other financial obligation.

Appropriation of Profit

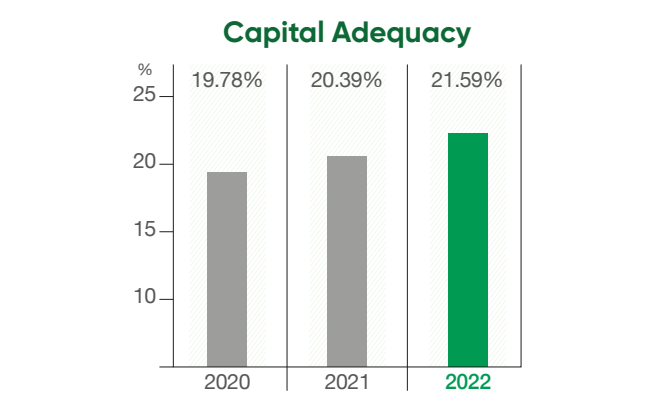
The Board deliberated at length whether or not cash dividend should be recommended. However, given the potential impact of pension and other contingencies, despite some positive signals, there remain causes for concern. Accordingly, it is considered prudent to retain the profits. Thus, the Board does not recommend any dividend for the year 2022.

Profit for the year ended December 31, 2022 after carry forward of accumulated profit of 2021 is proposed to be appropriated as follows:

	(PKR ‘Mn)
Profit after tax for the year ended December 31, 2022	30,410.3
Unappropriated profit brought forward	140,073.8
Other comprehensive income - net of tax	(3,129.1)
Transfer from surplus on revaluation of fixed assets-net of tax	197.7
Transfer from general loan loss reserve	8,000.0
	145,142.4
Profit available for appropriations	175,552.7
Appropriation:	
Transfer to Statutory Reserve	(3,041.0)
Un-appropriated profit carried forward	172,511.7

• Capital Adequacy & Strength

The Bank’s financial soundness continues to improve significantly annually. While Common Equity Tier 1 (CET1) Capital ratio stood at 16.30% (2021:15.42%), the Total Capital Ratio stood at 21.59% (2021:20.39%). The Bank’s Leverage ratio was 3.08% at the end of 2022 (2021:3.47%). The Bank’s liquidity coverage and net stable funding ratios also improved to 147% (2021:164%) and 251% (2021:278%) respectively against their regulatory requirement of 100%.



Credit Ratings

NBP is rated as ‘AAA’ by both the recognised credit rating agencies in Pakistan. In June 2022, M/s VIS Credit Rating Company re-affirmed the Bank’s standalone credit rating as “AAA”, the highest credit rating awarded by the company for a bank in Pakistan. Similarly, M/s PACRA Credit Rating Company also assigned the Bank long-term entity rating as 'AAA' (Triple AAA) and short-term credit rating as 'A1+' (A-one Plus).

Principal Activities

Principal activities of NBP during the year remained same as in prior year and included general banking services, credit, ATM and debit cards facilities, investment banking advisory, treasury and capital markets, housing and general finance, transaction banking, cash management, digital banking, international trade & remittances, etc. The Bank’s subsidiaries offer financial services to their customers including currency exchange, modaraba, fund management and securities brokerage services.

Governance & Stewardship by the Board

The Board remained focused on delivering its role of stewardship through providing effective leadership and strategic insight. As an integral part of the country’s financial ecosystem, we are cognizant of our duties as a corporate citizen to act in a manner that benefits the Nation at large. A detailed overview of the functioning of the Board is given in the Corporate Governance section of this Report. Also a statement has been separately made regarding Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019. For better corporate governance, the Board forms sub-committees, currently including:

- i. Board Audit Committee
- ii. Board Risk & Compliance Committee
- iii. Board HR & Remunerations Committee
- iv. Board Technology & Digitalization Committee
- v. Board Inclusive Development Committee

Changes in the Board of Directors

Details of the changes in the Board of Directors during the year given under Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 and the Public Sector Companies (Corporate Governance) Rules, 2013, is included in this Annual Report.

Meetings of the BoD and BoD Committees Held during 2022

Details of the meetings of the Board and the Board Committees held during the year are included in this Annual Report.

Remuneration to the Directors

Remuneration Policy for the non-executive independent Directors for attending the Board and Board Committee meetings was approved by the shareholders in their general meeting held on July 27, 2020. The Policy is compliant with the applicable laws including NBP’s bye-laws, the Banks’ (Nationalisation) Act 1974, and instructions of the State Bank of Pakistan. In terms of this Policy, the Board shall, from time to time, determine and approve such level of remuneration for the members of the Board, for attending meetings of the Board or

meetings of the Committees thereof, as may be within the limits for such remuneration as prescribed by the SBP from time to time and determined to be an adequate measure of remuneration for the performance of relevant duties by such members. In terms of the policy, the Board shall also ensure that such remuneration is not determined in a manner that may undermine the independence of the Board or Committee members. The details of compensation paid to the Directors in 2022 are disclosed in Note 41 to the unconsolidated financial statements.

Proposed Dividend for The Year Ended December 31, 2021

As explained in note 48 of the annual audited unconsolidated financial statements of the Bank for the year ended December 31, 2021, the recommended cash dividend of Re.1 per share which amounted to Rs. 2,128 million, was not approved in the annual general meeting held on March 30, 2022.

Material changes subsequent to the Balance Sheet Date

No material event has occurred subsequent to the Balance Sheet date that requires adjustments to the enclosed financial statements.

Contribution in SBP-led Initiatives

In pursuit of its Vision to enable inclusive development, NBP has been actively supporting the Government and SBP-led initiatives for increasing financial inclusion and has extended financings under various refinance schemes and initiatives.

Impact of the Government Policies on the Bank Performance

Certain policies of the Government, while these create challenges as well as opportunities for the Bank, have a considerable impact on its performance. Key relevant policies include, e.g. mandatory participation in subsidised lending schemes, higher tax rates in relation to ADR, deposit protection premium, commission/fee income on government treasury business, and implementation of the treasury single account. Also, the Bank is a major lender to certain public sector companies which have been unable to meet their debt obligations to the Bank in a timely manner or in some cases are unable to service their debt at all. This causes a significant drag on the Bank’s income. However, the Bank remains committed to fulfilling its role as a national institution and supporting the government and its initiatives in a manner that it also delivers profitability to its other shareholders.

Major Developments During the Year

Major progress was made during the year in the area of business & product development, market outreach, IT systems & infrastructure, human capital management, etc. Such development initiatives and their outcomes are discussed under respective sections elsewhere in this annual report.

## Principal Risks & Uncertainties Facing the Bank

By the very nature of its business model, the Bank is exposed to certain principal risks. As part of its oversight, the Board ensures that adequate policies and risk management frameworks are in place to recognize all significant/material risks to which the Bank is or may be exposed to and that adequate resources and strategies have been deployed to mitigate such risks. The Bank is continuously reviewing its credit portfolio, to identify accounts and industries susceptible to higher risk, in these challenging times. Further, with respect to information security risk management arising as a result of Covid-19 and recent incident of cyber-attack on NBP servers, the Bank took appropriate actions to respond & monitor the evolving cybersecurity risks. Key risks to which the Bank is or may be exposed to include (i) Credit Risk; (ii) Treasury & Capital Risk; (iii) Market Risk; (iv) Operational Risk, and (v) Cybersecurity Risk. With increasing magnitude of floods and its impact on the agricultural sector, NBP's exposure to environmental risk is also becoming considerable because of its portfolio exposure to both carbon transition and physical climate risks as the largest and a most-diversified bank in Pakistan. A detailed indication of the principal risks and uncertainties as well as the future prospects is discussed in note 47 to the financial statements.

## Governance & Risk

Progressing with the Board's HR strategy, the Bank has continued to induct talent at senior levels. Also, the outdated Staff Service Rules (1973) have been repealed pursuant to the approval of the Federal Cabinet on April 01, 2021 and replaced by the Staff Service Rules-2021 which are more in consonance with the contemporary HR practices and procedures. This will set the foundation for promoting a culture of accountability & meritocracy in the Bank. This Board acknowledges and appreciates the support of the Federal Government in this regard.

The Bank remains committed to ensure compliance with all the applicable laws, rules, regulations, and codes in the spirit of good governance, and recognises the need to continually improve its compliance & control capacity within its domestic as well as overseas network. A major revamping of the network structure has been implemented in 2021 to strengthen the control & compliance. Also, significant funds have been invested in acquiring new technological platforms for effective internal controls, Anti Money Laundering/Know Your Customers, data accuracy & authenticity and generating quality MIS for efficient decision making.

## Compliance & Risk Matters in the New York Branch

The Bank continues to remain committed to ensure compliance with all the applicable laws, rules, regulations, and codes in the spirit of good governance. To this end, the Board continued to

effectively challenge management to ensure strategic directions to investments throughout the Bank's operations in new technological platforms for effective AML/CFT/CPF controls, data accuracy and authenticity, internal controls, etc. were well-throughout. As widely reported and disclosed in previous reporting periods, in February 2022, the Bank entered into consent orders with The Federal Reserve Bank of New York, and the New York State Department of Financial Services (NYDFS), the US regulators of NBP's New York branch. These orders included two civil money penalties totalling USD 55.4 Mn (PKR 9.8 Bn) that focused on historical weaknesses in the Compliance Program that persisted from 2016 and beyond, which were paid within the deadline. It is important to note that the US Regulators made no findings of improper transactions or wilful misconduct. Since then, substantial improvements have been made to comply with the orders and to the branch's controls. Going forward, the Board remains fully committed to satisfying the regulators' expectations.

## Ongoing Investigation by the FIA

In July, 2021, the Federal Investigation Agency initiated an enquiry in the matter of M/s Hascol Petroleum's 'HPL' banking arrangements with the NBP as well as several private and other public sector banks. On January 21, 2022, several serving/former employees of the Bank were incriminated under various charges. At NBP, credit decisions were based on a set of published audited financial statements of HPL, and were made as per the applicable policies of the Bank and SBP regulations. NBP extended its full cooperation with the FIA on this investigation and has made available all relevant records required by the FIA. NBP's own stance on this matter was documented in submissions made to the State Bank of Pakistan and also to the FIA. Subsequently, the FIA cleared several of the Bank's serving employees on the grounds that 'no element of wrongdoing or illegal gratification was found on their part'. It is pertinent to mention that HPL has acknowledged its indebtedness to NBP for the full amount of outstanding loans and the same reflected in the books of accounts of the Bank.

## IT Network & System Security

Subsequent to a major cyberattack on October 30th, 2021, that impacted some of the Bank's services, major steps were taken during 2022 to strengthen the IT Network & Systems security. Expert cyber security consultants were engaged in various capacities to contain the damage and formulate an incident response posture, based on which projects procurements and implementations were planned.

Visible improvement has taken place on the major technology initiative approved by the Board in 2022 for upgradation of the Bank's Core Baking Application. As stated in our prior year's report, for 2022 and 2023, focus remains on the task of upgrading the Core Banking Application and all necessary

processes and procedures are being followed by the Bank to ensure its timely implementation. With the upgrade to the latest version, the Bank will have the latest technology, updated functionalities and performance improvements the vendor has built into the succeeding versions. The Core Banking Application upgrade will position the Bank well against its competitors to better serve its customers in today's increasingly digital environment.

## Progress on Closure of Foreign Subsidiaries/Branches

In line with our strategy on international franchises of consolidation, the NBP Board has approved closure of presence in Central Asia Operations which comprised of two overseas Subsidiaries being in Almaty (Kazakhstan) and Dushanbe (Tajikistan) along with three overseas branches located in Baku (Azerbaijan), Bishkek (Kyrgyzstan) and Ashgabat (Turkmenistan). It also included closure of the representative office at Tashkent (Uzbekistan). Further, closure of the representative office at Toronto (Canada) and branches in Sylhet (Bangladesh), Jalalabad (Afghanistan) was also approved.

As of year-end 2022, NBP entities in Dushanbe Subsidiary (Tajikistan) and Ashgabat branch (Turkmenistan) stand closed whereas closure of Baku (Azerbaijan), Bishkek (Kyrgyzstan), Almaty (Kazakhstan) is under process. Further, Bank had already closed Jalalabad (Afghanistan) and Sylhet (Bangladesh) and 2 Rep. Offices, Tashkent (Uzbekistan) and Toronto (Canada) during the year 2021. Additionally, the BoD in their meeting dated January 17, 2022 had also approved the closure of the Paris Branch which is under process.

## Contingency Regarding the Pension Case

Status of the case is the same as disclosed in Note 25.3.4.1 to the Annual Financial Statements for the year ended December 31, 2021. The Bank estimates an overall increase in pension liability, based on the independent actuarial firm report, amounted to PKR 89.7 Bn, excluding any penal interest/profit payment (if any) due to delayed payment. Further, the potential pension expense for the year 2022 onward will also increase by PKR 12.1 Bn due to an adverse decision. Based on the opinion of legal counsel, no provision for any additional pension liability has been made in these annual financial statements for the above mentioned amount as the Bank is confident about a favourable outcome on the matter. External auditors of the Bank have inserted an emphasis of matter para in their Audit report.

## Explanation with regards to emphasis of mater in the Auditors' Report

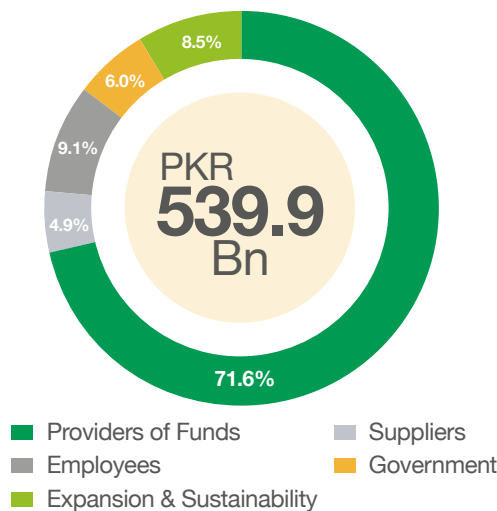
The external Auditors of the Bank have included emphasis of matter by drawing attention to Note 25.3.4.1 to the financial statements which explains the contingency in relation to

litigation by retired employees of the Bank for pension benefits. As opined by legal counsels, the Bank has reasonably strong legal grounds to convince the Honourable Supreme Court of Pakistan for reviewing its earlier judgement. Therefore, pending the decision on the review petitions, the financial impact of the subject case has not been included in the financial statements for the year ended December 31, 2022.

## Impact of the Bank's Business on the Environment

The Bank is cognizant of the environmental consequences of its operations and its obligation to safeguard against environmental vulnerabilities. While the Bank's business operations do not have a direct impact on the environment, the Bank has taken measures for implementation of the Green Banking initiatives under the SBP's Green Banking Guidelines to provide finance to transform the economy into a resource efficient and climate resilient one. We have embedded the consideration of social, economic and environmental impacts into our business strategy and decision-making processes. In line with the Environmental & Social Risk Management Implementation Manual issued by the State Bank of Pakistan, the Board and the Management are committed to develop an Environmental and Social Management System to understand, monitor and manage its social, environmental and economic impact to enable it to contribute to society's wider goal of sustainable development. A detailed report on the activities undertaken by the Bank with regard to corporate social responsibility during the year is given separately elsewhere in this report.

## Value Distribution - 2022



## Appointment of Auditors

The existing auditors of the Bank M/s Yousuf Adil Chartered Accountants and M/s PwC A.F. Ferguson & Co. Chartered Accountants will be retiring this year. The Board is pleased to endorse the recommendation of the Board Audit Committee for





بڑے اقدامات کیے گئے۔ ماہر سائبر سیورٹی کنسلٹنٹس نقصانات پر قابو پانے اور واقعے کے رد عمل کی پوزیشن بنانے کے لیے مختلف صلاحیتوں میں مصروف تھے، جس کی بنیاد پر پروڈیکٹس کی خریداری اور عمل درآمد کی منصوبہ بندی کی گئی تھی۔

بینک کی کوریجنگ ایپلی کیشن کو آپ گریڈ کرنے کے لیے 2022ء میں بورڈ کی طرف سے منظور کیے گئے بڑے ٹیکنالوجی اقدام میں نمایاں بہتری آئی ہے۔ جیسا کہ ہماری گزشتہ سال کی رپورٹ میں بتایا گیا ہے، 2022ء اور 2023ء کے لیے، کوریجنگ ایپلی کیشن کو آپ گریڈ کرنے کے کام پر توجہ مرکوز رکھی گئی ہے اور اس کے بروقت نفاذ کو یقینی بنانے کے لیے بینک تمام ضروری عمل اور طریقہ کار پر عمل پیرا ہے۔ تازہ ترین ورژن میں آپ گریڈ کرنے کے ساتھ، بینک کے پاس جدید ترین ٹیکنالوجی، جدید ترین افعال اور کارکردگی میں بہتری ہوگی جو وینڈر نے آنے والے ورژن میں تیار کی ہے۔ کوریجنگ ایپلی کیشن آپ گریڈ بینک کو اپنے حریفوں کے مقابلے میں اچھی پوزیشن دے گا تاکہ آج کے بڑھتے ہوئے ڈیجیٹل ماحول میں اپنے صارفین کی بہتر خدمت کی جاسکے۔

### غیر ملکی ماتحت اداروں/شاخوں کی بندش پر پیش رفت

کنسولیدیشن کی بین الاقوامی فرہنگ ناز کے بارے میں ہماری حکمت عملی کے مطابق، NBP بورڈ نے سینٹرل ایشیا آپریشنز میں موجودگی کو بند کرنے کی منظوری دی ہے جس میں الماتی (قازقستان) اور دوشنبہ (تاجکستان) میں دو غیر ملکی ذیلی اداروں کے ساتھ ساتھ باکو (آذربائیجان)، بشلیک (کرغزستان) اور اشک آباد (ترکمانستان) میں واقع تین بیرون ملک شاخیں شامل ہیں۔ اس میں تاشقند (ازبکستان) میں نمائندہ دفتر کی بندش بھی شامل تھی۔ مزید برآں ٹورنٹو (کینیڈا) میں نمائندہ دفتر اور سلہٹ (بنگلہ دیش)، جلال آباد (افغانستان) میں شاخوں کو بند کرنے کی بھی منظوری دی گئی۔

سال 2022ء کے آخر تک، دوشنبہ کے ذیلی ادارے (تاجکستان) اور اشک آباد برانچ (ترکمانستان) میں NBP کے ادارے بند ہیں جبکہ باکو (آذربائیجان)، بشلیک (کرغزستان)، الماتی (قازقستان) کی بندش کا عمل جاری ہے۔ مزید برآں، بینک نے سال 2021ء کے دوران جلال آباد (افغانستان) اور سلہٹ (بنگلہ دیش) اور 2 نمائندہ دفاتر، تاشقند (ازبکستان) اور ٹورنٹو (کینیڈا) کو پہلے ہی بند کر دیا تھا۔ مزید برآں، بورڈ آف ڈائریکٹرز نے 17 جنوری 2022ء کو اپنی میٹنگ میں پیرس برانچ کی بندش کی منظوری دی جو زیر عمل ہے۔

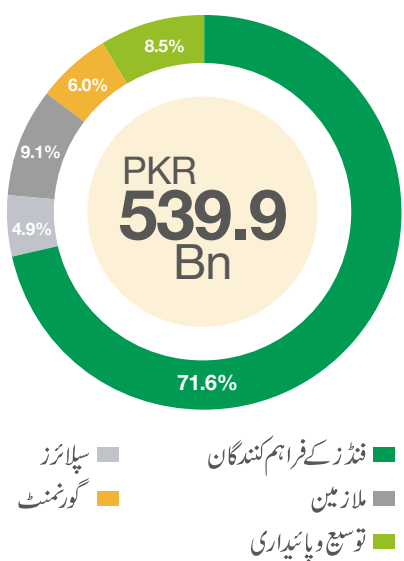
### پنشن کیس سے متعلق ہنگامی صورتحال

کیس کی حیثیت وہی ہے جو 31 دسمبر 2021ء کو ختم ہونے والے سال کے سالانہ مالیاتی گوشواروں میں نوٹ 25.3.4.1 میں ظاہر کی گئی ہے۔ بینک کا تخمینہ ہے کہ پنشن کی ذمہ داری میں مجموعی طور پر اضافہ، آزادانہ پیکو ریل فرم کی رپورٹ کی بنیاد پر، رقم 89.7 ارب روپے ہے، تاخیر سے ادائیگی کی وجہ سے کسی بھی جرمانہ سود/منافع کی ادائیگی (اگر کوئی ہے) کو چھوڑ کر۔ مزید برآں، 2022ء کے بعد کے ممکنہ پنشن کے اخراجات میں بھی ایک منفی فیصلے کی وجہ سے 12.1 ارب روپے کا اضافہ ہوگا۔ قانونی مشیر کی رائے کی بنیاد پر، مذکورہ رقم کے لیے ان سالانہ مالیاتی گوشواروں میں کسی اضافی پنشن کی ذمہ داری کا کوئی بندوبست نہیں کیا گیا ہے کیونکہ بینک کو اس معاملے پر ایک سازگار نتیجے پر یقین ہے۔ بینک کے بیرونی آڈیٹرز نے اپنی آڈٹ رپورٹ میں معاملے کے پیرا پر زور دیا ہے۔

### ماحولیات پر بینک کے کاروبار کا اثر:

بینک اپنے آپریشنز کے ماحولیاتی نتائج اور ماحولیاتی خطرات سے تحفظ کی ذمہ داری سے آگاہ ہے۔ اگرچہ بینک کی کاروباری کارروائیوں کا ماحول پر براہ راست اثر نہیں پڑتا ہے، بینک نے SBP کے گرین بینکنگ رہنما خطوط کے تحت گرین بینکنگ کے اقدامات کو لاگو کرنے کے لیے اقدامات کیے ہیں تاکہ معیشت کو موسمیاتی مزاحم میں تبدیل کرنے کے لیے وسائل اور موثر فنائس فراہم کیا جاسکے۔ ہم نے سماجی، اقتصادی اور ماحولیاتی اثرات کو اپنی کاروباری حکمت عملی اور فیصلہ سازی کے عمل میں شامل کیا ہے۔ اسٹیٹ بینک آف پاکستان کی طرف سے جاری کردہ ماحولیاتی اور سماجی رسک مینجمنٹ کے نفاذ کے کتابچے کے مطابق، بورڈ اور انتظامیہ اس کے سماجی، ماحولیاتی اور اقتصادی اثرات کو سمجھنے، نگرانی کرنے اور اس کا پائیدار ترقی کے معاشرے کو وسیع مقصد میں حصہ ڈالنا اور اس کا انتظام کرنے کے لیے ایک ماحولیاتی اور سماجی انتظامی نظام تیار کرنے کے لیے پُر عزم ہیں۔ سال کے دوران کارپوریٹ سماجی ذمہ داری کے حوالے سے بینک کی جانب سے کی گئی سرگرمیوں کی تفصیلی رپورٹ اس رپورٹ میں کہیں اور دی گئی ہے۔

### ویلیو ڈسٹری بیوٹن - 2022ء



■ فنڈز کے فراہم کنندگان  
■ ملازمین  
■ توسیع و پائیداری  
■ سپلائرز  
■ گورنمنٹ

کووڈ-19 کے نتیجے میں پیدا ہونے والے انفارمیشن سیورٹی رسک مینجمنٹ اور نیشنل بینک سرورز پر سائبر ایٹک کے حالیہ واقعے کے حوالے سے، بینک نے سائبر سیورٹی کے بڑھتے ہوئے خطرات کا جواب دینے اور ان کی نگرانی کے لیے مناسب اقدامات کیے ہیں۔ اہم خطرات جن سے بینک لاحق ہے یا ہو سکتا ہے، ان میں شامل ہیں (i) کریڈٹ رسک، (ii) ٹریڈری اور کمپنٹل رسک، (iii) مارکیٹ رسک، (iv) آپریشنل رسک، اور (v) سائبر سیورٹی رسک۔ سیلاب کی بڑھتی ہوئی شدت اور زرعی شعبے پر اس کے اثرات کے ساتھ، پاکستان میں سب سے بڑے اور متنوع بینک کے طور پر، کاربن کی منتقلی اور طبعی موسمیاتی خطرات دونوں کے پورٹفولیو کی نمائش کی وجہ سے نیشنل بینک کا ماحولیاتی خطرے کا سامنا بھی کافی ہوتا جا رہا ہے۔ مالیاتی گوشواروں کے نوٹ 47 میں بنیادی خطرات اور غیر یقینی صورتحال کے ساتھ ساتھ مستقبل کے امکانات کے تفصیلی اشارے پر تبادلہ خیال کیا گیا ہے۔

### نظم و نسق اور خطرہ

بورڈ کی انسانی وسائل کی حکمت عملی کے ساتھ پیشرفت کرتے ہوئے، بینک نے اعلیٰ سطحوں پر ہنر کو شامل کرنا جاری رکھا ہے۔ نیز، پرانے اسٹاف سروس رولز (1973ء) کو یکم اپریل 2021ء کو وفاقی کابینہ کی منظوری کے بعد منسوخ کر دیا گیا ہے اور ان کی جگہ اسٹاف سروس رولز-2021ء کو دی گئی ہے جو کہ انسانی وسائل کے عصری طریقوں اور طریقہ کار سے زیادہ مطابقت رکھتے ہیں۔ یہ بینک میں احتساب اور میرٹ کلچر کو فروغ دینے کی بنیاد رکھے گا۔ یہ بورڈ اس سلسلے میں وفاقی حکومت کے تعاون کو تسلیم کرتا ہے اور اسے سراہتا ہے۔

بینک اچھی حکمرانی کی روح میں تمام قابل اطلاق قوانین، قواعد، ضوابط اور ضابطوں کی تعمیل کو یقینی بنانے کے لیے پُر عزم ہے، اور اپنے اندرون ملک اور بیرون ملک نیٹ ورک کے اندر اپنی تعمیل اور کنٹرول کی صلاحیت کو مسلسل بہتر بنانے کی ضرورت کو تسلیم کرتا ہے۔ کنٹرول اور تعمیل کو مضبوط بنانے کے لیے 2021ء میں نیٹ ورک کے ڈھانچے کی ایک بڑی اصلاح عمل میں لائی گئی ہے۔ اس کے علاوہ، مؤثر اندرونی کنٹرولز، ایٹنی منی لائڈرنگ/اپنے صارفین کو جانیں، ڈیٹا کی درستگی اور صداقت اور مؤثر فیصلہ سازی کے لیے معیاری MIS پیدا کرنے کے لیے نئے ٹیکنیکی پلیٹ فارمز کے حصول میں اہم فنڈز لگائے گئے ہیں۔

### نیویارک برانچ میں تعمیل اور خطرے کے معاملات

بینک اچھے نظم و نسق کی روح میں تمام قابل اطلاق قوانین، قواعد و ضوابط اور ضابطوں کی تعمیل کو یقینی بنانے کے لیے پُر عزم ہے۔ اس مقصد کے لیے، بورڈ نے مؤثر طریقے سے مینجمنٹ کو چیلنج کرنا جاری رکھا تاکہ بینک کے تمام آپریشنز کے دوران سرمایہ کاری کے لیے اسٹرٹجک ہدایات کو یقینی بنایا جاسکے تاکہ مؤثر CPF/CFT/AML کنٹرولز، ڈیٹا کی درستگی اور صداقت، اندرونی کنٹرولز وغیرہ بہتر رہے۔ جیسا کہ پچھلے رپورٹنگ ادوار میں بڑے پیمانے پر رپورٹ اور انکشاف کیا گیا تھا، فروری 2022ء میں، بینک نے نیویارک کے فیڈرل ریزرو بینک اور NBP کی نیویارک برانچ کے امریکی ریگولیٹرز۔ نیویارک اسٹیٹ ڈپارٹمنٹ آف فنانشل سروسز (NYDFS)، کے ساتھ رضامندی کے احکامات میں داخل کیا۔ ان احکامات میں دوسول منی جرمانے شامل تھے جن کی مجموعی رقم 55.4 ملین امریکی ڈالر (9.8 ارب روپے) تھی جو تعمیل پروگرام کی تاریخی کمزوریوں پر مرکوز تھی جو 2016ء اور اس کے بعد تک برقرار رہی، جن کی ادائیگی آخری تاریخ کے اندر کی گئی تھی۔ یہ نوٹ کرنا ضروری ہے کہ امریکی ریگولیٹرز نے غلط بلن دین یا جان بوجھ کر بدانتظامی کا کوئی پتہ نہیں لگایا۔ اس کے بعد سے، احکامات کی تعمیل کرنے اور برانچ کے کنٹرول میں خاطر خواہ بہتری لائی گئی ہے۔ آگے بڑھتے ہوئے، بورڈ ریگولیٹرز کی توقعات کو پورا کرنے کے لیے پوری طرح پُر عزم ہے۔

### ایف آئی اے کی تحقیقات جاری

جولائی 2021ء میں، فیڈرل انویسٹی گیشن ایجنسی نے NBP کے ساتھ ساتھ کئی نجی اور دیگر پبلک سیکٹر بینکس کے ساتھ M/s Hascol Petroleum کے HPL، بینکنگ انتظامات کے معاملے میں انکوائری شروع کی۔ 21 جنوری 2022ء کو بینک کے کئی حاضر/سابق ملازمین کو مختلف الزامات کے تحت مجرم ٹھہرایا گیا۔ NBP میں، کریڈٹ کے فیصلے HPL کے شائع شدہ آڈٹ شدہ مالیاتی گوشواروں کے سیٹ پر مبنی تھے، اور بینک اور SBP کے ضوابط کی لاگو پالیسیز کے مطابق کیے گئے تھے۔ NBP نے اس تحقیقات پر FIA کے ساتھ مکمل تعاون کیا اور FIA کو درکار تمام متعلقہ ریکارڈز دستیاب کرائے ہیں۔ اس معاملے پر NBP کا اپنا موقف اسٹیٹ بینک آف پاکستان اور FIA کو بھی جمع کروایا گیا۔ گزارشات میں دستاویزی کیا گیا تھا۔ اس کے بعد، ایف آئی اے نے بینک کے حاضر سروس ملازمین میں سے سات کو اس بنیاد پر کلیئر کر دیا کہ ان کی جانب سے کوئی غلط کام یا غیر قانونی تسکین کا عنصر نہیں پایا گیا۔

یہ بات قابل ذکر ہے کہ HPL نے بقایا قرضوں کی پوری رقم کے لیے NBP سے اپنے مقروض ہونے کا اعتراف کیا ہے اور اسی کی عکاسی بینک کے کھاتوں کی کتب میں بھی ہوتی ہے۔ ایچ پی ایل نے کراچی میں معزز سندھ ہائی کورٹ میں انتظامات کی اسکیم دائر کی ہے اور اس سلسلے میں بینکس سے رجوع کیا ہے۔

### آئی ٹی نیٹ ورک اور سسٹم سیورٹی

30 اکتوبر 2021ء کو ایک بڑے سائبر ایٹک کے بعد، جس نے بینک کی کچھ خدمات کو متاثر کیا، 2022ء کے دوران آئی ٹی نیٹ ورک اور سسٹمز کی سیورٹی کو مضبوط بنانے کے لیے



### ڈائریکٹرز کیلئے معاوضے

بورڈ اور بورڈ کمیٹی کے مختلف اجلاس میں شرکت کے لیے غیر ایگزیکٹیو آزاد ڈائریکٹرز کے لیے معاوضے کی پالیسی کو شیئر ہولڈرز نے 27 جولائی 2020ء کو منعقدہ اپنے عام اجلاس میں منظور کیا تھا۔ یہ پالیسی NBP کے ضمنی قوانین، بینکس سمیت قابل اطلاق قوانین اور (نیشنلائزیشن) ایکٹ 1974ء، اور اسٹیٹ بینک آف پاکستان کی ہدایات کے مطابق ہے۔ اس پالیسی کے لحاظ سے، بورڈ، وقتاً فوقتاً، بورڈ کے اراکین کے لیے، بورڈ کے اجلاس یا اس کی کمیٹی کے متفرق اجلاس میں شرکت کے لیے معاوضے کی اس سطح کا تعین اور منظوری دے گا، جو اس معاوضہ کی حدود میں ہو جو کہ اسٹیٹ بینک کی طرف سے وقتاً فوقتاً مقرر کیا جاتا ہے اور اس طرح کے اراکین کے متعلقہ فرائض کی انجام دہی کے لیے معاوضے کا ایک مناسب پیمانہ مقرر کرنے کا عزم کیا جاتا ہے۔ پالیسی کے لحاظ سے، بورڈ اس بات کو بھی یقینی بنائے گا کہ ایسے معاوضے کا تعین اس انداز میں نہ کیا جائے جس سے بورڈ یا کمیٹی کے اراکین کی آزادی کو نقصان نہ پہنچے۔ 2022ء میں ڈائریکٹرز کو ادا کیے گئے معاوضے کی تفصیلات نوٹ 41 میں غیر مجتمع مالیاتی گوشواروں میں ظاہر کی گئی ہیں۔

### آڈیٹرز کی رپورٹ میں امور کارپرزوردینے کے حوالے سے وضاحت

بینک کے بیرونی آڈیٹرز نے نوٹ نمبر 25.3.4.1 کی طرف توجہ دلاتے ہوئے مالیاتی گوشواروں کی طرف توجہ مبذول کروائی ہے جس میں پنشن کے فوائد کے لیے بینک کے ریٹائرڈ ملازمین کی طرف سے قانونی چارہ جوئی کے سلسلے میں ہنگامی صورتحال کی وضاحت کی گئی ہے۔ جیسا کہ اس کے قانونی مشیروں کی رائے ہے، بینک کے پاس معزز سپریم کورٹ آف پاکستان کو اپنے پہلے فیصلے پر نظر ثانی کے لیے قائل کرنے کے لیے معقول طور پر مضبوط قانونی بنیادیں ہیں۔ لہذا، نظر ثانی کی درخواستوں پر فیصلے تک، موضوع کے کیس کے مالی اثرات کو 31 دسمبر 2022ء کو ختم ہونے والے سال کے مالیاتی گوشواروں میں شامل نہیں کیا گیا ہے۔

### 31 دسمبر 2021ء کو ختم ہونے والے سال کے لیے مجوزہ منافع منقسمہ (ڈیویڈنڈ)

جیسا کہ 31 دسمبر 2021ء کو ختم ہونے والے سال کے لیے بینک کے سالانہ آڈٹ شدہ غیر مجتمع مالیاتی گوشواروں کے نوٹ 48 میں وضاحت کی گئی ہے، فی حصص 1 روپے کا تجویز کردہ نقد منافع جو کہ 2,128 ملین روپے تھا۔ 30 مارچ 2022ء کو ہونے والے سالانہ عام اجلاس میں اس کی منظوری نہیں دی گئی۔

### بیلنس شیٹ کی تاریخ کے بعد اہم ردوبدل

بیلنس شیٹ کی تاریخ کے بعد کوئی اہم واقعہ پیش نہیں آیا جس کے لیے منسلک مالی گوشوارے میں ایڈجسٹمنٹ کی ضرورت ہو۔

### بینک دولت پاکستان کی سربراہی میں اقدامات میں ہمارا حصہ

جامع ترقی کو فعال کرنے کے اپنے وژن کی پیروی میں، این بی پی مالی شمولیت کو بڑھانے کے لیے حکومت اور بینک دولت پاکستان کی زیر قیادت اقدامات کی فعال طور پر حمایت کر رہا ہے اور مختلف ری فنانس اسکیمز اور اقدامات کے تحت فنانسنگ میں توسیع کی ہے۔

### بینک کی کارکردگی پر حکومتی پالیسیز کا اثر

حکومت کی بعض پالیسیز، کلیدی متعلقہ پالیسیز میں شامل ہیں، جیسے سبسڈی والے قرض دینے کی اسکیمز میں لازمی شرکت، ADR کے سلسلے میں زیادہ ٹیکس کی شرح، ڈپازٹ پروٹیکشن پریمیم، سرکاری خزانے کے کاروبار پر کمیشن/فیس کی آمدنی، اور ٹریڈری سنگل اکاؤنٹ کا نفاذ، جبکہ یہ بینک کے لیے چیلنجز اور مواقع پیدا کرتی ہیں، اس کی کارکردگی پر کافی اثر ڈالتی ہیں۔ اس سے بینک کی آمدنی میں نمایاں کمی واقع ہوتی ہے۔ تاہم، بینک ایک قومی ادارے کے طور پر اپنے کردار کو پورا کرنے اور حکومت اور اس کے اقدامات کو اس انداز میں سپورٹ کرنے کے لیے پُر عزم ہے کہ وہ اپنے دوسرے شیئر ہولڈرز کو بھی منافع فراہم کرے۔

### سال کے دوران اہم پیش رفت

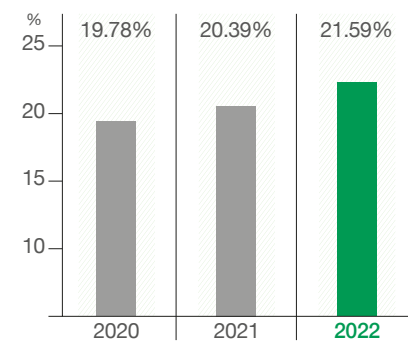
کاروبار اور مصنوعات کی ترقی، مارکیٹ آؤٹ ریچ، آئی ٹی سسٹمز اور انفرا اسٹرکچر، ہیومن کپیکل منجمنٹ وغیرہ کے شعبے میں سال کے دوران بڑی پیش رفت ہوئی ہے۔ اس طرح کے ترقیاتی اقدامات اور ان کے نتائج کو اس سالانہ رپورٹ میں کہیں اور متعلقہ حصوں کے تحت زیر بحث لایا گیا ہے۔

### بینک کو درپیش بنیادی خطرات اور غیر یقینی صورتحال

اپنے کاروباری ماڈل کی نوعیت سے، بینک کو بعض بنیادی خطرات کا سامنا ہے۔ اپنی نگرانی کے حصے کے طور پر، بورڈ اس بات کو یقینی بناتا ہے کہ ان تمام اہم/مادی خطرات کو پہچاننے کے لیے مناسب پالیسیز اور رسک منجمنٹ فریم ورک موجود ہیں جن کا بینک کو سامنا ہے یا ہو سکتا ہے اور ایسے خطرات کو کم کرنے کے لیے مناسب وسائل اور حکمت عملیوں کو بروئے کار لایا گیا ہے۔ اس مشکل وقت میں بینک اپنے کریڈٹ پورٹفولیو کا مسلسل جائزہ لے رہا ہے، تاکہ ایسے کھاتوں اور صنعتوں کی نشاندہی کی جاسکے جو زیادہ خطرے سے دوچار ہیں۔ مزید برآں،

### • سرمائے کی اختصاصیت اور طاقت

### سرمائے کی اختصاصیت (کیپٹل ایڈویسی)



بینک کا مالی استحکام ہر سال نمایاں طور پر بہتر ہوتا جا رہا ہے۔ جبکہ کامن ایکویٹی کی سطح 1 (CET1) کیپٹل ریشو 16.30% (2021ء: 15.42%)، کل کیپٹل ریشو 21.59% (2021ء: 20.39%) رہا۔ بینک کا لیوریج ریشو 2022ء کے آخر میں 3.08% (2021ء: 3.47%) تھا۔ بینک کی لیکویڈیٹی کوریج یعنی سیالیت کا محیط اور خالص مستحکم فنڈنگ کا تناسب بھی 147% (2021ء: 164%) اور 251% (2021ء: 278%) تک ان کی 100% ریگولیٹری ضرورت کے مقابلے میں بہتر ہوا۔

### کریڈٹ ریٹنگ

پاکستان میں دونوں تسلیم شدہ کریڈٹ ریٹنگ ایجنسیز کے ذریعہ NBP کو ”AAA“ کا درجہ دیا گیا ہے۔ جون 2022ء میں، M/s VIS کریڈٹ ریٹنگ کمپنی نے بینک کی اسٹینڈالون کریڈٹ ریٹنگ کی ”AAA“ کے طور پر دوبارہ تصدیق کی، جو کہ پاکستان میں کسی بھی بینک کے لیے کمپنی کی طرف سے دی جانے والی سب سے زیادہ کریڈٹ ریٹنگ ہے۔ اسی طرح، M/s PACRA کریڈٹ ریٹنگ کمپنی نے بھی بینک کو طویل مدتی ادارے کی درجہ بندی ”AAA“ (ٹرپل AAA) اور مختصر مدت کی کریڈٹ ریٹنگ ”A1+“ (A-one Plus) کے طور پر تفویض کی ہے۔

### بڑی اور اصل سرگرمیاں

سال کے دوران NBP کی بنیادی سرگرمیاں پچھلے سال کی طرح ہی رہیں اور ان میں عام بینکنگ خدمات، کریڈٹ، ATM اور ڈیٹ کارڈز کی سہولیات، سرمایہ کاری بینکنگ انڈوائزری، ٹریڈری اور کیپٹل مارکیٹس، ہاؤسنگ اور جنرل فنانس، ٹرانزیکشن بینکنگ، کیش منجمنٹ، ڈیجیٹل بینکنگ، بین الاقوامی تجارت اور ترسیلات زر وغیرہ۔ بینک کے ذیلی ادارے اپنے صارفین کو کرنسی ایکسچینج، مضاربہ، فنڈ منجمنٹ اور سیوریٹیز بروکریج کی خدمات سمیت مالیاتی خدمات پیش کرتے رہے ہیں۔

### بورڈ کی طرف سے نظم و نسق (گورننس) اور نگرانی (اسٹیورڈ شپ)

بورڈ مؤثر قیادت اور اسٹریٹجک بصیرت فراہم کرنے کے ذریعے ذمہ داری کے اپنے کردار کو انجام دینے پر اپنی توجہ کو مرکوز رکھتا ہے۔ ملک کے مالیاتی ماحولیاتی نظام کے لازمی حصے کے طور پر، ہم ایک کارپوریٹ شہری کے طور پر اپنے فرائض سے بخوبی واقف ہیں کہ ہم اس طریقے سے کام کریں جس سے پوری قوم کو فائدہ ہو۔ بورڈ کے کام کاج کا تفصیلی جائزہ اس رپورٹ کے کارپوریٹ گورننس سیکشن میں دیا گیا ہے۔ اس کے علاوہ لیکویڈیٹیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019ء کی تعمیل کے بارے میں الگ سے ایک بیان دیا گیا ہے۔ بہتر کارپوریٹ گورننس کے لیے، بورڈ ذیلی کمیٹی تشکیل دیتا ہے، جن میں فی الحال درج ذیل شامل ہیں:

- بورڈ آڈٹ کمیٹی
- بورڈ رسک اینڈ کمپلائنس کمیٹی
- بورڈ ایچ آر اور معاوضے کمیٹی
- بورڈ ٹیکنالوجی اینڈ ڈیولپمنٹ کمیٹی
- بورڈ کی شمولیتی ترقیاتی مالیاتی کمیٹی

### بورڈ آف ڈائریکٹرز میں تبدیلیاں

لیکویڈیٹیز کے ساتھ اسٹیمٹ آف کمپلائنس (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019ء کے تحت دیے گئے سال کے دوران بورڈ آف ڈائریکٹرز میں ہونے والی تبدیلیوں کی تفصیلات اس سالانہ رپورٹ میں شامل ہیں۔

### 2022ء کے دوران بورڈ آف ڈائریکٹرز اور بورڈ آف ڈائریکٹرز کمیٹی کا اجلاس منعقد ہوا

سال کے دوران منعقد ہونے والے بورڈ اور بورڈ کمیٹی کے اجلاس کی تفصیلات اس سالانہ رپورٹ میں شامل ہیں۔

کلیدی اشیا	2022ء	2021ء	ترقی
سرمایہ کاری (خالص)	3,477.4	1,938.2	9.4%
ایڈوانسز (خالص)	1,230.5	1,113.4	10.5%
کل اثاثے	5,240.4	3,846.7	36.2%
ڈپازٹس	2,666.2	3,019.2	(11.7%)
قرضے	1,940.5	312.9	520.1%
خالص اثاثے	300.8	286.2	5.1%
بریک آپ ویلیوئی شیئر	141.4	134.5	5.1%
اسلامی بینک کے کل اثاثے	109.3	100.9	8.3%

مجموعی قرضے اور ایڈوانسز 1,438.6 ارب روپے تھے جو کہ %10.2 یا 133.4 ارب روپے کا معمولی اضافہ ظاہر کرتا ہے۔ جبکہ خالص ایڈوانسز 1,230.5 ارب روپے رہے۔ ہماری زیادہ تر مصنوعات بشمول کارپوریٹ، کموڈٹی، زراعت اور اسلامی کی پیشرفت میں اضافہ ہوا۔ نتیجتاً، ایڈوانس ٹو ڈپازٹ کا تناسب 2021ء کے آخر میں %43.2 کے مقابلے میں 2022ء کے آخر میں %54.0 تک بہتر ہوا۔ غیر فعال قرضوں میں %3.7 کا معمولی اضافہ ریکارڈ کیا گیا اور ان کی رقم 205.3 ارب روپے (2021ء: 197.9 ارب روپے) ہوگئی۔ مخصوص پروویزنز کے ساتھ، NPL کوریج کا تناسب %93 تک بلند رہا۔

بینک کی سرمایہ کاری (لاگت پر) 3,509.0 ارب روپے (2021ء میں 1,924.2 ارب روپے) تھی جس کی مالیت 3,477.4 ارب روپے (2021 میں 1,938.2 ارب روپے) تھی۔ ایک مؤثر پیداوار/سود کی شرح کے خطرے اور لیکویڈیٹی مینجمنٹ کی حکمت عملی کی پیروی میں، بینک صفر خطرے والے حکومت پاکستان کے وثائق، زیادہ منافع بخش ایکویٹیز اور سود کے حساس میچورٹی پیٹرن کے ساتھ دیگر سود برداشت کرنے والے مالیاتی اثاثوں میں متنوع سرمایہ کاری کو برقرار رکھے ہوئے ہے۔

31 دسمبر 2022ء کے مطابق، بینک کے پاس کل ڈپازٹس 2,666.2 ارب روپے تھے جبکہ 2021ء کے آخر میں 3,019.2 ارب روپے تھے۔ ڈپازٹس میں یہ کی ADR کی بنیاد پر ٹیکس کے نفاذ کو کم کرنے کیلئے مرکوز حکمت عملی پر مبنی ہے تاکہ ہمارے شیئر ہولڈرز کو بعد از ٹیکس زیادہ منافع فراہم کیا جاسکے۔ بینک کی فنڈنگ کا بڑا حصہ آسٹریکی کسٹمر ڈپازٹس سے آتا ہے جو کل ڈپازٹس کا %98.1 حصہ ہیں۔ موجودہ ڈپازٹس 1,310.2 ارب روپے یا کل ڈپازٹس کے %49.1 کے ساتھ، بینک ایک مضبوط لیکویڈیٹی پروفائل کو برقرار رکھتا ہے۔ بینک نے اپنے CASA تناسب کو %79.4 پر برقرار رکھا۔ مالی کارکردگی اور دیگر ادارہ جاتی نمو کی تفصیلی کوریج بھی اس سالانہ رپورٹ میں کہیں اور دی گئی ہے۔ بینک کے پاس اپنی تمام مالی ذمے داریوں کو پورا کرنے کے لیے کافی وسائل ہیں اور اس نے کسی قرض یا دیگر مالی ذمے داریوں کی ادائیگی میں ڈیفالٹ نہیں کیا ہے۔

### منافع کا اختصار

بورڈ نے تفصیل سے غور کیا کہ آیا نقد منافع منقسمہ کی سفارش کی جانی چاہیے یا نہیں۔ تاہم، پنشن اور دیگر احتمالات کے ممکنہ اثرات کو دیکھتے ہوئے، کچھ مثبت اشاروں کے باوجود، تشویش کی وجوہات تاحال باقی ہیں۔ اس بنا پر منافع کو برقرار رکھنا مناسب سمجھا گیا ہے۔ لہذا، بورڈ سال 2022ء کے لیے کسی منافع منقسمہ کی سفارش نہیں کرتا۔

2021ء کے جمع شدہ منافع کو آگے بڑھانے کے بعد 31 دسمبر 2022ء کو ختم ہونے والے سال کے منافع کو درج ذیل کی صورت میں مختص کرنے کی تجویز ہے:

(ملین روپے)	
30,410.3	
140,073.8	
(3,129.1)	
197.7	
8,000.0	
145,142.4	
<b>175,552.7</b>	
(3,041.0)	
<b>172,511.7</b>	

31 دسمبر 2022ء کو ختم ہونے والے سال کے لیے بعد از ٹیکس منافع

آگے لایا گیا غیر مختص منافع

دیگر جامع آمدنی۔ ٹیکس کا خالص

فلسفہ اثاثوں کی دوبارہ تشخیص پر سپرپلس سے منتقلی۔ محصول کی خالص

عام قرض کے نقصان کے ریزرو سے منتقلی

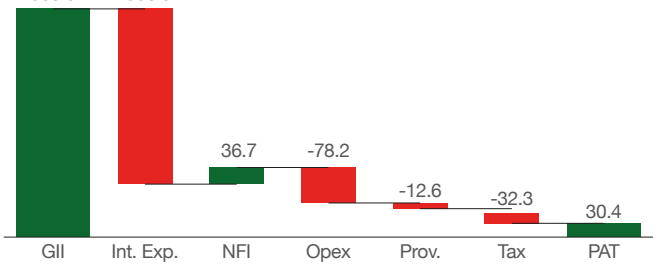
اختصات کے لیے دستیاب منافع

تخصیص:

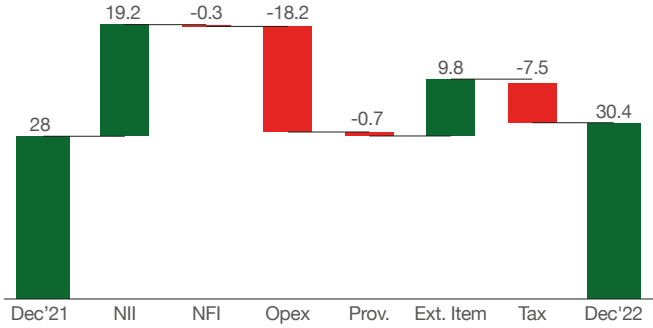
قانونی ریزرو میں منتقلی

آگے بڑھایا گیا غیر مختص منافع

## نفع ونقصان-2022ء



## پی اے ٹی-سال بہ سال ریکنسلیشن



نیٹ ورک کو وسعت دینے پر خرچ کیا۔ ممکنہ تاؤ کے خلاف بینک کی بیلنس شیٹ کو سپورٹ کرنے کے لیے ہماری دانشمندانہ حکمت عملی کے مطابق، 12.6 ارب روپے کی پروویزنز ریکارڈ کی گئی ہیں، جن میں سے 1.8 ارب روپے ایڈوانسز کی مد میں ہیں (واضح ہو رہا ہے کہ زیادہ تر کچھ شعبہ جاتی دباؤ سے منسلک کریڈٹ کے خطرات کے پیش نظر عمومی پروویزنز ہیں) اور سرمایہ کاری کے مقابل 3.8 ارب روپے رکھے گئے نتیجتاً قبل از ٹیکس منافع 62.7 ارب روپے ہو گیا جو کہ سالانہ %18.7 زیادہ ہے۔

ٹیکسیشن قوانین میں حالیہ تبدیلیوں کے ساتھ، مؤثر ٹیکس کی شرح %51.5 (2021ء: %47.0) رہی اور اس کی رقم 32.3 ارب روپے ہے۔ جبکہ بینکنگ انڈسٹری پہلے ہی %10 کے سپرنٹس چارج سے مشروط ہے جس میں %4 قانونی ٹیکس کی شرح میں اضافہ ہوا ہے، اس اضافی ٹیکس نے بینکس (بشمول NBP) کے بعد از ٹیکس منافع کو متاثر کیا ہے۔ مزید برآں، فنانس ایکٹ-2022ء نے بینکس پر %10 اضافی ٹیکس عائد کیا ہے اگر ان کا جمع کرنے کا تناسب %50 سے کم ہو جائے؛ اور اگر اے ڈی آر %40 سے نیچے چلا جائے تو %16 ہو جائے گا۔ اسی تناظر میں بینک نے پچھلے سال کا 3.8 ارب روپے کا ٹیکس بھی تسلیم کیا تھا۔

اس کے مطابق، بینک کا بعد از ٹیکس منافع 30.4 ارب روپے رہا جو پچھلے سال کے 28.0 ارب روپے سے %8.6 زیادہ ہے (جس میں بینکس پر ٹیکس کی شرحیں اور چارجز نمایاں طور پر کم تھے)۔

## • بیلنس شیٹ کی نمو

بینک کے سال کے آخر میں کل اثاثے 5,240.4 ارب روپے مالیت کے رہے جو کہ 2021ء کے آخر میں 3,846.7 ارب روپے سے %36.2 کا زبردست اضافہ ہے۔ 31 دسمبر 2021ء کے 286.2 ارب روپے سے کیپٹل اور ریزرو 300.8 ارب روپے یعنی 14.6 ارب روپے گویا %5.1 زیادہ رہے۔



## ممبران کیلئے ڈائریکٹرز کی رپورٹ

### معزز شیئرز ہولڈرز،

بورڈ آف ڈائریکٹرز کو نیشنل بینک آف پاکستان ”NBP“ ”دی بینک“ کی سالانہ رپورٹ کے ساتھ 31 دسمبر 2022ء کو ختم ہونے والے سال کے آڈٹ شدہ مالیاتی گوشواروں اور اس پر آزاد ڈائریکٹرز کی رپورٹ پیش کرنے پر مسرت ہے۔ کھاتوں کے مناسب اندراج کو برقرار رکھا گیا ہے اور یہ مالیاتی گوشوارے اس کے اُمور کار، اس کے کاموں کے نتائج، یکیش فلو اور سال کے دوران ایکویٹی میں ہونے والی تبدیلیوں کو منصفانہ طور پر پیش کرتے ہیں۔

### عملی سیاق و سباق

عالمی معیشت کو سُست رفتار نمو، افراط زر کے بلند وباؤ اور جغرافیائی سیاسی تناؤ کا سامنا کرنا پڑ رہا ہے، جو گلتا ہے کہ نزدیک تا مختصر مدت برقرار رہے گا۔ زیادہ تر ممالک (خاص طور پر ترقی یافتہ معیشتوں) میں، مرکزی بینک سخت مالیاتی موقوف کے ساتھ بڑھتے ہوئے افراط زر کے دباؤ اور زیادہ تر اُبھرتی ہوئی مارکیٹ کی کرنسیز پر شرح مبادلہ کے دباؤ کے نتیجے میں ان کی نظم کاری کے لیے جارحانہ انداز میں ردِ عمل ظاہر کر رہے ہیں، زیادہ تر ممالک کو کئی سال کی سُست شرح نمو کا سامنا ہے جس میں بڑھتے ہوئے قرضوں کے بوجھ اور کمزور سرمایہ کاری کا مشاہدہ کیا جا رہا ہے۔

طویل مدتی میکرو عدم توازن اور پالیسی کی غیر یقینی صورتحال کی وجہ سے پاکستان کی معیشت بھی کثیر جہتی چیلنجز سے دوچار ہے۔ مالی سال 23ء سے قبل، پاکستان کی معیشت ابھی COVID-19 وبائی بیماری سے ٹھیک ہی ہوئی تھی اور اسٹرکچرل ایڈجسٹمنٹ سے گزر رہی تھی۔ موافق میکرو اکنامک پالیسیز کی مدد سے، مالی سال 22ء میں جی ڈی پی میں 6.0% اضافہ ہوا۔ تاہم، مضبوط ملکی طلب، کم پیداواری نمو، عالمی اجناس کی بلند قیمتیں، اور عالمی اقتصادی سُست روی نے بیرونی عدم توازن کو بڑھا دیا ہے۔ معیشت کو مستحکم کرنے کے لیے، حکومت نے مجموعی طلب کو محدود کرنے کے لیے متعدد اصلاحی پالیسی اقدامات پر عمل درآمد شروع کیا، جس میں ایک کٹر یکلشنری بجٹ، مقامی توانائی کی قیمتوں میں اضافہ اور آزادانہ شرح مبادلہ شامل ہیں۔ استحکام کے ان اقدامات کے نتیجے میں، شرح نمو میں کمی، شرح مبادلہ کے استحکام اور عوامی قرضوں کے سائز کو ایڈجسٹ کرنے کے لیے مناسب میکرو اکنامک خلا پیدا ہونے کی توقع ہے، جب کہ ملک کے زیر مبادلہ کے ذخائر میں بتدریج اضافہ متوقع ہے۔

تاہم، تباہ کن سیلاب کی وجہ سے معیشت کو دھچکا لگا جس نے ملک میں تقریباً 33 ملین افراد کو تباہی سے دوچار کر دیا اور سیلاب سے متاثرہ افراد کی امداد اور بحالی کے لیے معیشت کی فنڈنگ (ملکی اور غیر ملکی) کی ضرورت کو شدید طور پر بڑھا دیا۔ ملکی معیشت پر بڑے اثرات کی وجہ سے حکومت کو ان ریلیف اور بحالی کی کوششوں کے لیے سماجی تحفظ کے پروگرامز کو جاری رکھنے میں دشواری کا سامنا ہے جبکہ میکرو اکنامک اسٹیبلائزیشن کے حصول کی جانب پیش رفت کو برقرار رکھنے میں اس کے اپنے استحقاق کی ضرورت تھی۔ فی الحال دستیاب معلومات کی بنیاد پر، مالی سال 23ء میں جی ڈی پی کی شرح نمو جو کہ سیلاب سے پہلے 3%-4% تھی کی سابقہ پیش گوئی کے مقابلے میں تقریباً 2% تک گر سکتی ہے۔ اس بیچ خوراک کی بلند قیمتوں نے مہنگائی کی شرح کو سال بہ سال تقریباً 25% بڑھا دیا ہے، جو کہ سیلاب سے پہلے کے 18%-20% کے تخمینہ سے کچھ زیادہ ہے۔ مہنگائی کے موجودہ صورتحال میں، اسٹیٹ بینک آف پاکستان نے پالیسی ریٹ 2022ء کے آغاز میں 9.75% سے بڑھا کر فی الحال 17.0% کر دیا ہے۔ ایس بی پی نے سپلائی کی رکاوٹوں اور پیداوار میں کمی کی وجہ سے بڑے پیمانے پر مینوفیکچرنگ یعنی اشیاء سازی مزید سُست ہونے کا امکان ظاہر کیا ہے۔

پاکستان کو ایف اے ٹی ایف کی گروے لسٹ سے نکالنا ایک مثبت پیشرفت تھی، کرنٹ اکاؤنٹ خسارہ، سرکاری مالیاتی رقوم کی وصولی اور قرضوں کی ادائیگی میں تاخیر کی وجہ سے بیرونی شعبہ دباؤ کا شکار ہے۔ حکومت ملکی اور بیرونی عدم توازن کو دور کرنے کے لیے مؤثر پالیسی اقدامات کر رہی ہے۔ کلیدی ترجیحات میں مالی پوزیشن کو مضبوط بنانا، غریبوں کو سماجی تحفظ جاری رکھنا، آزادانہ زیر مبادلہ کی شرح کی اجازت دینا اور عام سبسڈیز (خاص طور پر توانائی کی قیمتوں کے لحاظ سے) سے ایک ایسے نظام میں منتقل ہونا جہاں سبسڈیز کو ہدف بنایا جاتا ہے۔ آئی ایم ایف کی توسیعی فنڈ سہولت کے احیاء کے ساتھ ساتھ ان میکرو اقدامات کے بروقت نفاذ سے کثیر الانجیتی امداد کا بہاؤ دوبارہ شروع ہونا چاہیے جو پاکستان کے لیے کامیابی سے میکرو اکنامک استحکام کو دوبارہ حاصل کرنے اور اپنے پائیدار ترقی کے ایجنڈے کو آگے بڑھانے کے لیے اہم ہے۔

### شعبہ بینکاری کی کارکردگی اور توقعات

پاکستان کے شعبہ بینکاری نے 2022ء کے دوران اچھی کارکردگی کا مظاہرہ کیا ہے اور کافی مستحکم رہا ہے۔ بلند تر اوسط پالیسی کی شرح کی وجہ سے اسپرڈ میں بہتری آئی ہے۔ تاہم، میکرو اکنامک ماحول میں تناؤ کا تسلسل 2023ء میں اثاثوں کے معیار اور مجموعی بینکاری صنعت کی کارکردگی پر منفی اثرات مرتب کر سکتا ہے۔ کارکردگی کچھ پالیسی فیصلوں سے بھی متاثر ہو سکتی ہے جیسے انکریمنٹل ٹیکس نظام (خاص طور پر ایڈوانس ٹوڈ پاؤت تناسب کے حوالے پر ٹیکس) اور ٹریڈری سنگل اکاؤنٹ کا نفاذ۔ یہ مالیاتی اقدامات بینکس کو قرض دینے کی جارحانہ حکمت عملیوں پر عمل کرنے یا ٹیکس کی بلند شرحوں سے بچنے کے لیے اپنے ذخائر ضائع کرنے پر مجبور کر سکتے ہیں۔

اسی دوران، بینک دولت پاکستان کی ہدایات کے مطابق، IFRS 9 اسٹینڈرڈ کا نفاذ یکم جنوری 2023ء سے ہوگا جو بینکس کے لیے کریڈٹ لاگت کے حساب کتاب کو۔ متوقع نقصانات کی بنیاد پر، تبدیل کردے گا۔ جس کے نتیجے میں: (i) موجودہ اثاثوں پر۔ یکبارگی بار راستہ حصص، کی فراہمی، اور (ii) P&L پر بار بار چلنے والی دفعات کی لاگت ہر بینک کی اثاثہ کتب کے معیار، اور بعض سرمایہ کاری کی دوبارہ درجہ بندی پر منحصر ہوتی ہے۔ نیز، یہ منافع اور نقصان کے اکاؤنٹ کے بجائے ”دیگر جامع آمدنی“ کے ذریعے متعلقہ آمدنی کے ساتھ بعض سرمایہ کاری کی دوبارہ درجہ بندی کا باعث بنے گا۔ تاہم، بینکس کے سرمائے کے اکتفا پر کسی بڑے اثر کی توقع نہیں ہے، کیونکہ بینک دولت پاکستان نے بینکس کو 5 سال کے دوران اثرات کو حیران کرنے والے ”عبوری انتظام“ کا انتخاب کرنے کی اجازت دی ہے۔

تاہم، مؤثر اندرونی کنٹرول، کسٹمر کا اعتماد اور بینک دولت پاکستان کی جانب سے مضبوط انضباطی نگرانی پاکستان کی بینکاری صنعت کو انضباطی تقاضوں اور اُبھرتے ہوئے معاشی اور انضباطی ماحول کو ایڈجسٹ کرنے کے لیے کافی مستعد اور مضبوط بناتی ہے۔

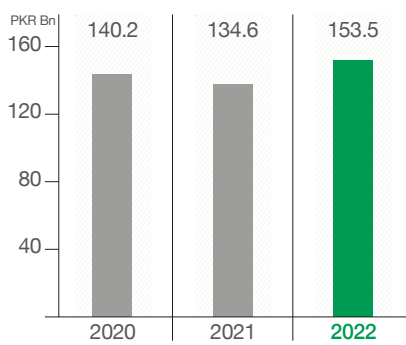
### 2022ء میں مضبوط مالیاتی ترسیل

درج ذیل مالی بحث اور تجزیہ جب تک کہ دوسری صورت میں بیان نہ کیا جائے قانونی معلومات پر مبنی ہے۔ مسلسل چیلنجنگ ماحول کے باوجود، بینک نے 31 دسمبر 2022ء کو ختم ہونے والے سال کے لیے مضبوط مالیاتی نتائج پیش کیے ہیں۔ زیر جائزہ سال کے لیے، نیشنل بینک نے 30.4 ارب روپے کا بعد از ٹیکس منافع ریکارڈ کیا ہے۔

### • منافع (ارب روپے)

نمبر	کلیدی اشیاء	2022ء	2021ء	بہتر/ (بدتر)	
				رقم	%
1.	NII	116.8	97.6	19.2	19.7% ▲
2.	NFI	36.7	36.9	(0.3)	-0.7% ▼
3.	کل آمدنی	153.5	134.6	19.0	14.1% ▲
4.	انتظامی اخراجات	78.2	60.0	(18.2)	30.3% ▲
5.	پیٹنگی منافع	75.3	74.6	0.8	1.0% ▲
6.	پروویژن چارجز	12.6	11.9	(0.7)	5.7% ▲
7.	غیر معمولی آئٹم	-	9.8	(9.8)	-100.0% ▼
8.	قبل از ٹیکس منافع	62.7	52.9	9.9	18.7% ▲
9.	ٹیکس	32.3	24.9	(7.5)	30.1% ▲
10.	بعد از ٹیکس منافع	30.4	28.0	2.4	8.6% ▲
11.	EPS (روپے)	14.29	13.16	1.13	8.6% ▲

### کل آمدنی



بلند تر اوسط پالیسی شرحوں کے پس منظر میں سود والے اثاثوں میں بڑے حجمی نمو کے ساتھ، بینک نے 503.3 ارب روپے کی مجموعی مارک اپ/سودی آمدنی تشکیل دی جو پچھلے سال کے 231.9 ارب روپے سے دگنی سے بھی زیادہ ہے۔ اسی طرح، سود/مارک اپ اخراجات 386.5 ارب روپے تھے، جس میں سے 209.6 ارب روپے یا 54.2% قوم جمع کنندگان کو ادا کیے گئے۔ نتیجتاً، خالص سود/مارک اپ آمدن یعنی ”NII“ 116.8 ارب روپے رہی جو کہ سال بہ سال 19.7% زیادہ ہے۔ سال کے دوران سُست رفتار تجارتی اور کاروباری سرگرمی کے باوجود، بینک اپنی نان مارک اپ/سود کمانے والے ”این ایف آئی“، سلسلے کو برقرار رکھنے میں کامیاب رہا جو کہ 36.7 ارب روپے (سال 2021ء میں 36.9 ارب روپے) پر بند ہوا۔ اس کے مطابق، بینک کی کل محصولات 153.5 ارب روپے (سال 2021ء میں 134.6 ارب روپے) رہیں جو کہ سال بہ سال 14.1% زیادہ تھیں۔

# Profile of the Shariah Board

## Mufti Ehsan Waquar

Chairman Shariah Board

Ehsan has a diversified cross-functional management experience in Islamic Finance, Business Management and Operation, Project Management and Administration for more than two decades; he has hands-on experience of people and projects management, with a rich experience of working with board of directors and senior management of banks, regulators, auditors and legal counsels.

Alhamdulillah, he has exclusively served Islamic Financial Industry with institutions like World Bank-IFC, Security & Exchange Commission of Pakistan (SECP), National Bank of Pakistan, ABL, Soneri Bank, NAFA, Askari General Insurance Company Takaful Window (AGICO), Emirates Global Islamic Bank now Al Baraka Bank Pakistan, UBL, Yasaar Ltd - UAE & UK, Minhaj Advisory – UAE, Arif Habib for more than a decade now. He has structured several Sukuk including the largest Sukuk in Pakistan; a hundred billion Sukuk for Neelum Jhelum Hydro Power, Fatima Fertilizer, Fauji Fertilizer, Sitara Energy, Sitara Peroxide and IBL.

He also served as member of the Technical Committee for Developing Accounting & Auditing Standard for Islamic Financial Institution at Institute of Chartered Accountants of Pakistan (ICAP). As member of SAF at State Bank of Pakistan (SBP), where he worked actively with SBP in matters pertaining to Islamic Banks including drafting of Shariah Standard on Shirkat-ul-Milk usually used for Housing Finance, Tawarruq, Commodity Murabahah, Treasury, Trade Finance and Agricultural Financing Products.

At ESAAC, he has the privilege to work on a project of World Bank-IFC for developing Islamic Re-Mortgage Finance. He has also worked with SECP team on Takaful Rules 2012 with its insurance division.

He possesses a unique combination of religious and contemporary education that is very relevant to Islamic Banking. He has strong communication skills combined with several languages. He graduated and accomplished Masters in Business Administration (MBA) with specialization in Finance and Masters in Economics (MA) from IoBM and Karachi University respectively. He also completed traditional Islamic studies and graduated as a Mufti, achieving Masters in Islamic Studies (MA) and specializing in Islamic Jurisprudence (PGD-Mufti) from a leading Islamic School in Pakistan, Jamia-Tur-Rasheed. He has also accomplished Bachelors in Law and Legislation (LLB). This unique blend of educational combination gives him an edge upon many others to understand, correlate and align modern day banking practices with Shariah principles.

Beside this, he conduct courses and sessions on Islamic Banking, Capital Markets, Derivatives, Takaful and Risk Management in renowned Business schools like CBM, IBA and KUBS.

## Dr. Mufti Khalil Aazami

Shariah Board Member

Dr. Aazami graduated from Jamia Darul Uloom, Karachi. He obtained Shaha dat-ul-Aalamia (Masters in Arabic and Islamic Studies) and Al-T’akhassus fi al-Iftaa’ (Specialisation in Islamic Jurisprudence and Fatwa) from Jamia Darul Uloom, Karachi and holds a Doctorate degree in ‘Islamic Jurisprudence’ from Karachi University. He is also serving as an Advisor/Shari’ah Board Member in different financial institutions including Bank-Alfalah, Faisal Bank, Takaful Pakistan Limited (2005-2014) and Alfalah GHP Islamic Fund (2007-2014).

Dr. Aazami has 23 years of research experience related to Islamic Finance and other Shariah related subjects. He is an author of numerous publications. He is also an experienced lecturer and trainer in the field of Islamic Finance, Economics, Fiqh, Islamic Financial Laws and General Islamic Science. He is involved as Faculty member, – Jamia Darul Uloom, Karachi since 1999 and has been associated with the Centre For Islamic Economics, Karachi, National Institute of Banking and Finance – SBP and Sheikh Zaid Islamic Research Centre – University of Karachi.

## Mufti Muhammad Imran

Resident Shariah Board Member

Mufti Muhammad Imran, working with NBP since May 2016, is a qualified Shariah Scholar and experienced Islamic banker with knowledge of Islamic banking & finance. His educational qualification includes Takhas-us-fil-Fiqh, MIBF & PGD (Islamic Banking & Finance) and M.A (Islamic Studies) and he has been associated with different Research, Fatwa and Educational Institutions since 2003 and has over 12 years of banking, Islamic Banking Trainings, Shariah Compliance, review & product development experience. His research includes:

- Qard & Dain me Farq
- Al Taeyseer fee Hukm-e-Al Tasweer
- Ahkam-ul-Zakah
- Asshya-e-sittah
- Shoroot-e-Ayemmah Khamsah
- Shoroot-e-Ayemmah Sittah

## Mufti Sajjad Ashraf Usmani

Shariah Board Member

Mufti Sajjad Usmani is a qualified CSAA (Certified Shariah Advisor & Auditor) from AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions, Bahrain), Takhassus Fil Ifta (Specialization in Islamic Jurisprudence and Fatwa) and Dars-e-Nizami/Shahadat-ul-Aalamia from Jamia Dar-ul-Uloom, Karachi and a certified anatomist of Sukuk, Islamic Banking & Finance. He is a seasoned professional with over 13 & 7 years of working experience from writing Fatawa to serving as a Shariah Advisor of the leading financial institutions of Pakistan respectively.

He has blend experience of providing Shariah consultancy to three (3) Takaful Companies as Shariah Advisor since 2015 and also served as Shariah Advisor of the Tier 2 Mudharabah Sukuk issued by Meezan Bank Limited.

He also has 7 years’ working experience with leading Auditing firms like A.F.F (PWC) & Deloitte Pakistan, as a Shariah Consultant & Head of Shariah Audit and has supervised various Shariah Audits of renowned Islamic Banks, Takaful Companies and Sukuks under the audit firm’s umbrella. He knows the practical problems being faced by the Islamic Financial Institution.

He is a teacher of Hadith and Fiqh (Islamic Jurisprudence) at Jamia Dar-ul-Uloom, Karachi besides teaching in various leading Islamic educational institutions like IBA CEIF & Center for Islamic Economic since 2011.

## Mufti Muhammad Ahmad

Shariah Board Member

Mufti Muhammad Ahmad is a qualified CSAA (Certified Shariah Advisor & Auditor) from AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions, Bahrain), Takhassus fil Fiqh il Muamalat Almalyyah (Specialization in Islamic Commercial Jurisprudence and Fatwa) from Jamia Tur Rasheed, Dars-e-Nizami/Shahadat-ul-Aalamia from Wifaq ul Madaris Alarabia and Masters in Economics from University of Karachi. Further he is currently pursuing his PhD degree from Karachi University.

He has more than six years’ experience of working in Islamic Banking Industry and has contributed extensively by actively participating Shariah deliberations on multiples issues. He has about ten years’ experience of Teaching, research and giving Fatawa. He has written about three hundred fatwas regarding ibadat, trade, banking, finance, inheritance, marriage, divorce etc. He has also conducted in depth research of several practical issues in Islamic Banking from Shariah aspect. He has a vast experience of conducting Islamic Banking Trainings.

He also teaches AAOIFI Shariah Standards, Islamic Jurisprudence, Islamic creed and Shariah inheritance law at Alburhan Institute Islamabad.

# Shariah Board's Annual Report NBP Aitemaad – 2022

بسم الله الرحمن الرحيم

الحمد لله رب العالمين والصلاة والسلام على سيد الانبياء والمرسلين وعلى آله وصحبه اجمعين اما بعد

The Board of Directors (BoD) of National Bank of Pakistan (NBP) have entrusted the Shariah Board (SB) with the task to assess the overall Shariah compliance level and environment within NBP Aitemaad Islamic Banking. The objective of the report is to present a view about the overall Shariah compliance level and environment within NBP Aitemaad Islamic Banking.

In the Capacity of Shariah Board, we have reviewed the overall Shariah compliance level and environment within the NBP Aitemaad Islamic Banking as of December 31, 2022.

## Shariah Board Opinion

While BoD and Executive Management are solely responsible to ensure that the operations of NBP –Aitemaad Islamic Banking are conducted in a manner that comply with Shariah principles at all times, we are required to submit a report on the overall Shariah compliance environment of NBP – Aitemaad Islamic Banking.

To form our opinion as expressed in this report, the Shariah Compliance Department (SCD) of the bank carried out reviews, on test check basis, of each class of transactions, the relevant documentation and process flows. Further, we have also reviewed the reports of the internal and external Shariah audit. Based on above, we are of the view that:

### 1. Compliance with Directives issued by Shariah Board

NBP Aitemaad's overall environment, products, and agreements comply with the Shariah directives issued by Shariah Board.

### 2. Compliance with Shariah related regulatory directives issued by State Bank of Pakistan (SBP)

The management ensures zero tolerance on Shariah non-compliance instances with regard to the SBP directives. In this context, NBP Aitemaad has an exclusive Shariah Non-Compliance key performance indicating point in the staff appraisal system.

### 3. Shariah Compliance Mechanism

Alhamdulillah, NBP-Aitemaad Islamic Banking already had a comprehensive Shariah Compliance Policy and extensive checklist for Shariah compliance review of the transactions.

This year, SCD developed the check list along with assessment papers for Islamic Banking Windows (IBW) based on their field functionaries' experiences. Further, SCD has also visited the customers' delivery site in compliance with Shariah Board instructions to supervise and guide the staff on execution of financing transactions.

### 4. Mechanism ensuring prohibited Income to Charity Account

NBP-Aitemaad Islamic Banking has a well-defined Charity policy approved by NBP Shariah Board and BoD which has been revised during the year. Shariah Compliance review and Internal Shariah Audit of financing transactions were conducted. In addition, other revenue generating sources including investments and treasury transactions were also reviewed.

During the Shariah Review of financing portfolio, no Non-Shariah compliant transaction was discovered. Therefore, there was no income was declared as charity this year. During this year, rupees Two Hundred Eighty Six Thousand (286,000) was collected on account of late payments and deposited in the Charity account and charity amounting rupees One Hundred Fifty Thousand (150,000/-) was disbursed to Prime Minister's Flood Relief Fund 2022. Following is charity account position;

Charity Fund – 2022	Rupees in '000
Opening Balance	64
Received from customers on account of delayed payment (2022)	286
Profit on charity saving account	3
Payments/utilization during the period	150
Closing Balance	203

### 5. Profit and Loss Distribution and Pool Management

NBP Aitemaad Islamic Banking Pool Management Wing is staffed with adequate human resource ensuring compliance with the SBP and Shariah Board guidelines. SCD has reviewed profit and loss calculation prior to distribution among depositors on monthly basis in addition to yearly Shariah compliance review of pool management. Further, Internal Shariah audit wing also conducted Shariah Audit of pool management on quarterly basis. All these layers of control have strengthened the profit & loss distribution and pool management.

### 6. Staff and Customer understanding of Islamic Banking and Finance

The Bank has arranged fifty seven (57) in house training sessions on different topics of Islamic Banking's basic concepts, products and services, and customer services where seven hundred and sixty four (764) staff (including IBB staff and conventional staff designated to IBW) were trained during the year.

This year, SCD in coordination with IBW and Learning and Management Development Division (LM&DD) has developed three (03) and five (05) days online course modules for IBW staff along with final assessment for the Islamic Banking certification.

For addressing public queries related to Shariah and Islamic Banking, the Bank is managing an "ask Shariah" portal i.e. [askshariah@nbp.com.pk](mailto:askshariah@nbp.com.pk). The Portal serves as a platform for staffs' on job training and guidance on their day-to-day operations and awareness of customer in the field of Islamic Banking.

### 7. Promotion and Awareness of Islamic Banking and Finance

SCD in coordination with AIBG operations and marketing has initiated Islamic Banking awareness sessions for the promotion of Islamic Banking for general public. In this regard, total sixteen (16) awareness sessions were organized all over country, out of which three (03) were specifically designed for women only in line with SBP's comprehensive National Financial Inclusion Strategy (NIFS). Moreover, two (02) sessions were arranged online for the vast coverage of Islamic Finance concepts among the masses.

Apart from customer awareness sessions, SCD has also started giving guest lectures on Islamic Banking and Finance in different Universities and Madaris.

### 8. Provision of adequate resources to Shariah Compliance Department (SCD)

SCD, in order to operate with reasonable head counts, has initiated requisition request for staff hiring. In this regard, one of the Shariah Scholar has joined in secretariat of Shariah Board. Further, two Shariah Scholars are in joining process. SCD shall anticipate the requirement of staff for SCD for the future windows operation and inform the management with the same, if any.

### 9. Other Developments

#### i. Shariah Compliance Review (SCR) of Islamic Banking Branches and Departments

The Shariah Compliance Department has conducted review of 86 deposit branches, 10 Islamic Banking Windows (IBW), treasury transactions and financing portfolio, on sample basis, during the calendar year. SCD has also reviewed the different marketing campaigns to ensure strict adherence with Shariah Board guidelines.

#### ii. Branch Network & Expansion

Alhamdulillah, the branch network of NBP Aitemaad Islamic Banking stands at 188 dedicated Islamic banking branches and 50 IBWs. NBP has initiated the process to open more, approximately, 100 Islamic Banking Windows next year targeting the greater reach of Islamic Banking.



iii. Product Development

- Alhamdulillah in 2022, NBP Aitemaad has taken following initiatives with respect to products development and obtained approvals from Shariah Board:
- A new specialized deposit product namely ‘Aitemaad Amirah Account’ has been launched which is designed exclusively for women. This product is playing a vital role to enhance women’s financial inclusion and to bring a shift towards women friendly business practices by providing complete bouquet of banking services including current/saving account options, competitive profit rates, discounted rates on consumer finance, 24/7 digital banking, Debit Card with over 20,000 Golootlo merchant discounts, locker, cheque book etc.
  - Enabled ADC services including Green PIN through NBP ATMs, RAAST P2P and Debit Card Management via Mobile App for new card request, change card status & PIN and non-cardholder onboarding.
  - Developed Policy and SOPs on Sale of Third Party Products.
  - Developed Policy for digital onboarding of customers.
  - Developed refinancing policies and manuals including ILTFF and IERS.
  - Revamped policies and manuals of deposit products, financing products and charity.
- NBP Aitemaad has diversified range of products as it is offering seventeen (17) Deposit products and Eight (08) financing products for its valued Customers.

iv. Asset Review

The overall earning assets of NBP Aitemaad have increased by 9.1% amounting PKR 101.1 Billion in comparison with PKR 92.7 Billion of previous year. Total Financing has reached at PKR 47.0 Billion with an increase of 9.3% maintaining NBP Aitemaad’s Finance to Deposit Ratio rounding to 50%. Total Investments including Bai Muajjal stood at PKR 54.1 Billion in comparison with PKR 49.7 Billion preceding year with an increase of 8.9%.

v. Liability Review

Aitemaad total deposits have increased by 10.4% to PKR 93.6 Billion in comparison with PKR 84.8 Billion last year.

vi. Shariah Board Meetings

SB has conducted four (04) meetings during the year. Major SB approvals are summarized as below;

- |   |   |
|---|---|
| <ul style="list-style-type: none"><li>• ISAW Annual Plan – 2022</li><li>• ISAW Annual Plan – 2023</li><li>• SCD Annual Plan - 2023</li><li>• Sale of Third Party Products Policy</li><li>• Training Policy - Revised</li><li>• Marketing Policy</li><li>• Customer’s Digital Onboarding Policy</li><li>• Staff Financing Policy - Revised</li><li>• Charity Policy - Revised</li><li>• Women Account Manual</li><li>• Deposit Product Policy - Revised</li><li>• Locker Policy</li><li>• Documentation of Running Musharakah</li><li>• Islamic Export Refinance - IERS</li><li>• Istisna Product Manual - Revised</li><li>• Salam Product Manual - Revised</li><li>• Ijarah Product Manual - Revise</li></ul> | <ul style="list-style-type: none"><li>• DM Product Manual - Revised</li><li>• Tijarah Product Manual - Revised</li><li>• Running Musharakah Manual - Revised</li><li>• Musawamah Product Manual</li><li>• Murabaha Product Manual - Revised</li><li>• E-Learning courses as an alternative for mandatory/refreshers training sessions – IBW Training Material &amp; Quiz</li><li>• Terms and Conditions of Digital Onboarding (Urdu &amp; English)</li><li>• Charity Manual - Revised</li><li>• Standing Operations Manuals</li><li>• Corrective Actions on SCD, ISAW &amp; External Shariah Audit Reports</li><li>• Wheat Procurement by Government and payment facilitation by Aitemaad Islamic Branches</li><li>• Sale of third-party products (bancatakafu) - SOP</li></ul> |
|---|---|

Recommendations

We recommend the Bank on the following matters:

1. The Bank has automated the liability side of the Core Banking whereas the asset side is still pending, which needs to be automated.
2. Bank has implemented Shariah Compliant Staff Financing Policy (Housing Module) with limited features, we recommend to implement all remaining modules.
3. Bank is required to introduce a comprehensive Islamic banking training policy that must include elementary and advance level specialized training courses for all staff across the Bank.

والله سبحانه وتعالى اعلم  
ربنا لا تؤاخذنا ان نسينا او اخطانا ربنا ولا تحمل علينا اصر كما حملته على الخي من  
قبلنا ربنا ولا تحملنا ما لا طاقة لنا به و اعف عنا وقفه واغفر لنا وقفه وارحمنا وقفه  
انت مولنا فانصرنا على القوم الكافرين

We pray to Almighty ALLAH to provide us guidance to adhere to the Shariah principles in day-to-day operations, to absolve our mistakes and for the success of Islamic banking in Pakistan.

Mufti Muhammad Ahmed Khan Member Shariah Board	Mufti Muhammad Sajjad Usmani Member Shariah Board
Mufti Muhammad Imran Resident Shariah Board Member	Dr. Mufti Khalil Ahmad Aazami Member Shariah Board
Mufti Ehsan Waqar Ahmad Chairman Shariah Board	



## ۹. دیگر سرگرمیاں

### i۔ اسلامک بینکنگ برانچز اور ڈپارٹمنٹس کا شرعی جائزہ

شریعہ کمپلائنس ڈپارٹمنٹ نے دوران سال اعتماد اسلامک بینکنگ کی 86 ڈپازٹ برانچز اور 10 اسلامک بینکنگ ونڈز کا جائزہ لیا ہے۔ اس کے ساتھ اعتماد ٹریڈری اور فنانسنگ پورٹ فولیو کا بھی نمونے کی بنیاد پر شرعی جائزہ لیا گیا۔ شریعہ کمپلائنس نے مختلف تشہیری مہموں اور سرگرمیوں کا بھی جائزہ لیا تاکہ شرعی ہدایات کی پاسداری کو یقینی بنایا جاسکے۔

### ii۔ برانچ نیٹ ورک اور توسیع

الحمد للہ! این بی پی اعتماد اسلامک بینکنگ کا برانچ نیٹ ورک 188 مخصوص برانچز اور 50 ونڈوز تک پہنچ گیا ہے۔ این بی پی اسلامی بینکاری کا دائرہ مزید وسیع کرنے کے غرض سے اگلے سال تقریباً 100 اسلامی بینکنگ ونڈوز کھولنے کا ارادہ رکھتا ہے۔

### iii۔ مصنوعات سازی (پراڈکٹ ڈیولپمنٹ)

الحمد للہ! سال 2022 میں این بی پی اعتماد اسلامک بینکنگ نے درج ذیل خدمات و سہولیات کو متعارف کروایا اور شریعہ بورڈ سے ان کی اجازت حاصل کی:

- ایک نئی مخصوص پراڈکٹ بنام "اعتماد امیرہ اکاؤنٹ" شروع کی گئی جو کہ صرف خواتین کے لئے خاص ہے۔ اس پراڈکٹ کے ذریعے خواتین کی مالیاتی معاملات میں شمولیت میں اضافہ ہو گا اور خواتین کو کاروبار کی طرف متغزل کرنے میں مدد فراہم کرے گا۔ اس پراڈکٹ میں مکمل بینکنگ خدمات کرنٹ / سیونگ اکاؤنٹ کا اختیار، مناسب منافع شرح، کنزیومر فنانس پر رعایتی شرح، 7/24 ڈیجیٹل بینکنگ، ڈیبٹ کارڈ 20,000 گولڈ مرچنٹ ڈسکاؤنٹ، لاکرز، چیک بک وغیرہ۔
- این بی پی اے ڈی سی (ADC) کی خدمات میں بہتری بشمول اے ٹی ایم کے ذریعے گرین پن، آر اے اے ایس ٹی (RAAST) پی ٹی ٹی (P2P)، موبائل ایپ کے ذریعے ڈیبٹ کارڈ منیجمنٹ، نئے کارڈ کے لئے درخواست، کارڈ کے اسٹیٹس اور پن کی تبدیلی اور غیر کارڈ ہولڈر کو آن بورڈ کرنا۔
- تھرڈ پارٹی پراڈکٹ پالیسی اور ایس او پی (SOP) کا اجراء
- اصرافین کی ڈیجیٹل آن بورڈنگ کے لئے پالیسی کا اجراء
- اری فنانسنگ پالیسیز اور مینولز بشمول آئی ایل ٹی ایف ایف (ILTFF) اور آئی ای آر ایس (IERS) کا اجراء
- ڈپازٹ پراڈکٹس، فنانسنگ پراڈکٹس اور چیریٹی کی پالیسیز اور مینولز کی تجدید

اب این بی پی اعتماد اپنے قابل قدر صارفین کے لیے بہتر حد تک مصنوعات فراہم کر رہا ہے، جو کہ ۷ اڈپازٹ اور ۸ سرمایہ کاری مصنوعات پر مشتمل ہے۔

### iv۔ سرمایہ کاری کا جائزہ

این بی پی اعتماد کے کمانے والے مجموعی اثاثے گزشتہ سال کے مقابلے میں %9.1 کی شرح سے اضافے کے بعد تقریباً 101.1 بلین روپے تک پہنچ چکے ہیں، جو پچھلے سال 92.7 بلین تھے۔ ٹوٹل فنانسنگ %9.3 کے اضافے کے ساتھ تقریباً 47.0 بلین تک پہنچ چکی ہے جس کی وجہ سے اعتماد اسلامک بینکنگ گروپ کا فنانس / ڈپازٹ کا تناسب تقریباً %50 ہو گیا ہے۔ اس سال %8.9 کی شرح سے اضافہ کے ساتھ سرمایہ کاری کا حجم بشمول بیج موبل تقریباً 54.1 بلین رہا جو کہ پچھلے سال 49.7 بلین تھا۔

### v۔ کھاتہ جات (ڈپازٹس) کا جائزہ

این بی پی اعتماد کا ڈپازٹ اس سال تقریباً 93.6 بلین روپے رہا جو پچھلے سال کے 84.8 بلین روپوں کے مقابلے میں %10.4 کی شرح سے اضافہ ہے۔

### vi۔ شریعہ بورڈ کے اجتماعات (میٹنگز)

سال 2022 میں شریعہ بورڈ کی کل (4) میٹنگز منعقد ہوئیں۔ ان میں اہم منظور شدہ امور درج ذیل ہیں:

- ڈپازٹ پراڈکٹ پالیسی (ترمیم)
- لاکر پالیسی
- ڈاکوٹیشن آف رنگ مشارکہ
- اسلامک لکسیو رٹری فانس- آئی ای آر ایس (IERS)
- ٹرم اینڈ کنڈیشن آف ڈیجیٹل آن بورڈنگ (اردو اور انگریزی)
- چیریٹی مینول (ترمیم)
- اسٹینڈنگ آپریشن مینولز
- ایس سی ڈی (SCD)، آئی ایس اے ڈبلیو (ISAW) اور ایکسٹرنل شریعہ آڈٹ رپورٹس پر اصلاحی اقدامات
- مساومہ پراڈکٹ مینول
- مراحمہ پراڈکٹ مینول (ترمیم)
- مسلم پراڈکٹ مینول (ترمیم)
- استصناع پراڈکٹ مینول (ترمیم)
- تجارتی پراڈکٹ مینول (ترمیم)
- مراحمہ مینول (ترمیم)

### سفارشات

بینک کے لیے ہماری سفارشات درج ذیل ہیں:

- ۱۔ بینک نے پول منیجمنٹ سسٹم کے ڈپازٹ والے حصے کو مکمل طور پر خود کار بنادیا ہے تاہم تمویل و سرمایہ کاری والے حصے کو خود کار بنانا ابھی باقی ہے۔
- ۲۔ بینک نے اسلامی اسٹاف فنانسنگ پالیسی محدود خصوصیات (ہاؤسنگ فنانس) کے ساتھ نافذ کی ہے۔ ہم یہ سفارش کرتے ہیں کہ بقیہ تمام خصوصیات کا بھی نفاذ کیا جائے۔
- ۳۔ ایک جامع اسلامک بینکنگ ٹریننگ پالیسی کے نفاذ کو یقینی بنایا جائے، جو بینک کے عمل کے لیے ابتدائی اور اعلیٰ لیول کے مخصوص ٹریننگ کورسز پر مشتمل ہو۔

### واللہ سبحانہ و تعالیٰ اعلم

**ربنا لا تؤاخذنا ان نسينا او اخطانا ربنا ولا تحمل علينا اصرا كَمَا حملته على الذین من**

**قبلنا ربنا ولا تحملنا ما لا طاقة لنا به ج واعف عنا وقفه واغفر لنا وقفه وارحمنا وقفه**

**انت مولنا فانصرنا على القوم الكافرين**

ہم اللہ تعالیٰ کے حضور دعا گو ہیں کہ وہ روزمرہ امور میں ہماری رہنمائی فرمائے تاکہ ہم خطاؤں سے بچ سکیں اور یہ کہ اسلامی بینکاری پاکستان میں مزید مستحکم ہو۔

مفتی محمد احمد خان ممبر شریعہ بورڈ	مفتی محمد سجاد عثمانی ممبر شریعہ بورڈ
مفتی محمد عمران ریزیڈنٹ شریعہ بورڈ ممبر	ڈاکٹر مفتی خلیل احمد اعظمی ممبر شریعہ بورڈ

مفتی احسان وقار احمد

چیرمین شریعہ بورڈ

کردئے گئے ہیں جبکہ اس سال ایک لاکھ پچاس ہزار (150,000) روپے کی چیرٹی وزیراعظم امداری فنڈ برائے سیلاب متاثرین 2022 میں جمع کرا دی گئی ہے۔ چیرٹی اکاؤنٹ کی تفصیلات درج ذیل ہیں:

چیرٹی فنڈ 2022	رقم ۰۰۰ میں
ابتدائی بیلنس	64
دوران سال تاخیر سے ادائیگی کی بناء پر وصول کی جانے والی رقم	286
چیرٹی سیونگ اکاؤنٹ کا نفع	3
دوران سال چیرٹی کی مد میں کی جانے والی ادائیگیاں	150
اختتامی بیلنس	203

## ۵۔ نفع اور نقصان کی تقسیم اور پول مینجمنٹ

اعتاد اسلامک بینکنگ کے پاس پول مینجمنٹ کا باقاعدہ ونگ، مناسب عملے کے ساتھ موجود ہے، جو اسٹیٹ بینک اور شریعہ بورڈ کی جانب سے جاری کی گئی ہدایات کی پاسداری کو یقینی بناتا ہے شریعہ کمپلائنس ڈیپارٹمنٹ پول مینجمنٹ کے سالانہ جائزے کے علاوہ نفع و نقصان کے حساب کا کھاتہ داروں میں تقسیم سے قبل ماہانہ بنیادوں پر جائزہ لیتا رہا ہے۔ اسی طرح انٹرئل شریعہ آڈٹ ونگ نے سہ ماہی بنیادوں پر پول مینجمنٹ کا شریعہ آڈٹ بھی کیا ہے۔ یہ تمام طرق ہائے انضباط پول مینجمنٹ اور نفع کی تقسیم کار کے نظام میں بہتری کا باعث بنے ہیں۔

## ۶۔ عملے اور صارفین کی تربیت و آگاہی برائے اسلامی بینکاری اور سرمایہ کاری

بینک نے اسلامی بینکاری کے بنیادی تصورات، مصنوعات (پراڈکٹس) اور کسٹمر سروسز سے متعلق سٹاؤن (57) ان ہاؤس ٹریننگ سیشن منعقد کیے جن میں دوا رین سال سات سو چوٹھ (764) ملازمین (بشمول اسلامی بینکاری برانچوں کے ملازمین اور اسلامی بینکاری ونڈوز کے ملازمین) کو تربیت دی گئی۔ اس سال شریعہ کمپلائنس ڈیپارٹمنٹ نے اسلامک بینکنگ ونڈوز اور لرننگ اینڈ مینجمنٹ ڈیولپمنٹ ڈویژن (LMDD) کے اشتراک سے اسلامک بینکنگ ونڈوز کے عملے کے لئے تین (3) اور پانچ (5) روزہ آن لائن کورس مرتب کیا ہے۔ بینک کے عملے اور صارفین کے سوالات کا جواب دینے کے لیے ایک پورٹل “ASKSHARIAH” [askshariah@nbp.com.pk](mailto:askshariah@nbp.com.pk) کے نام سے موجود ہے۔

یہ پلیٹ فارم نہ صرف بینک کے عملہ کو اپنے روزمرہ کے کاموں میں شرعی رہنمائی فراہم کرتا ہے، بلکہ یہ عملے اور صارفین کے لیے اسلامی بینکاری کی آگاہی کا ذریعہ بھی ہے۔

## ۷۔ اسلامی بینکاری کی آگاہی اور فروغ

شریعیہ کمپلائنس ڈیپارٹمنٹ نے اعتاد اسلامک بینکنگ گروپ کے آپریشن اور مارکیٹنگ ڈیپارٹمنٹ کے اشتراک سے اسلامی بینکاری کے فروغ کے لیے عوام الناس میں اسلامی بینکاری کے آگاہی پروگراموں کا آغاز کیا ہے۔ اس سلسلے میں پورے ملک میں سولہ (16) آگاہی پروگراموں کا انعقاد کیا گیا، جس میں سے تین (3) پروگرام اسٹیٹ بینک آف پاکستان کے جامع قومی مالیاتی شمولیتی لائحہ عمل کے تناظر میں خصوصی طور پر خواتین کے لئے مرتب کئے گئے اور دو (2) پروگرام عمومی فائدہ کو مد نظر رکھتے ہوئے آن لائن منعقد کئے گئے۔

ان آگاہی پروگراموں کے علاوہ، شریعہ کمپلائنس ڈیپارٹمنٹ نے مختلف یونیورسٹیز اور مدارس میں بھی اسلامی بینکاری اور فنانس پریگسٹ لیکچرز کا آغاز کیا ہے۔

## ۸۔ شریعہ کمپلائنس ڈیپارٹمنٹ میں مناسب افرادی وسائل

شریعیہ کمپلائنس ڈیپارٹمنٹ کے امور کو بہتر انداز میں مناسب افرادی قوت کے ساتھ اپنی خدمات سرانجام دینے کے لیے، نئے افراد کی تعیناتی کے لیے درخواست کی جا چکی ہے، اس سلسلے میں، ایک شریعی اسکالریٹور بیکریٹری آف شریعیہ بورڈ کی تعیناتی ہو چکی ہے۔ مزید دو شریعی اسکالرز تعیناتی کے مرحلے میں ہیں۔ مستقبل میں ونڈوز آپریشن کی ضرورتوں کے پیش نظر اگر شریعیہ کمپلائنس ڈیپارٹمنٹ میں افرادی قوت میں اضافہ درکار ہوا تو مینجمنٹ کو آگاہ کر دیا جائے گا۔

## این بی پی اعتماد شریعہ بورڈ سالانہ رپورٹ-۲۰۲۲

## بسم اللہ الرحمن الرحیم

الحمد لله رب العالمين والصلاة والسلام على سيد الانبياء والمرسلين وعلى آله وصحبه اجمعين اما بعد

این بی پی کے بورڈ آف ڈائریکٹرز کی طرف سے شریعہ بورڈ پر اعتماد اور بھروسہ کرتے ہوئے انہیں یہ ذمہ داری سونپی گئی کہ وہ این بی پی اسلامی بینکاری کے ماحول اور شرعی احکام کی تعمیل (شریعیہ کمپلائنس) کے سلسلے میں نگرانی کریں۔

اس رپورٹ کا مقصد یہ ہے کہ این بی پی اعتماد میں شرعی احکام کی تعمیل کے لحاظ سے عمومی صورتحال کے بارے میں شریعہ بورڈ کا نقطہ نظر پیش کیا جائے۔ ہم بحیثیت شریعیہ بورڈ 31 دسمبر 2022 تک بینک میں شرعی احکام کی تعمیل کے لحاظ سے عمومی صورتحال کا جائزہ لے چکے ہیں، جس کا خلاصہ درج ذیل ہے۔

## شریعیہ بورڈ کی رائے

بورڈ آف ڈائریکٹرز اور اعلیٰ انتظامیہ کی حتمی ذمہ داری ہے کہ وہ اس بات کو یقینی بنائیں کہ این بی پی اعتماد کے جملہ امور مکمل طور پر شرعی اصولوں کے مطابق انجام پا رہے ہیں، جبکہ ہمارے (شریعیہ بورڈ) کے ذمہ این بی پی اعتماد کی شرعی احکام کی تعمیل (کمپلائنس) کے حوالے سے صورتحال کا ایک مکمل تجزیہ (رپورٹ) پیش کرنا ہے۔

رپورٹ میں ذکر کردہ رائے قائم کرنے کے لیے بینک کے شریعیہ کمپلائنس ڈیپارٹمنٹ نے این بی پی اعتماد میں انجام دیے جانے والے ہر قسم کے معاہدات، ان سے متعلق دستاویزات اور طریقہ کار میں سے چند بطور نمونے کے منتخب کئے اور ان کا تفصیلی جائزہ لیا۔ مزید یہ کہ ہم نے انٹرئل / ایکسٹرئل شریعیہ آڈٹ کی رپورٹس کا بھی جائزہ لیا، جس کی بنیاد پر ہماری رائے یہ ہے:

## ۱۔ شریعیہ بورڈ کی جانب سے جاری کردہ احکامات پر بینک کی تعمیل (کمپلائنس)

این بی پی اعتماد کی مجموعی صورت حال، مصنوعات، معاہدات اور معاملات شریعیہ بورڈ کی جانب سے جاری کردہ احکامات کے مطابق ہیں۔

## ۲۔ اسٹیٹ بینک کی جانب سے شرعی امور سے متعلق جاری کردہ احکامات پر بینک کی تعمیل (کمپلائنس)

اسٹیٹ بینک کی ہدایات کی روشنی میں مینجمنٹ اس بات کی یقین دہانی کراتی ہے کہ غیر شرعی امور پر کسی قسم کا تسامح نہ برتا جائے۔ اس حوالے سے این بی پی اعتماد میں ملازمین کے سالانہ جائزہ کارکردگی کے نظام (staff appraisal system) میں خاص طور پر شرعی امور میں عدم تسامح (Zero Tolerance) بطور کنڈی آئی (KPI) موجود ہے۔

## ۳۔ شریعیہ کی تعمیل (کمپلائنس) کا طریقہ کار

الحمد للہ! این بی پی اعتماد کے پاس ایک جامع اور مکمل شریعیہ کمپلائنس پالیسی اور معاملات کی شرعی حوالے سے جانچ پڑتال کے لیے مکمل اور جامع چیک لسٹ موجود ہے۔

اس سال شریعیہ کمپلائنس ڈیپارٹمنٹ نے اسلامک بینکنگ ونڈوز کے عملے کے لیے، وقتاً فوقتاً حاصل ہونے والے تجربات کو مد نظر رکھتے ہوئے چیک لسٹ، نیز جانچ پڑتال کے لیے پیپرز بھی مرتب کیے ہیں، اس کے علاوہ شریعیہ بورڈ کی ہدایات پر عمل کرتے ہوئے، مالی معاملات کی انجام دہی میں عملے کی نگرانی اور رہنمائی کے سلسلے میں شریعیہ کمپلائنس ڈیپارٹمنٹ نے کسٹمر کے سامان کی سپردگی کے مواقع کا دورہ بھی کیا ہے۔

## ۴۔ ممنوع آمدن اور چیرٹی (صدقہ) اکاؤنٹ کا انتظامی طریقہ کار

این بی پی اعتماد نے ایک واضح اور جامع چیرٹی پالیسی تشکیل دی ہے جو شریعیہ بورڈ اور بورڈ آف ڈائریکٹرز سے منظور شدہ ہے، جس پر دوران سال نظر ثانی بھی کی گئی ہے۔ تمویلی معاملات کا شریعیہ کمپلائنس ریویو اور انٹرئل شریعیہ آڈٹ بھی انجام دیا گیا ہے۔ مزید برآں آمدنی کے تمام دوسرے ذرائع بشمول سرمایہ کاری اور ٹریڈری کے معاملات کا جائزہ بھی لیا گیا۔ بینک کے سرمایہ کاری کے شرعی جائزے کے دوران کوئی بھی غیر شرعی معاملہ نہیں پایا گیا، لہذا اس سال کسی قسم کے نفع کو چیرٹی نہیں کیا گیا۔ دوران سال تاخیر سے ادائیگی کی مد میں دو لاکھ چھیاسی ہزار (286,000) روپے چیرٹی وصول کئے گئے ہیں اور چیرٹی اکاؤنٹ میں ڈپازٹ بھی



# Executive Management



## Amjad Imran Khan

SEVP/Group Chief, International Financial Institutions & Remittances Group

Amjad Imran Khan has rich banking experience of over 30 years during which he has worked with leading banks in Pakistan, UAE, Hong Kong and Bahrain. He joined NBP from Emirates NBD, UAE, where he worked as Global Head of Financial institutions for the Bank. Prior to joining Emirates NBD, he was with Standard Chartered Bank where he worked in different geographies and held senior positions such as Managing Director. During his tenure at SCB, he worked on growing the business in transactional banking, financial institutions and capital markets. He started his career in 1990 with Deutsche Bank, Pakistan after completing his MBA from Drexel University, USA.



## Faisal Ahmed Topra

SEVP/Group Chief, Consumer Assets

Mr. Ahmed did his MBA from USA and M.Phil from SZABIST. He joined the Bank in 1996 as OG-I. In the past 26 year, he has delivered diversified roles in credit, corporate finance, product development, HR and Strategic planning, etc. to reach the SEVP level. He has been a member of various executive level committees. Presently he is managing the Bank's consumer assets portfolio with particular focus on institutional sales of consumer assets. Ahmed is known for his passion for learning and accepting new challenges. He is also representing the Bank as a nominee Director on the Boards of First Credit Investment Bank Limited and Pakistan Mercantile Exchange Company.



## Fouad Farrukh

SEVP/Group Chief, Aitemaad Islamic Banking Group

Twenty-five years experienced Banker with Retail, Corporate, Risk, and Islamic Banking in leadership roles. Experience is divided in eighteen years in Pakistan and six years in the Middle East. Recognized and rewarded for building market-leading profitable, sustainable businesses. Prior to joining National Bank, led Retail and Islamic Banking expansion for Faysal Bank Limited for over 8 years and Country Head for HBL Bahrain, and Risk Head for Gulf Region of HBL.



## Muhammad Ismail Usuf

SEVP/Group Chief, Treasury and Capital Market

Muhammad Ismail Usuf brings in over 28 years of experience in Treasury & Capital Markets. In his current position, as Group Chief Treasury he manages the interest rate, foreign exchange and liquidity risks. Treasury function comprises of Assets and Liability Management, Financial Markets Trading, Equity Markets Trading and Sales & Structuring. Ismail is an IBA graduate and joined NBP Treasury in 2004 and has a proven track record of successfully managing treasury functions. Prior to joining NBP he worked with Faysal bank Treasury as well. He is well experienced in setting up and managing Treasury business and brings in-depth knowledge of Money Market, Foreign Exchange, Capital Markets, Derivatives and Structured Products.



## Naushaba Shahzad

EVP & Group Head (A), Inclusive Development Group

Naushaba has more than three decades of experience in Corporate Finance, Trade, Risk and Corporate Governance. Leading the Inclusive Development Group, her focus are the priority sectors of the economy, such as Agriculture, SME, Microfinance and commercial sector. Before joining NBP, Naushaba was the CEO (A) of First Women Bank. There she was also member of various management committees and Secretary to the Board Risk Management Committee. Naushaba has excellent academic record and a Gold Medallist in MSc from the University of Punjab and First Position in MBA (Banking & Finance) from IBA Karachi.



## Osman Malik

EVP/Group Head, Special Assets Management Group

Osman has a rich and diversified banking experience of over 29 years working with leading banks in Pakistan and Middle East. After his MBA from LUMS, he started his career with Citibank in 1993. He has held variety of senior positions at different banks across Pakistan and Middle East. He brings vast experience ranging across Corporate, Commercial, Retail and Remedial portfolio as well as Cash management and Risk management. Before joining NBP as Senior Credit Officer, he was associated with HBL-Dubai as Head of Remedial Corporate Bank. With his broad experience and acumen, he leading the Special Assets Management Group (SAMG) as Group Head.



## Shahid Iqbal Choudhri

EVP & Group Head, Corporate and Investment Banking Group

Mr. Shahid brings in diversified professional experience with an illustrious career spanning over 30 years. For the past 12 years, Mr. Shahid has been working at senior positions at large commercial & investment banks and DFIs.. During his assignments in the recent past, he has developed and turned around various core banking functions of Corporate and Remedial. As Group Head CIBG, he is spearheading one of the largest corporate asset portfolios of the country Mr. Shahid is also the Chairman Board of Directors at Agritech Limited. He holds an MBA Degree and has also completed the Director's Training Program from LUMS.



## Tauqeer Mazhar

SEVP/Group Chief, Retail Banking Group

Tauqeer Mazhar has more than 30 years of banking experience in Corporate, Retail and Consumer Banking. His previous employer was UBL, where he was working as Group Head Branch Banking. Tauqeer is an MBA from LUMS and started his career with Citibank in 1990 as Management Associate and has worked in different senior level roles at Citibank Pakistan, Saudi Arabia, USA and UAE. He then moved to ABN AMRO Bank, Kazakhstan and later joined KazInvest Bank, Kazakhstan as Head of Retail and Consumer Bank. He successfully launched various products. His last assignment prior to joining UBL was Head of Branch Operations for HBL.



### Abdul Wahid Sethi

SEVP/CFO, Financial Control Group

Abdul Wahid Sethi is currently serving as SEVP/Chief Financial Officer. Mr. Sethi has rich & diversified experience of 25+ years working at senior positions. He is a fellow member of the ICAP and holds an MBA Finance degree from Imperial College Lahore. He has also served the Bank as SEVP/Chief Internal Auditor of the Bank. Prior to joining NBP in 2009, he worked at senior positions with various reputed organisations. Mr. Sethi is a great advocate of organisational capacity building and promoting young professional talent in the Bank.



### Ali Mansoor

SEVP / Group Head, Credit Risk Management Group

Ali has 24 years of origination, deal structuring, risk & credit experience at NBP (over 2 years), RBS / Natwest (11 years) and Citibank (10 years) spanning Emerging and Developed markets with 4 years spent in the front office & 20 years in risk & specialist credit roles. His career has involved working in financial markets in Pakistan, Middle East, Far East, Europe and Australia. Prior to joining NBP, his last role was with Natwest in London as a Senior Credit Officer / Director. Ali holds a B.Com with Joint Honours in Economics and Finance from McGill University, Canada.



### Amin Manji

SEVP/Group Chief, Information Technology

Amin, the Bank's CTO, brings more than 30 years of IT experience in Financial Services. Prior to joining NBP, Amin has held a variety of technology roles at various large Banks. With expertise in IT Strategy, Technology & Digital Transformation and Disaster Recovery, he has a track record of developing high performance teams and strategically utilizing technology to deliver complex IT solutions in a globally interconnected and culturally diverse environment. Amin serves on various leadership forums at NBP including various management committees. Amin holds a B.S. from Cornell University in the USA and a Master's in Applied Finance from Macquarie University, Australia.



### Hassan Umair Wasti

SEVP/Group Chief, Internal Audit & Inspection Group

Umair has over 25 years of work experience in Internal Audit and Risk Management functions in multi-national banks in UAE, UK and Pakistan. He has in-depth skills and knowledge to strategically lead functions in the second and third line of defense across all banking businesses of consumer, corporate, Small and Medium enterprises (SME), private banking and wealth management.



### Imran Farooqui

SEVP & Group Chief, Operations Group

Imran has 26 years of banking experience working for leading banks in Pakistan in the field of Operations, Banking Services Inspections and Project Implementation. He joined NBP from HBL, where he was holding the position of Head Branch Operations to ensure Regulatory Compliance and handle Technology Projects for Operations. Prior to joining HBL, he was associated with Allied Bank where he held the position of Chief of Operations Banking Services. Imran has an M.Sc. from University of Peshawar and MBA from University of Sindh. Imran has also worked for SBP as Assistant Director. In his previous stint with NBP, he was associated as Head of PMO.



### Karim Akram Khan

SEVP/Group Chief, Logistics, Communications & Marketing Group

Karim joined NBP in 1996. He moved to Bank of America for a brief period and re-joined NBP as VP. In 2003, he headed Corporate Credit Division for five years. Karim has also served National Accountability Bureau as Director - Financial Crimes Investigation. After repatriation to NBP, he worked in Assets Recovery as Executive Vice President for a period of seven years, and subsequently led Logistic Support Group as its Group Head. He is currently responsible for leading multi-disciplined logistical functions by leading a large team as a cohesive unit, thus efficiently providing logistical support including engineering, procurement, bank services, sports, marketing and internal.



### Mehnaz Salar

EVP & Divisional Head, Legal Division

Mehnaz Salar has qualified as a Barrister at law from Lincoln's Inn and has been working as a banking lawyer for several years. Prior to joining NBP, she has headed up legal departments in various banks such as Citibank NA, Standard Chartered Bank, Dubai Islamic Bank, Samba Bank and Meezan Bank.



### Mirza Muhammad Asim Baig

EVP & Group Head (A), Human Resource Management Group

Asim has 20+ years of rich banking and HR experience. Earlier, he has also worked in Retail Business with Union and Standard Chartered Bank. Diversifying his career, Asim started his HR journey from SCB and later on headed the L&D function in a domestic bank. Asim has been in various leadership roles in HR and has contributed towards several key HR initiatives including but not limited to transformation, diversity, inclusion and change management. Asim holds an MBA degree and is a certified trainer and has been instrumental in launching Career and Succession Planning Programs. He likes to mentor young professionals as a career counsellor.





### Muhammad Hamayun Sajjad

SEVP/Chief Digital Officer, Digital Banking Group

Recognized as one of Asia's top 100 Fintech leaders, Mr. Muhammad Hamayun Sajjad specializes in optimizing frictionless digital consumer experiences across banking and digital commerce. He is also on the Board of 1Link and Pakvitae. He has over 24 years of experience working for banks, telcos, and global digital organizations. His last assignment was at UBL, where he was heading Digital Banking. He is passionate about culture change through innovation. Working across the EMEA & APAC regions, brands to which he contributed include Wave Money Myanmar, Easypaisa, Telenor, Banka Serbia, Paysbuy Thailand, Bentley System, NCR, and Teradata. Muhammad holds MBA in Finance and a B.S. in Computer Sciences.



### Nauman Muzaffar

SEVP/Group Chief, Risk Management Group

Nauman has over 25 years of experience with reputed organizations. Before joining NBP, he was with HBL, where he worked as GM & Head Enterprise Risk Management. Nauman has also worked with JP Morgan Canada as the CRO for its Canadian franchise. He also spent time with JP Morgan's Investment Bank in New York, Executive Director for CIBC's Global Derivatives & Strategic Risk team and Citibank as a business manager for Derivatives and Structured Products. Nauman also briefly worked at the Pakistan Credit Rating Agency. Nauman has an undergraduate degree in Finance from the University of Utah and an MBA from the LUMS.



### Nauman Riaz

SEVP/ Group Chief, Compliance Group

Riaz has more than 26 years of banking experience at senior positions. He joined NBP from HBL where he was working as Global Chief Compliance Officer. He started his career with Citibank after completing his MBA from IBA in 1993 and has worked in various geographical locations. His last assignment prior to joining HBL was Director Operational Risk Management for Citibank – UAE. Earlier to that, he was the EMEA Regional AML Compliance Head and Regional Core Compliance Head based out of Citibank UK. Before moving to the UK, he was the Head of Operations for Citibank Algeria. Nauman has also headed various senior Operations positions for Citibank Pakistan.



### Syed Muhammad Ali Zamin

EVP, Secretary Board of Directors

After completion of his education (MBA Finance) in 1982, he started his career with PICIC, a Development Finance Institution and holds vast experience in Project Financing, Research and Advertisement/Public Relations. Before joining NBP, he served as EVP/Company Secretary of PICIC for eleven years. Since his appointment at NBP, he has successfully been leading the regulatory and listed compliance front, facilitating the corporate governance practices and advising the Bank in areas of corporate matters. He is a Certified Director from Pakistan Institute of Corporate Governance (PICG), Fellow of Institute of Corporate Secretaries of Pakistan (FICSP) and Diploma Associate of Institute of Bankers, Pakistan (DAIBP).



**National Bank of Pakistan**  
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# Organisational Overview

## Principal Activities of the Bank

Principal activities of NBP during the year remained same as in previous year and included general banking services, Islamic banking, corporate banking, credit, ATM and debit cards facilities, investment banking, advisory, treasury and capital markets, housing and general finance, transaction banking, cash management, digital banking, international trade & remittances, etc. The Bank's subsidiaries offer banking services, currency exchange, fund management and securities brokerage services.

## Our Product Universe

We proactively identify our customers and their banking requirements, which are broadly categorised into four basic categories. Our comprehensive products and services suit caters to all credit and non-credit financial requirements across our customer and client spectrum. Individuals can benefit from a large array of our products i.e. a safe place to deposit their savings, government employees can obtain financing against their salary, can obtain mortgage finance as a first step towards building a home or can benefit from our home remittance service to receive cross-border funds from their family members abroad. For businesses, NBP is all there to help entrepreneurs launch a start-up, fund their balance sheet growth, manage payments timely & securely, expand internationally, manage financial risks effectively, and deal with thousands of business counterparts globally through our branches and representative offices.

	Individuals	SME	Corporates	Financial Institutions
Cash Management, Deposits, Online Banking, Debit Cards	Current and Saving Deposit Accounts			
	Access to global trade and exchange markets			
	Global Home Remittance			
	Bancassurance			
	Debit Card & Online Banking			
Financing Personal and Business Needs	Locker & Safe Deposits			
	Housing & Car Finance	SME Financing		
	Agri. Loans	Commercial Business Loans		
	Advance Salary	Working Capital and Project Finance		
	Gold Loans	Trade Finance		
Financial and Business Support			Capital markets	
			Syndicate finance and capital advisory	
			Forex Trade, Fixed Income, Exchange Rate Hedging, Foreign Bill Discounting	
	Finance under G2P and P2G		Merger & Acquisitions, Balance Sheet Restructuring	

## Our Aspirations

Our aspirations come from our extensive market outreach, strong capital base, optimally diversified and strong balance sheet, customer loyalty and an ambitious team. We significantly share government/public sector business. We are the only bank in Pakistan rated 'AAA' by both the recognised credit rating agencies in Pakistan. We aim to be the best and most innovative bank in Pakistan meeting all business needs of all segments of economy and rapidly growing SME sectors, Islamic banking, global home remittances and cash management.

## Our Priorities

We are confident of our aspirations and solid foundations, which will steer us through the challenges faced by the banking industry and we will efficiently achieve our core objectives and priorities. As the Bank is moving forward through restoring its fundamental strengths, we have defined interconnected and mutually composite strategies for the years ahead. Our priorities are synchronised with our strategy for capitalising other opportunities offered by the market, and set a solid path for us to deliver our strategy towards capitalising the value addition opportunities offered by the market.

## Our Operating Structure

The Bank has developed a diversified and customer-focused delivery system to provide financial services to individuals, small & medium enterprises as well as large corporate and public sector clients. We have organized a dedicated business function for each type of clientele. Our various centralised functions at

Head Office level provide support to the business groups in smooth execution of their business activities. Our Head Office control functions provide a supervisory and governance role through policy making and monitoring.



The business functions are primarily responsible for making business plans & strategies for their respective business domain and ensuring that it is coherent with the overall business strategy of the Bank. Each business group defines and delivers the customer proposition and is accountable for end-to-end customer processes and products.

Support and control functions define strategy to support the business functions in achieving their business goals. The control functions extend their expertise in developing & implementing policy framework that sets the route for the business groups.



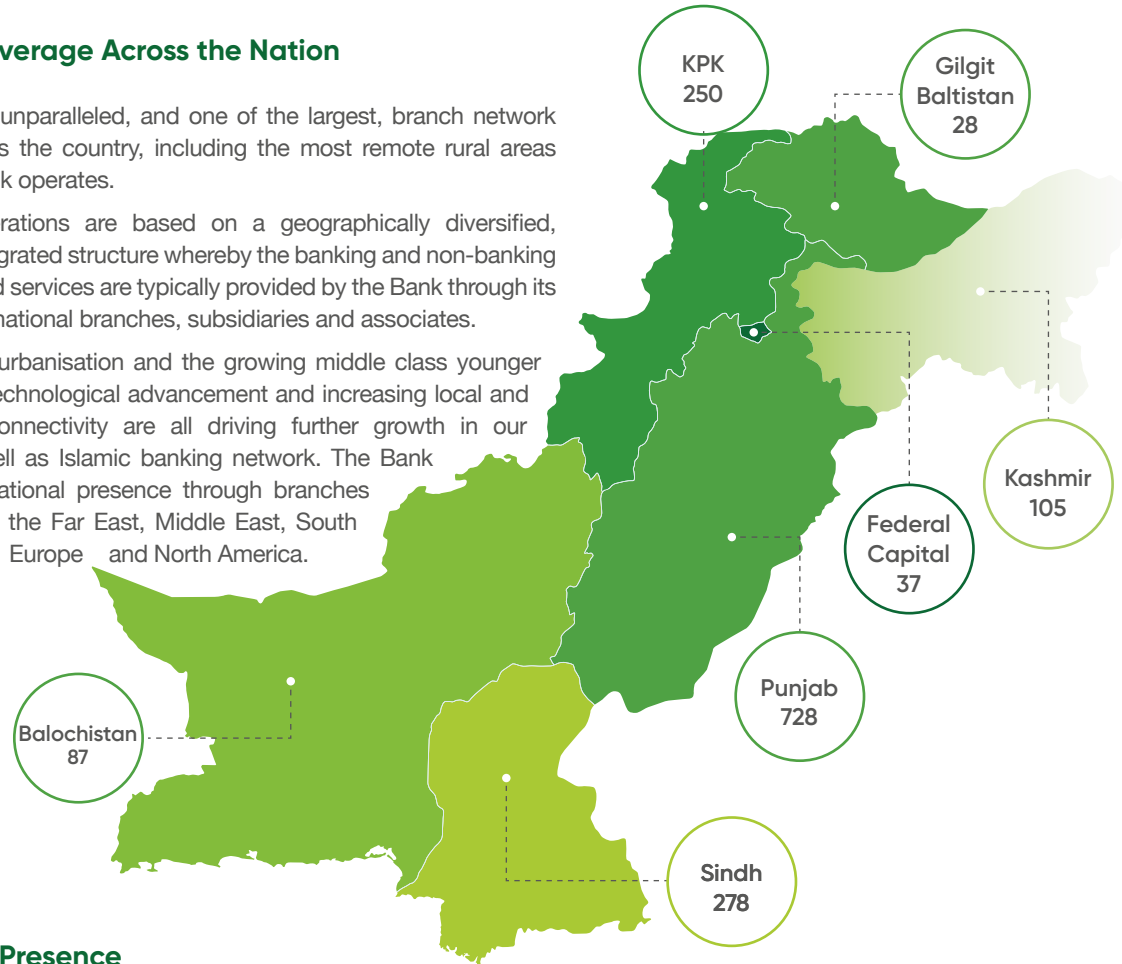


## The Widest Coverage Across the Nation

The Bank runs an unparalleled, and one of the largest, branch network operating all across the country, including the most remote rural areas where no other bank operates.

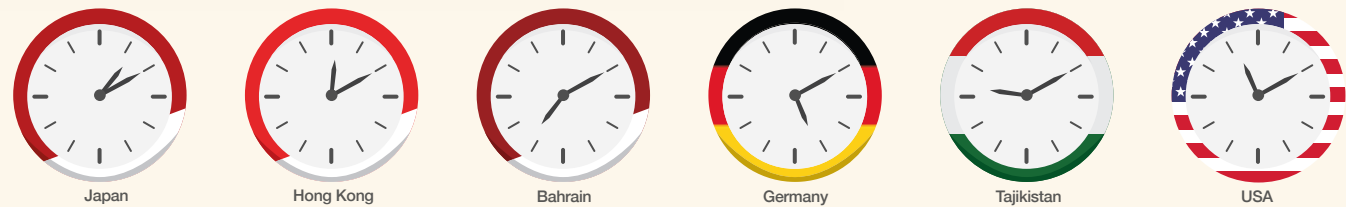
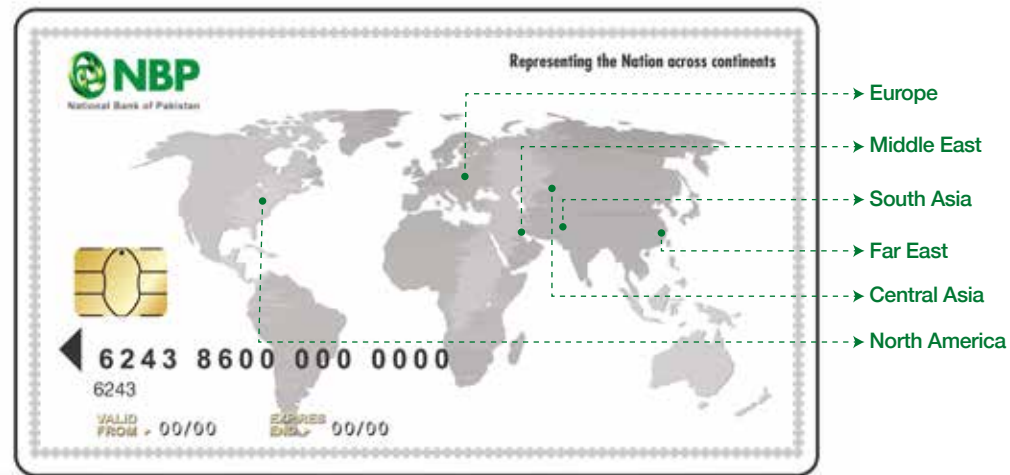
Our business operations are based on a geographically diversified, composite and integrated structure whereby the banking and non-banking financial and related services are typically provided by the Bank through its domestic and international branches, subsidiaries and associates.

The recent rise of urbanisation and the growing middle class younger population, rapid technological advancement and increasing local and global business connectivity are all driving further growth in our conventional as well as Islamic banking network. The Bank also has an international presence through branches and subsidiaries in the Far East, Middle East, South Asia, Central Asia, Europe and North America.



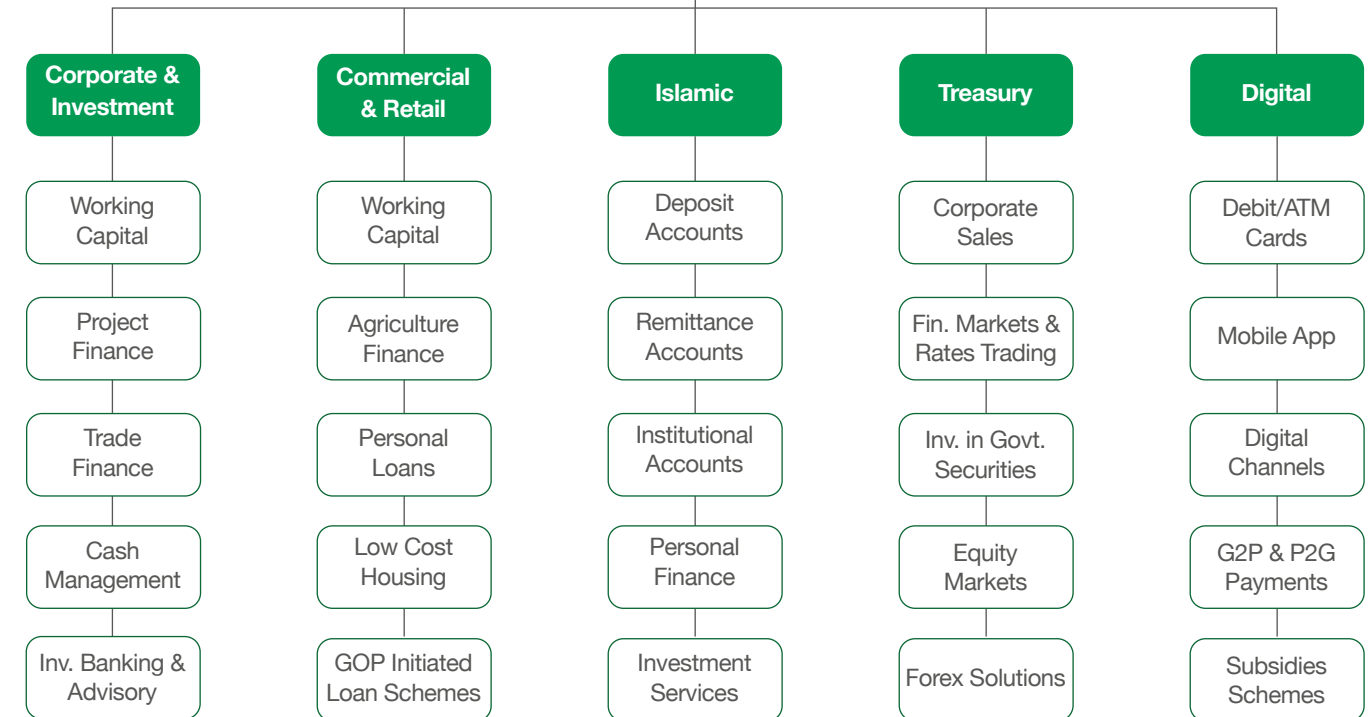
## Geographical Presence

We are privileged to play an important role in the country's economy. That brings with it a deep responsibility to the communities we serve across the Nation.



The Bank has Branches in these Countries.

# Products & Services





# CORPORATE GOVERNANCE



A million people means a million goals, all of which converge with National Bank of Pakistan as a key player, with the widest network in the nation, we are ready to join you on your journey, with you each step of the way.



# Corporate Governance

Ensuing our organisational purpose to ‘be the Nation’s leading bank enabling sustainable growth and inclusive development’, our philosophy of Corporate Governance is to ensure a balanced & sustainable delivery of value for each class of the Bank’s stakeholders. As an integral part of the country’s financial eco-system, we are cognizant of our duties as a corporate citizen to act in a manner that benefits the Nation at large. Accordingly, our approach to corporate governance enables an integrated thinking and decision making that balances the achievement of our strategic priorities over time and reconciles the interests of the Bank, its stakeholders and society in creating and protecting sustainable shared value in the short, medium and long term.

In compliance of the Codes of Corporate Governance and other applicable laws, our efforts and strategy have been focused upon strengthening the Bank’s governance, its balance sheet and building a talented team of professionals.

## Formation of the Board and Independent Directors

The Board has eight (08) Directors of which five (05) meet the criteria of independence stipulated under the applicable rules. This preponderance of independent Directors plays an important role in the independent functioning of the Board as they bring in an external and broader perspective to decision-making by the Board.

S. No.	Name	Status
1	Mr. Ashraf Mahmood Wathra	Chairman/Independent Director
2	Mr. Rehmat Ali Hasnie, President/CEO (A)	Executive Director
3	Mr. Farid Malik	Independent Director
4	Mr. Asif Jooma	Non-Executive Director
5	Mr. Ahsan Ali Chughtai	Independent Director
6	Mr. Amjad Mahmood	Non-Executive Director
7	Mr. Ali Syed	Independent Director
8	Mr. Nasim Ahmad	Independent Director

## Attendance of each Director on BoD meetings

Number of meetings held during the year:15

S. NO.	NAME	NUMBER OF MEETINGS
1	Mr. Rehmat Ali Hasnie, President/CEO (A)*	7/7
2	Mr. Farid Malik, Independent Director	15/15
3	Mr. Asif Jooma, Non-Executive Director	15/15
4	Mr. Ahsan Ali Chughtai, Independent Director	15/15
5	Mr. Zubyr Soomro, Chairman ***	6/6
6	Mr. Arif Usmani, President / CEO **	8/8
7	Mr. Tawfiq Asghar Hussain Independent Director ***	6/6
8	Mr. Imam Bakhsh Baloch Independent Director ***	6/6
9	Ms. Sadaffe Abid Independent Director ***	6/6

\* Appointed on May 12, 2022    \*\* Retired on May 11, 2022    \*\*\* Retired on April 16, 2022.

## Our Corporate Governance Commitments

Promoting transparency, accountability and empathy in our activities for delivering a balanced and sustainable impact on our stakeholders and the economy.

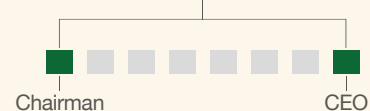
Ensuring compliance to all applicable regulatory and governance laws in the territories where operate.

Promoting an ethical and risk-aware culture that is cognizant of the Bank’s mandate, aspirations of its stakeholders and the operating context.

## Board Composition

### Category

Independent	5
Non-Executive	2
Executive	1

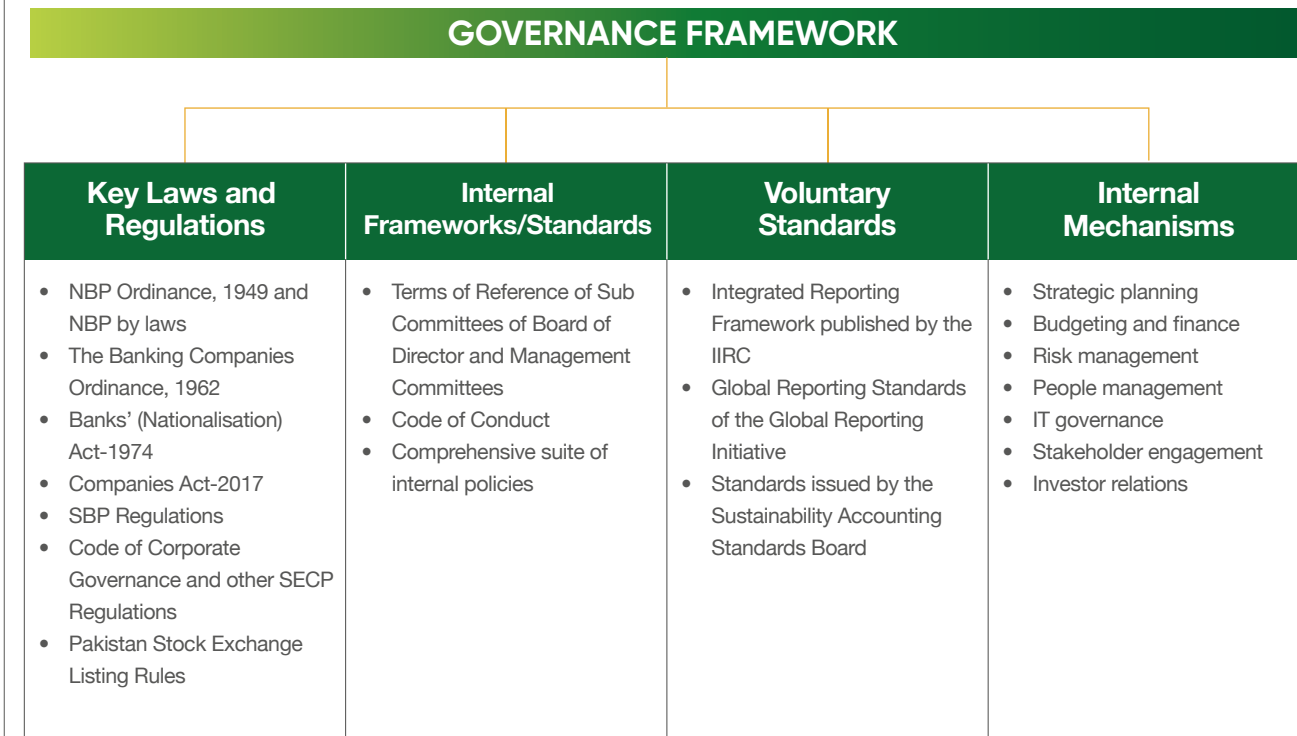


### Experience

Commercial and Central Banking
Public Service
Finance and Accounting
Inclusive Development
Legal and Regulatory
Economics

## Our Governance Framework

Our governance framework is embedded in all the Bank’s operations and is designed to provide clear direction for responsive decision-making and support responsible behaviour. This framework enables the Bank understand the emerging opportunities and risks, be agile to adopt new operating models, launch new product & services and effectively allocate its resources in a challenging & uncertain economic environment to deliver and protect sustainable shared value.



## GOVERNANCE PRINCIPLES

Structure and effective functioning of the Board	Robust Control & Compliance	Disclosure & Transparency	Responsible corporate citizenship
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## FOUNDED ON OUR GOVERNANCE FRAMEWORK

Regulations	Financial Governance	Risk Governance	Sustainability Governance
<ul style="list-style-type: none"> <li>Board Structure</li> <li>Rotation</li> <li>Committee charters</li> </ul>	<ul style="list-style-type: none"> <li>Policies</li> <li>Board evaluation</li> <li>Culture &amp; ethics</li> </ul>	<ul style="list-style-type: none"> <li>Budgeting and financial control</li> <li>Capital allocation</li> <li>Performance management</li> <li>Taxation</li> </ul>	<ul style="list-style-type: none"> <li>Risk management</li> <li>Internal controls</li> <li>Internal audit</li> <li>Compliance</li> </ul>
<ul style="list-style-type: none"> <li>Environment and Social Management System (Under Approval)</li> </ul>			

## OUTCOMES AND VALUE CREATION THROUGH GOVERNANCE

Providers of Funds	Shareholders	Employees	Government	Suppliers	Society	Value Retained
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Matters Reserved for the Board

The Board of Directors exercises its powers with responsibility, diligence and after due deliberations in compliance with the requirements of applicable laws including the National Bank of Pakistan Ordinance-1949, the Banking Companies Ordinance-1962, the Bank’s (Nationalisation) Act-1974, the Companies Act 2017, the Listed Companies (Code of Corporate Governance) 2019, the Public Sector Companies (Corporate Governance) Rules, 2013, and the Bye-laws of the Bank’s as approved by the Federal Government. Moreover, the regulations put in place by the State Bank of Pakistan, the Ministry of Finance, Pakistan Stock Exchange Limited, the State Bank of Pakistan, and the Securities and Exchange Commission of Pakistan also form an integral part of our corporate governance. There are a number of areas where the Board has delegated powers and responsibilities to its Committees and to the management.

On a broader level, general direction and superintendence of the affairs of the Bank and the overall policy making in respect of its operations, are vested in the Board. The Board exercises its powers and discharge its duties in accordance with sound banking principles and prudent banking practices and shall ensure compliance with the regulatory requirements. Without prejudice to the powers conferred to the Board as stated above, the Board is generally responsible to:

- Ensure that the Bank’s strategies and policies are aligned with its Vision and Mission towards achieving its strategic goals;
- Establish effective credit & risk management and internal controls framework;
- Approve and periodic review of strategic business plans, budget, investments in major projects and new ventures, related party transactions and donations, etc.;
- Review of management letter issued by the external auditors; and approval of the Banks’s financial statements including dividend pay-out and appointment of external auditors;
- Consider significant issues, placed by the CEO, for the information, consideration and decision of the Board or its committees;
- Consider the matters recommended by the Board’s committees and review of internal audit reports;
- Maintain a complete record of the Bank’s significant policies along with their respective dates of approval or amendment;
- Establish performance evaluation criteria for the employees of the Bank and mechanism for addressing integrity and ethical issues;
- Appointment/removal, determination of remuneration and renewal of contracts, terms and conditions of key management positions;
- Consider absorption or regularisation of employees, appointed or recruited under contract with the Bank and on third party contracts, under the terms of service as determined by the Board, including but not limited to their remuneration, transfers or posting, evaluation criteria, promotions, end service benefits, etc.

Role of the Chairman

The Chairman serve as a leader and driving agent of the Board of Directors, monitoring and managing its activities, and aligning the Board’s goals and decisions with that of the Management of the Bank. While is Chairman isn’t involved day to day operations of the Bank, he is generally responsible to ensure:

- the effective functioning of the Board and its Committees in line with regulatory requirements
- that all matters relevant to the governance of the Bank are placed on the agenda of Board meetings;
- that all the directors are enabled and encouraged to fully participate in the deliberations and decisions of the Board;
- that minutes of the meeting truly reflect what transpired during the meeting and dissent of Directors, if any, is properly recorded in the minutes; and
- lead the Board and ensure its effective functioning and continuous development.

Committees of the Board

The Board establishes its Committees to streamline the discharge of its responsibilities. For each Board Committee, the Board adopts formal Terms of Reference (ToRs) setting out the matters relevant to the composition, roles, functions, responsibilities and administration of such Committees. During the year, the Board had established the following Committees:

1. Board Audit Committee	4. Board Technology and Digitalisation Committee
2. Board Human Resource & Remuneration Committee	5. Board Risk & Compliance Committee
3. Board Inclusive Development Committee	6. NBP-NY Governance Council (Sub-Committee of BRCC)

The Board Committees’ ToRs are reviewed periodically, or on need basis. It is intended that each Board Committee has a Non-Executive Director as Chairman of the Committee. As a matter of principle, Committee Members have access to the appropriate external and professional advice needed to assist the Committee in fulfilling its role.

1. Board Audit Committee (BAC)

Name	Status	Non-Executive/ Independent
Mr. Ahsan Ali Chughtai	Chairman	Independent Director
Mr. Nasim Ahmad	Member	Independent Director
Mr. Asif Jooma	Member	Non - Executive Director
Mr. Ali Syed	Member	Independent Director
Mr. Amjad Mahmood	Member	Non - Executive Director

2. Board HR & Remuneration Committee (BHRC)

Name	Status	Non-Executive/ Independent
Mr. Ashraf Mahmood Wathra	Chairman	Chairman / Independent Director
Mr. Farid Malik	Member	Independent Director
Mr. Ali Syed	Member	Independent Director

ToRs of the Committee include the followings:

- i. Review and recommend human resource policies for the approval of the Board of Directors.

ii. Review and recommend the Bank’s Remuneration Policy and remuneration setting mechanism at least once every two years.

iii. Recommend to the Board of Directors matters pertaining to recruitments, appointments, transfers, promotions, termination and disciplinary issues of SEVPs & EVPs (President’s Direct Reports), Audit Chief, Secretary (BoD) and the Chief Financial Officer (CFO).

iv. Recommend to the Board of Directors remuneration, compensation, increment, performance bonuses and perquisites of the CEO/President, Secretary (BoD), CFO and all positions reporting to the CEO/President.

v. Review and guide management on industrial relations issues.

vi. Review the appropriateness of and recommendations for organizational restructuring as and when deemed necessary.
- vii. Review and recommend policy changes in Pension Benefits.

viii. Review training policies and give guidelines for the overall improvement in training activities and suggest improvement in training methodology and identify areas of training relevant to needs of the organization.

ix. Review and recommend appointments to the Boards of NBP subsidiaries, affiliates and other institutions where NBP’s representation is required

x. Review diversity & inclusion strategy.

xi. Review succession planning of key executives and KPIs.

xii. Seek independent external advice / expert opinion whenever required.

xiii. Perform any other function consistent with these ToRs, applicable laws including Code of Corporate Governance and the Bank’s bye-laws, as deemed necessary.





### 3. Board Inclusive Development Committee (BIDC)

Name	Status	Non-Executive/ Independent
Mr. Amjad Mahmood	Chairman	Non - Executive Director
Mr. Ashraf Mahmood Wathra	Member	Chairman / Independent Director
Mr. Asif Jooma	Member	Non - Executive Director
Mr. Nasim Ahmad	Member	Independent Director
Mr. Rehmat Ali Hasnie	Member	Executive Director

#### ToRs of the Committee include the followings:

- Advise and report to the NBP Board on the status of development finance activities and initiatives in the Bank.
- Review and recommend Development Finance Strategy and relevant policies for the Bank in the sectors related to low cost housing, SME, agriculture, livestock and fisheries, financial inclusion and women's empowerment, education financing, etc. before submission to the NBP Board.
- For the SME Sector, evaluate and recommend policies to promote value chain financing leveraging existing and new corporate relationships.
- For financial inclusion, plan how to equip NBP to understand and grow lending to the microfinance banks and institutions, including tapping funding routed through the State Bank and multilateral agencies.
- Review and monitor progress on the above initiatives and recommend policy changes needed to enable growth in underserved segments in alignment with the Bank's vision and strategic goals and the country's overall needs.
- Review and ensure that necessary capacity and resources are available to deliver the Development Finance mandate of the Bank, including organizational structuring necessary to promote NBP as a leader in the relevant segments.
- Receive periodic updates from the Bank staff to monitor all Development Finance related projects approved by the NBP Board.
- Review the Bank's CSR strategy and align it with the Financial Inclusion and Development Finance mandate. Receive periodic updates on the CSR activities.
- Determine and advise on what research may be needed to direct the Bank's approaches most effectively and what means the Bank should deploy to monitor progress thereof.
- Study Micro, Small and Medium Enterprise strategies that have been successfully implemented by network banks in other markets including through specialized vehicles such as leasing and factoring.
- Work with the Government of Pakistan and SBP to promote low cost housing and reduce impediments.
- Evaluate and review the existing agriculture financing structure and "Farm-to-Fork" financing.
- To explore financial intermediation in underserved areas including healthcare.
- If deemed necessary, the Committee may seek expert opinion from independent sources.

### 4. Board Risk & Compliance Committee (BRCC)

Name	Status	Non-Executive/ Independent
Mr. Ahsan Ali Chughtai	Chairman	Independent Director
Mr. Asif Jooma	Member	Non - Executive Director
Mr. Ali Syed	Member	Independent Director
Mr. Rehmat Ali Hasnie	Member	Executive Director

#### ToRs of the Committee include the followings:

##### A. Role of the Committee with Respect to Risk Management and compliance:

- Recommend the Risk Management Policies for approval by the BoD.
- Review the Risk Management Policy on a periodic basis to ensure that it remains updated with regards to changes in the Risk Management activities of the Bank as and when they are implemented.
- Oversee that the Bank has appropriate systems, tools, techniques, methodologies and controls to measure (as far as possible), to monitor and manage all significant risks embedded in the Bank's books.
- Review and recommend to the Board the Bank's overall Risk Appetite and associated limits / concentration in respect of credit, market, liquidity and operational risks.

- Periodically review Risk Management strategies developed and recommended by RMG / ERM and propose it to the Board for approval.
- Monitor the impact of significant risk issues on the Bank's strategy and monitoring alignment of the strategy, appetite, business plans, budgets and policies etc. to address the existing or potential risks.
- Recommendation / ratification of tolerable deviations to the portfolio risk limits and the risk management policies as recommended by ERM / any other competent authorities.
- Monitor the Bank's progress towards Basel-III related implementation as per SBP / regulatory guidelines / directives and review the acquisition of Risk Management Systems duly recommended by the management.
- Formulate an overall view of the adequacy of the Bank's capital with a prudent risk management perspective ensuring that overall risk exposure stays at adequate level and consistent with available / planned capital.
- Review the performance of the Risk Management Group.
- Review various exception and MIS reports prepared by RMG.
- Review TORs for functions and committees responsible for credit, market, liquidity and operational Risk Management and establishing minimum risk reporting criteria.
- Monitor that the resources allocated for risk management are adequate given the size, nature and volume of the business.
- Ensure that the Committee members participate in the orientation and training program to educate and enhance the knowledge of new / existing members on their areas of responsibilities and ensure participation of members in continuing professional development programs / workshops to enhance Committee members' understanding of relevant areas.
- Review FI Placements Limits on a regular basis.

##### B. Role of the Committee with respect to Compliance Risk Management:

- Review and recommend for approval to the BoD Compliance Risk Strategy (as part of the Bank's overall risk strategy) and allied policies of the Compliance Group and oversee its implementation across the entity in letter and spirit.
- Ensure the establishment of a robust Compliance Framework compatible with the Bank's overall Risk Management Strategy, risk profile and complexity of operations, with the required authority, independence, financial resources and quality human resources.
- Review and recommend for approval to the BoD an end-to-end Compliance Program that promotes and supports Compliance Risk Management across the organization, at every hierarchy level of NBP.
- Maintain and promote a high compliance culture and values of honesty and integrity in NBP.
- Discuss compliance issues regularly, ensuring that adequate time and priority is provided in the agenda to deliberate compliance issues and that such issues are resolved effectively and expeditiously.
- Evaluate the effectiveness of NBP's overall management of compliance risk, at least annually; keeping in view the regulatory observations in on-site examinations, regulatory enforcement actions, internal assessments / feedback from internal audit, compliance reviews, as well as interactions with the Group Chief/Head of Compliance Group.
- On the advice of the President, recommend approval to the BoD for the appointment of Group Chief/Head of Compliance Group with sufficient experience, expertise, skills and qualifications to perform Group Chief/Head of Compliance Group's functions in an effective manner.
- Recommend to the BoD for any disciplinary action or termination of the Group Chief/Head of Compliance Group.
- Ensure that the position of the Group Chief/Head of Compliance Group does not remain vacant for more than 60 days.
- Ensure that the Group Chief/Head of Compliance Group has the appropriate stature, authority, resources (physical, financial and human) and support to fulfill the duties, is sufficiently independent of line departments, and has the capacity to offer objective opinions and advice to Senior Management and the Board on matters of Compliance Risk.
- Engage with Group Chief / Head of Compliance Group on a half-yearly basis to provide him the opportunity to discuss issues faced by the Compliance Framework in implementation of Board-approved Compliance Program.
- Review the minutes of the Compliance Committee of Management (CCM) meetings to ascertain its effectiveness in managing Compliance Risk.
- Review the progress in implementing remedial actions taken with respect to instances or non-compliance or control weakness, as identified by the Compliance Framework through its regular compliance reviews and / or various other sources.
- Satisfy itself of receiving accurate as well as comprehensive information required to perform compliance risk oversight responsibilities, including seeking assurances from Senior Management that the Compliance Risk controls have been implemented and are working effectively.

In addition to the above, the role of the Committee also includes:

- i. Discussing the Compliance Risk faced by the overseas branches and their mitigation plans and report to the BoD on a half-yearly basis.

ii. Reviewing and discussing any material incidents of Non-Compliance.

iii. SBP / Regulatory Inspection Reports and Compliance status thereon.

iv. Quarterly reviews of KYC/AML/Sanctions Compliance-related risk factors.

v. Reviewing the Currency Transaction Reports (CTR) submitted to the Financial Monitoring Unit.

vi. Reviewing the Suspicious Transactions Reports (STR) submitted to the Financial Monitoring Unit.
- vii. Updating status on staff trainings on AML/CFT/CPF/Sanctions Compliance.

viii. Quarterly review of status of Bank's Policies.

ix. Monitoring of FATCA and CRS Implementation and Due Diligence Milestones.

x. Review Compliance status of the Regulatory Inspection Reports of overseas branches (as and when received).

xi. Quarterly review of penalties imposed on the overseas branches.

xii. Discussing any other significant regulatory gap or development related to the NBP overseas branch network, which is escalated to the Committee.

5. Board Technology & Digitalization Committee (BTDC)

Name	Status	Non-Executive/ Independent
Mr. Farid Malik	Chairman	Independent Director
Mr. Amjad Mahmood	Member	Non - Executive Director
Mr. Nasim Ahmad	Member	Independent Director
Mr. Rehmat Ali Hasnie	Member	Executive Director

ToRs of the Committee include the followings:

- i. Advise and respond to NBP Board on the status of technology activities and digital initiatives in the Bank.

ii. Review overall need of businesses and the resources available to meet these needs.

iii. Review and recommend IT and Digital strategies and relevant policies before submission to the Board.

iv. Access technology resources including hardware, software, security and networking are up-to date to meet the requirement on an up-to-date basis.

v. Ensure that risk management strategies are designed and implemented to achieve resilience, such as the ability to effectively respond to wide scale disruptions including cyber-attacks and attacks on multiple critical infrastructure sectors.

vi. Review and monitor technology policies and plans such as Strategic Technology Implementation Plan, DR Plan, Cyber-Security Implementation Plan, etc.
- vii. Receive periodic updates from IT steering Committee to monitor all technology-related projects approved by NBP Board.

viii. Review BCP arrangement; in particular, DR and Backup arrangements in an on-going basis.

ix. Ensure that technology procurement are aligned with the IT strategy approved by the Board.

x. Approve terms of reference or any change in the constitution of IT Steering Committee.

xi. Board ratification of the decisions taken by BTDC, to be subsequently obtained, wherever applicable.

xii. If deemed necessary, the Committee may seek expert opinion from independent sources.

6. NBP – NY Governance Council (Sub-Committee of BRCC)

Name	Status	Non-Executive/ Independent
Mr. Rehmat Ali Hasnie	Chairman	Executive Director
Mr. Ahsan Ali Chughtai	Member	Independent Director

ToRs of the Committee include the following:

- i. Addressing concerns and ensuring compliance with all applicable laws and regulatory instructions of the respective host jurisdictions of all international offices.
- ii. Periodically reviewing, monitoring and placing for the BoD the jurisdiction-wise Board-approved strategic plan with well-defined and measurable deliverables.

- iii. Overseeing and regularly evaluating the financial and operational performance of overseas subsidiaries, joint venture operations, and that of overall overseas branch operations. Conducting a thorough variance analysis for subsidiaries, JV and / or branches / jurisdictions.
- iv. Providing strategic guidance on expansion or reduction of operations in any jurisdiction and ensuring that such overseas operations are in line with the bank's overall business model & strategic plan.

Performance Evaluation of the Board of Directors

The Board of Directors is keen to ensure the effectiveness of its performance which is evaluated periodically. In terms of the SBP Guidelines on Performance Evaluation of the Board of Directors, the Board has put in place a formal mechanism for performance evaluation of the overall Board and its Committees.

The consultants conduct an independent performance evaluation of the Board and its Committees to encourage better efficacy of the Board performance and compliance with statutory requirements. Their approach towards performance evaluation included a review of the minutes, agenda and terms of reference, perception surveys and structured interviews with the senior management and those charged with the Governance. Their report includes an assessment of the Board meeting and interviews conducted with the Directors, the role of the Board, the composition of the Board and its Committees and skills and experience of individual Directors

Directors’ Remuneration Policy

Remuneration policy for the non-executive / independent Directors of NBP for attending the Board and Board Committee meetings is approved by the shareholders in their general meeting. It was last approved in a general meeting held on July 27, 2020. The policy remains, at all times, compliant with NBP's bye-laws and subject to the provisions of the BPRD Circular No. 03 of 2019 of the State Bank of Pakistan and any amendments thereof from time to time. The policy is intended to prescribe the remuneration and methodology for determination of remuneration of the members of the Board of Directors and the Committees thereof. The policy also covers other expenses i.e. logistics, traveling incurred by the Directors in relation to attending the Board meetings.

In terms of the policy, the Board shall ensure that such remuneration is determined subject to applicable provisions of the Banks’ (Nationalisation) Act 1974, NBP's Bye-laws and related regulations including the guidelines and instructions of SBP issued from time to time as well as the remuneration.

In terms of the policy, the Board shall, from time to time, determine and approve such level of remuneration for the members of the Board, for attending meetings of the Board or meetings of the Committees thereof, as may be within the limits for such remuneration as prescribed by the SBP from time to time and determined to be an adequate measure of remuneration for the performance of relevant duties by such members. In terms of the policy, the Board shall also ensure that such remuneration is not determined in any manner that may undermine the independence of the Board or Committee members.

The details of compensation of directors in 2021 are disclosed in Note 41 to the unconsolidated financial statements.

Policy for Retention of Board Fee by the Executive Director on Other Companies’ Boards

As per Directors’ Remuneration Policy, executive directors are not paid any fee for attending the Board, committee or general meetings. On the other hand, the policy does not restrict an executive director from retaining meeting fee earned for the services as non-executive director to other companies. The President/CEO is an executive director on Bank's Board and also holds position as nonexecutive director on the Boards of certain other companies. The Fee remunerated by these companies are in line with their respective policies, approved by their Board of Directors.

CEO’s Performance Review by the Board

The CEO's performance is reviewed by the Board with reference to his roles and responsibilities including those assigned by the statute. Exceptional performance of the CEO, during the year, is evident by the successful achievement of strategic goals, profitability and market share targets of the Bank and delivering value to its stakeholders. The Board is also satisfied with the effective governance, risk management practices and HR management strategies in the Bank.





## Ethics and Compliance

The Bank's comprehensive code of conduct ensures that high standards of ethical behavior are embedded in all aspects of business conduct, decision-making and compliance of laws and regulations. It's mandatory for members of the Board and employees to read, acknowledge, and abide by the Code of Conduct, on joining and throughout their tenure. The Code of

Conduct is regularly updated in line with changes in applicable laws and regulations. Grievances arising due to any unethical practices are promptly identified and redressed to mitigate any occurrence in future. Furthermore, an insider information register is maintained at corporate office and is regularly updated as per the applicable regulatory requirements.

## Matters Delegated to the Management

The Board of Directors approves the strategic plan/objectives and takes the overall responsibility of overseeing its implementation. The Board performs its duties by giving timely guidelines to the Management, setting performance targets and monitoring their achievements. The Management is primarily responsible for implementing the strategies as approved by the Board of Directors in effectively conducting the operations of the Bank.

Tactical and operational matters are delegated to the Management. Further, under the direction and oversight of the President & CEO of the Bank, the Senior Management carries out and manages the Bank's activities in a manner consistent with the strategic plan, business goals, risk appetite and other policies approved by the Board of Directors.

## Roles and Responsibilities of the President/CEO

The Chief Executive Officer at Bank plays a critical and significant role, and is entrusted with numerous responsibilities, subject to the control and supervision of the Board of Directors. The Chief Executive has the authority over and responsibility for the management of the affairs of the Bank subject to the overall control and direction of the Board. The Chief Executive and other officers of the Bank shall act in accordance with the policies, criteria and guidelines determined by the Board. The Chief Executive and other officers of the Bank shall exercise their powers and discharge duties in accordance with sound banking principles and prudent banking practices and shall ensure compliance with the instructions and directions that may be issued by the Board and the State Bank from time to time. Role of the President/CEO also includes:

- To serve as the link between the Board and Senior Management for execution of Board driven vision and strategies;

- To comply with and ensure bank-wise implementation of and compliance with all policies, procedures and manuals approved by the Board of Directors, and any directives given by the Board of Directors or Board Committee(s);
- To prepare plans for growth and expansion of the Bank's operations, and submit the same for consideration and approval of the Board of Directors;
- To deal with, represent, and act on behalf of the Bank before the State Bank of Pakistan, Securities and Exchange Commission of Pakistan, federal and provincial ministries, government departments, local bodies, corporations, courts, stock exchanges, and any other competent authority;
- To ensure that the culture and values of the Bank are upheld at all times, the Board receives timely, accurate and complete information, shareholders' interests are protected in compliance with laws and regulations, meetings are duly recorded, productive participation of board members, and effective resolution of issues.

## Management Committees

The Bank has several management committees for the purpose of strategic planning and decision-making under the Chairmanship of the CEO. The Board of Directors has approved the Committees and their TORs. The role of these Committees is to ensure that the activities of the Bank reflect its vision, purpose and aims. They establish the fundamental values, ethical principles and strategic direction in which the Bank operates. These Committees meet regularly and their decisions are communicated to the Board frequently.

1. Executive Committee
2. Enterprise Risk Management Committee
3. Expense Approving Committee
4. Publication Committee
5. Credit Committee of Management
6. Management Committee on Overseas Operations
7. Assets & Liability Committee
8. Equity Investment Committee
9. Executive Committee on Audit Issues
10. Disciplinary Cases Committee
11. I. T. Steering Committee

## Shares held by Directors, CEO, their Spouses and Minor Children

Shares held by Directors, Chief Executive Officer, their Spouses and Minor Children have been disclosed in "Pattern of Shareholding."

## Directors' Training Program

Trainings are arranged to acquaint Directors with the latest developments and trends in the areas of governance, management and leadership. These trainings are aimed at increasing directors' familiarity with the Bank and financial services industry, equipping them with sufficient information and resources to facilitate educated decision-making.

In compliance with the regulatory requirements, SECP approved Director Training Programs are not only attended by the Directors but also arranged for senior executives of the Bank, particularly those nominated by the Bank on the board of its subsidiary companies, etc.

## Directors' Orientation

Directors' Orientation refers to the process of helping new Directors contribute fully, and as early as possible in their tenure, to the governing work of the Board. The objective of the orientation is to enable the Directors to:

- Understand their roles, responsibilities and time commitment to governance work around the Board and Committees.
- Be aware of the current goals, opportunities and challenges facing the organization.
- Be aware of who the organisation's main stakeholders are, including clients, partners, public, as well as the staff.

- Develop an understanding of how their own background, knowledge, experience and skills will contribute to the current work of the Board, and the goals of the organisation.
- Appreciate the background, knowledge, experience and skills of other Directors.
- Gain knowledge of how the Board meetings are run, decisions are made, and what formal governing policies and practices exist; and
- Understand how the Board functions similarly or differently from other boards they have served on, or are serving on.

## Appointment of Directors

Pursuant to the provisions of the Banks (Nationalization), Act, 1974 (XIX of 1974), the Directors of the Bank shall be appointed by the Federal Government for a period of three

years. Appointment of Directors has been mentioned in the Statement of Compliance with Code of Corporate Governance.

## Whistle Blowing/Speak-up Policy

Under Code of Conduct of the Bank, all employees are required to behave with integrity and honesty in their dealing and any suspected violation of law, regulation or ethical standard must be reported to the appropriate level of authority in the Bank. The Whistle Blow policy encompasses the process of submitting concerns and complaints, directed towards the Bank, by independent third parties, for the sake of ensuring transparency in Bank's affairs and wherever they found any impropriety in conducting the business of the Bank. The objective of the policy is to encourage Bank employees and all other stake holders to raise concerns in good faith, having identified or discovered any financial malpractices hitting bank profitability or wrong doing which may affect Banks reputation.

Whistle-Blowing covers reporting of incidents of misconduct, involving or affecting an organization, to enable the organization to take appropriate action. It is a window to obtain feedback on issues bordering on both corporate governance, as well as reputational risk.

### Who Can Speak-Up/Blow the Whistle?

Any individual, institution and an employee of the Bank and its subsidiaries (irrespective of employment type) from Bank's local as well global operations, who has observed a reportable misconduct, shall report his / her concerns to the designated officials within the Bank. The Board of Directors and the Board Risk & Compliance Committee (BRCC) give assurance that employees, stakeholders, or any member of the public can raise legitimate concerns, without fear of reprisals, provided they are made in good faith. All staff should ensure that they take steps to disclose any wrongdoings or malpractices of which they become aware as non-action / concealment will be deemed as complicity.

### Protection to a Whistle-Blower

By setting up the necessary procedures safeguarding confidentiality and offering anonymity, the interests of the whistle-blower are protected from possible harassment or victimization by those accused of misconduct. Any person who makes a disclosure or raises a concern under this Policy will be protected if the person:

- Discloses the information in good faith.
- Believes it to be substantially true.
- Does not act maliciously or make false allegations, and
- Does not seek any personal or financial gain.

## Investor Information & Engagement

Being a listed Public Limited Company, NBP is determined to discharge its obligation of providing material information about its financial position & performance, its group companies, management, operations as well as its future prospects. At NBP, investor engagement is conducted through the Company Secretary office as well as by an Investor Relations 'IR' team within the finance function. The IR team ensures that all material developments are communicated to investors and analysts via statutory announcements through the stock exchange and holding analyst briefing. Such information is also made readily available on the Bank's website. In addition, in-person discussions are also arranged with foreign analysts and shareholders as and when required. The idea behind the Bank's investor engagement through these briefings is to give the right perspective of the business affairs of the Bank to the investors (both existing and potential) which help them in making their investment decisions.

Also, the Bank's IR team regularly participates in related events, conferences, etc. to engage with our stakeholders. Our Company Secretary office strives for timely dissemination of material information e.g. financial statements, to shareholders.

The Bank has put into place comprehensive guidelines to address their grievances for the Investors and Shareholders in compliance with the regulatory requirements as stipulated under SECP SRO # 1196(I)/2019 and S.R.O. 303 (I)/2020:

- For all shares related matters, shareholders are requested to contact the Bank's Shares Registrar with contact details available on the Bank's corporate website.
- In order to facilitate the shareholders who, intend to register a complaint, the contact details of the focal person of Shares Department are given on the Bank's corporate website for this purpose.
- In addition, if Shareholders' grievances are not resolved by the Shares Registrar of the Bank, they may escalate their complaints to the Company Secretary of the Bank.
- If a complaint still remains unaddressed, the same can be forwarded to Securities and Exchange Commission of Pakistan (SECP); using the link of SECP website which is available on the Bank's corporate website.
- Furthermore, queries with respect to financial position & performance results of the Bank can be directed to 'Investor Relations' team, which is headed by Chief Financial Officer, at the email address investor.relations@nbp.com.pk (which is also available on corporate website as well).

## Annual Corporate Briefing

The Bank held its annual corporate briefing on March 08, 2022. CEO of the Bank jointly with the CFO presented a detailed analysis of Bank's performance along with future outlook; session was followed by Q & A session.

## Social and Environmental Responsibility Policy

With a Vision to be the Nation's leading bank enabling sustainable growth and inclusive development, we have embedded the consideration of social, economic and environmental impacts into our business strategy. We take our responsibilities to the society and the environment seriously, and we commit to being transparent and accountable for our impacts. In line with the Environmental & Social Risk Management Implementation Manual issued by the State Bank of Pakistan, our Board and Senior Management are committed to develop an Environmental and Social Management System to understand, monitor and manage its social, environmental and economic impact to enable it to contribute to society's wider goal of sustainable development.

## Steps to Encourage Minority Shareholders Participation

The Bank encourages minority shareholders to participate in the AGM as well as the analyst briefing sessions, the date of which are announced through the stock exchange. These events provide an open forum for a two-way engagement with our stakeholders, particularly the minority shareholders. Participation of the minority shareholders to these events is encouraged through:

- Notice of General Meetings is published at least 21 days before the meeting in newspapers (both English & Urdu) having nationwide circulation. Moreover, the notice is also circulated from the forum of Pakistan Stock Exchange.
- The Bank timely updates its website with respect to all notices of general meetings.
- Annual Report of the Bank is sent to each member of the Bank before Annual General Meeting
- During AGM, Analyst Briefing a detailed briefing on the Bank's performance and strategies is given to the shareholders.
- The shareholders are encouraged to raise queries and give suggestions relating to the Bank's operations.

## Major Capital Expenditures

### Major Capital expenditure during the year:

The total capital expenditure during 2022 was PKR 1.96 Bn for business expansion, renovation and improvement of IT infrastructure, that mainly includes:

- PKR 162 Mn for trade innovation software implementation at Hong Kong branch.
- PKR 656 Mn for branches development.

## Presence of the Chairman Audit Committee

All general meetings held during the year were attended by Board members including the Chairman of the Audit Committee, Chief Executive Officer and other senior management of the Company to address queries and clarifications sought by the shareholders.

## Issues Raised at Last AGM

General queries and clarifications sought by shareholders regarding the agenda points, dividend payment, financial & operational performance of the Bank were addressed to their satisfaction. Apart from the said queries, no significant issue or concern was raised.

## Meetings of the Board

The Board held 15 meetings during the year. Notices / agendas of the meeting were circulated in advance, in a timely manner. Decisions made during the meetings were clearly stated in the minutes of the meetings maintained by the Company Secretary, duly circulated to all directors for endorsement and were approved in the subsequent Board meetings.

All Board meetings held during the year surpassed the minimum quorum requirements of attendance as prescribed by the applicable regulations and were also attended by the Chief Financial Officer and the Company Secretary as required.

## Board Meetings Held Outside Pakistan

Despite provisions by SECP and the Bank's overseas operations, all Board meetings were held inside Pakistan at the Bank's Head Office.

## Internal Audit

The Board appoints the Chief Internal Auditor, who functionally reports to the Audit Committee and administratively to the President/CEO; whereas performance appraisal of the CIA is carried out jointly by the Chairman Audit Committee and the Chief Executive Officer. The Board ensures that Chief Internal Auditor is suitably qualified, experienced and conversant with the Bank's policies and procedures; and the Internal Audit team comprises of experts of relevant disciplines in order to cover all major heads of accounts maintained by the Bank. The Chief Internal Auditor function continuously monitors implementations of the policies and effectiveness of the internal controls framework designed by the Board.

### Capital expenditures planned for next year:

The Bank has budgeted capital expenditure for the next year. This would primarily be invested in increasing our Core Banking Application and other Technology Platform upgrade, operational outreach, safeguarding our existing infrastructure / relationships from growing threats on cyber security front along with normal replacements to ensure smooth operations.



## Disclosures beyond BCR Criteria

Over the recent years, there have been significant developments in the corporate reporting domain, particularly in relation to the amount of details included in the entities' annual reports, as well as the importance ascribed by users to the information beyond the audited financial statements and the auditor's report thereon. There has been an evolution in the manner in which entities disseminate and communicate information to their stakeholders as users attach increasingly greater importance to supplementary information and look for better ways to inform their analysis and confirm understanding of more complex areas in the financial statements.

Considering this emerging necessity, the Bank strives to go beyond the realm of essential reporting requirements in order to disclose all relevant information that facilitates the stakeholders

in understanding various aspects of the Bank's operational and financial performance. Following is the list disclosures that have been made in addition to the BCR criteria:

- President/CEO Review
- Key interest bearing Assets and Liabilities
- Quarterly Performance Analysis
- Six Years' – Financial Performance 2017-2022
- Four Years summary of operating expenses
- Six Years summary of markup and non-markup income
- Statement on Internal Controls
- Groups' Performance Reviews
- Detail of Management Committees & Other Senior Management
- Investor Awareness through Jama Punji Initiative by the Securities & Exchange Commission of Pakistan.

## Performance of Prime Minister's Delivery Unit

- PMDU Cell handles two dashboards i.e. Pakistan Citizen Portal & the product specific Prime Minister Youth Program (PMYP).
- As of 31-12-2022, 23,932 complaints were received on President NBP Portal out of which 23,706 stand addressed. Besides, 22,511 complaints received on Prime Minister Youth Program Portal out of which 22,502 were addressed.
- On PCP Portal, 63.54% complainants posted their feedback out of which 46.70% have shown their satisfaction to the response posted by PMDU Cell NBP.

- In line with Prime Minister's Office instructions, President NBP conducts 2 hours' Khuli Kachehri sessions every month wherein general public notifies their complaints regarding the Bank through telephone calls.
- The Khuli Kachehri events were publicized on the Bank's social media channels including Facebook and Instagram and also on Bank's website. During 2022, seven (07) Khuli Kachehri sessions have been conducted as per the given SOPs of PM's Office, wherein, 89 calls have been taken.

## Managing Conflicts of Interest

The Directors manage their personal, financial and business affairs in a manner that ensures avoidance of any conflict of interest. At an individual level, members of the Board declare conflicts of interest situations and withdraw from taking part in deliberations on/exercising influence over matters where conflict or the appearance of conflict of interest arises. The actions are appropriately minuted for future reference. In addition, the affiliations and transactions of Directors are regularly reviewed to ensure that there are no conflicts or relationships that might impair Directors independence.

One of the key duties that Directors owe to the Bank is the duty to avoid conflicts of interest. This includes not placing one's self in a position where the Director's personal interest could possibly conflict with their duty to the Bank. Conflicts may arise in several situations. Typical scenarios are:

- Where the Directors have a direct or indirect material interest in a transaction that the Bank enters into;
- Where the Directors hold positions or offices, or possess property that may result in conflicting duties; and

- Where the Directors stand to benefit from information received by them, or opportunities made available to them in their capacity as Directors or officers.

- The Directors are well-versed with their responsibilities to act in the best interests of the Bank and investors, and to refrain from any conduct that may be considered adverse or contrary to the interests of the Bank and investors;
- The Directors are required to disclose their (along with family members') interests to the Bank before entering into any such transaction as per the manner prescribed in the applicable laws and regulations;
- The concerned Director, if any, does not participate in any deliberation, decision-making, proceeding, or investigation action by the Board of Directors in case of a conflict of interest; and
- Insider Trading is prohibited and the records of persons having access to sensitive information are maintained in an insider register.

The ultimate objective of procedures to deal with conflicts is the protection of the Bank's interest and promotion of transparency for the benefit of the shareholders.

## Related Party Transactions

The Bank may enter into transactions with its related parties in its daily operations to meet its business objectives, while doing so we recognize the need to maintain transparency and to fulfill our obligations towards all our stakeholders, including the shareholders, regulators, employees, etc. The Bank follows the philosophy that there must not be any conflict of interest or non-disclosure of such transactions. In this connection, the Bank has a formal documented Related Party Transactions Policy, approved by the Board of Directors. This policy governs 'transactions between the Bank and its related parties' and aims to ensure that the Bank meets its obligations under the applicable legal and regulatory requirements and applicable Financial Reporting Standards. Transactions with related parties arising in the normal course of business are carried out on an unbiased, arm's length basis. Pursuant to the regulatory requirements, all related party transactions are placed before the Board Audit Committee every quarter, for review and recommendation to the Board of Directors. The same are then placed before the full Board for consideration and approval by the Board as per the Audit Committee's recommendations. All members of the Board are required to disclose their interests held in their individual capacity.

Details of all related party transactions both affecting balance sheet and profit & loss account have been adequately disclosed under note 45 of the unconsolidated and note 46 of the consolidated financial statements along with transactions with government related parties.

## Adoption and Statement of Adherence with the International Integrated <IR> Reporting Framework

The International Integrated Reporting <IR> Framework establish guiding principles and overall content of an integrated report. An integrated report aims to provide insight about the resources available to an entity collectively referred to as "the CAPITAL" and categorized as financial, manufactured, intellectual, human, social and relationship, and natural capital. An Integrated Report also seeks to explain how the organization interacts with the external environment and the CAPITALS to create, preserve or erode value over the short, medium and long term. It also supports integrated thinking, decision-making and actions that focus on the creation of value over the short, medium and long term.

Integrated framework is still a voluntary practice in its early stages. As of August 2022, the International Accounting Standards Board 'IASSB' and the International Sustainability Standards Board 'ISSB' actively encouraged the continued adoption and use of the Integrated Reporting Framework and the Integrated Thinking Principles underpinning it.

NBP, being a Systemically Important Bank and one of largest commercial banks in the country, plays a critical role in financial ecosystem of the country. By virtue of its role as 'Banker to the Nation', NBP has an impact far beyond the financial bottom line. In line with the increasing industry practice and recommendations of IASB and ISSB, the Bank has started reporting as per the Integrated Reporting Framework to presented a holistic & integrated overview of its philosophy to create value for its stakeholders over the short, medium and long term. We will continue to improve the information produced to make it more comprehensible, while taking into account the opinion of stakeholders reading this report

## Social and Environmental Responsibility

With a Vision to be the Nation's leading bank enabling sustainable growth and inclusive development, we are committed to forging a sustainable growth path that benefits both our current and future generations. We have embedded the consideration of social, economic and environmental impacts into our business strategy and decision-making processes. We take our responsibilities to the society and the environment seriously, and we commit to being transparent and accountable for our impacts. In line with the Environmental & Social Risk Management Implementation Manual issued by the State Bank of Pakistan, our Board and Senior Management are committed to develop an Environmental and Social Management System to understand, monitor and manage its social, environmental and economic impact to enable it to contribute to society's wider goal of sustainable development.

## Enterprise Resource Planning

### Rollout and Integration of ERP

NBP has implemented an efficient Enterprise Resource Planning (ERP) software to manage and integrate the functions of its core business processes, such as finance and human resources, into a single system. The ERP software is designed to streamline operations, improve efficiency, and provide a centralized and unified approach to managing key functions.

### Effective Implementation & Updation

The implementation of the ERP software has been fully supported by senior management, who recognizes the importance of technology in the bank's operations. The management has provided the necessary resources, including funding and personnel, to ensure the effective implementation and continuous updating of the ERP system.

### User Training & Orientation

National Bank of Pakistan provides comprehensive training to its employees. to ensure that all users are able to effectively utilize the enterprise resource planning software, The training covers all aspects of the software, including its features, functions, and best practices for its use. This training helps to ensure that users are able to make the most of the system and provides a smooth transition to the new technology.

### Risk Management & System Security

NBP has a robust risk management process in place to manage and control risk factors on ERP projects. This includes regular risk assessments, regular reviews of the systems, and the implementation of control measures to mitigate potential risks. The bank's incident response plan is also in place to manage any potential cyber threats to the ERP system.

In conclusion, the ERP software at NBP is designed to manage and integrate key business processes, such as finance and human resources, into a single system. The implementation of the ERP software has been fully supported by senior management, and comprehensive user training is provided to ensure its effective use.

## Business Continuity Plan

Business Continuity Planning” is becoming more and more important in today’s world as organizations particularly banks & financial institutions are facing multiple internal as well as external threats. The Business Continuity Plan of the Bank ensures the continuity of its critical functions to prevent any major disruption in delivering of services in the face of a disruptive event. Having thorough and broadly established plan as contained in its “Business Continuity Management Framework and Plan (BCMF&P)” it is ensured that critical business processes at the Bank can be restored on an interim basis with minimal latency time.

The primary objectives of the Bank’s Business Continuity Planning include creating a culture that enables adaptability in its business operations in the midst of any disruption through proactive planning, maintenance, testing of people, spaces, systems, and dependent third parties and avoiding

any financial and reputational loss, non-availability of basic banking services/systems for customers besides providing safety to personnel and other relevant stakeholders before, during and after an event.

Moreover, in line with the initiatives of the Government of Pakistan and State Bank of Pakistan to address the energy crisis, National Bank of Pakistan invoked the work management (i.e. Work from Home, Work from Office, Staggered Approach) to fulfil its national obligations towards energy conservation drive without operational disruptions.

Furthermore, Business Continuity Plan also helped the Bank for resumptions/continuation of the service/operations in Branches/Offices at the flood affected areas through alternate arrangements (i.e. alternate processing sites, Back-up media/networks etc.)

## Complaint Management

The Bank manages customer grievances through a centralized Complaints Management Division. Complaint management is meant to facilitate quick lodgment of customer grievances through channels like Call Centre, Web Portal, Email, Fax etc. and Share Response to complaints through automated system via SMS and email (where available).

The Bank’s Complaint Management Services are based on the following principles:

- Promote a culture that value customers experience with courtesy fair and efficient resolution of consumer grievances in an impartial & transparent manner.
- Every complaint must be resolved within the shortest possible time.
- Inform customers regarding their complaint handling mechanism and channels through SMS, ATM Screens and Website.
- Adequate monitoring and controls are in place to ensure the operational efficiency and effectiveness of complaint handling mechanism.

NBP enhanced its Complaint Management System (CMS) in 2022 to facilitate the customer proficiently. Besides Complaint lodgment procedures and awareness about complaints are being emphasized bank vide through training sessions. NBP encourages its customers to approach the

external dispute resolution forum i.e. Banking Mohtasib Pakistan, if they are not satisfied with the complaint resolution provided by the bank and provide feedback on complaint handling by sending SMS on closure of every complaint.

As a post resolution activity, Service Quality Committee (SQC) exists to foresee customer issues and advise fixes that could result into satisfied customers. This committee comprises of senior executives. The committee examines the complaints data, trends and peaks to identify gaps and areas of improvement besides bringing operational efficiency and improving the quality of customer services. The Bank is committed to continue investment in people, resources and technology to support consumer grievances handling functions.

Key highlights of year 2022 are as under:

- As a result of making visible complaint handling to customers by sending SMS on biannual basis about mode of complaint lodgment, the Bank received a total of 169,818 complaints
- Managed to maintain a complaint resolution rate of 99.07% (2021: 98.7%)
- The average complaint responding time has also reduced from 8 in 2021 to 5.5 working days in 2022.



# Statement of Compliance

with the Public Sector Companies (Corporate Governance) Rules, 2013 and Listed Companies (Code of Corporate Governance) Regulations, 2019

**Name of Bank:**  
**Name of the line Ministry:**  
**For the year ended:**

**National Bank of Pakistan**  
**Ministry of Finance**  
**December 31, 2022**

- I. This statement is being presented to comply with the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) and Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) (both herein referred to as ‘Codes’) issued for the purpose of establishing a framework of good governance, whereby a public sector bank is managed in compliance with the best practices of public sector governance. In case where there is inconsistency with the Regulations, the provisions of the Rules shall prevail and in case of any conflict between the Codes and the Banks (Nationalization) Act, 1974, the provisions of the Banks (Nationalization) Act, 1974 have been followed.
- II. The Bank has complied with the provisions of the Rules in the following manner:

S. No.	Provision of the Rules	Rule No.	Y	N														
			Tick the relevant box															
1	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	√															
2	The Board has the requisite percentage of independent directors. As at December 31, 2022, the Board includes: <table><tr><th>Category</th><th>Names</th><th>Date of Appointment</th></tr><tr><td rowspan="2">Independent Directors</td><td>Mr. Farid Malik</td><td>27-7-2020</td></tr><tr><td>Mr. Ahsan Ali Chughtai</td><td>21-6-2021</td></tr><tr><td>Executive Directors</td><td>Mr. Rehmat Ali Hasnie Chairman, CEO / President (Acting)</td><td>12-5-2022</td></tr><tr><td>Non-Executive Directors</td><td>Mr. Asif Jooma</td><td>9-3-2020</td></tr></table> Subsequent to the year ended December 31, 2022, the Federal Government vide Notification No. F.1 (11) Bkg-III/2017-90 dated January 18, 2023, has appointed Mr. Ashraf Mahmood Wathra as Chairman of the Board, Mr. Amjad Mahmood as Non-Executive Director, Mr. Ali Syed and Mr. Nasim Ahmad as Independent Directors of the Board with immediate effect.	Category	Names	Date of Appointment	Independent Directors	Mr. Farid Malik	27-7-2020	Mr. Ahsan Ali Chughtai	21-6-2021	Executive Directors	Mr. Rehmat Ali Hasnie Chairman, CEO / President (Acting)	12-5-2022	Non-Executive Directors	Mr. Asif Jooma	9-3-2020	3(2)	√	
Category	Names	Date of Appointment																
Independent Directors	Mr. Farid Malik	27-7-2020																
	Mr. Ahsan Ali Chughtai	21-6-2021																
Executive Directors	Mr. Rehmat Ali Hasnie Chairman, CEO / President (Acting)	12-5-2022																
Non-Executive Directors	Mr. Asif Jooma	9-3-2020																
3	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.	3(5)	√															
4	The appointing authorities have applied the fit and proper criteria given in the Annexure in making nominations of the persons for election as Board members under the provisions of the Ordinance.	3(7)	√															
5	The Chairman of the Board is working separately from the Chief Executive of the Bank.	4(1)		√														
6	The Chairman has been elected by the Board of Directors except where the Chairman of the Board has been appointed by the Government.	4(4)		√														
7	The Board has evaluated the candidates for the position of the Chief Executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission. (Not applicable where the Chief Executive has been nominated by the Government)	5(2)		N/A														
8	a) The Bank has prepared a “Code of Conduct” to ensure that professional standards and corporate values are in place. b) The Board has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures, including posting the same on the Bank’s website <a href="http://www.nbp.com.pk">www.nbp.com.pk</a> . c) The Board has set in place adequate system and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	√  √ √															
9	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	√															

S. No.	Provision of the Rules	Rule No.	Y	N																					
			Tick the relevant box																						
10	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstance considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5) (b)(ii)	√																						
11	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the Bank.	5(5) (b)(vi)	√																						
12	a) The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service. b) A committee has been formed to investigate deviations from the Bank's Code of Conduct.	5(5)  (c)(ii)	√ √																						
13	The Board has ensured compliance with the law as well as the Bank's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5)(c) (iii)	√																						
14	The Board has developed a vision or mission statement, and corporate strategy of the Bank.	5(6)	√																						
15	The Board has developed significant policies of the Bank. A complete record of the particulars of the significant policies together with the date on which they were approved or amended has been maintained.	5(7)	√																						
16	The Board has quantified the outlay of any action in respect of any service delivered or goods sold by the Bank as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)	√																						
17	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)	√																						
18	a) The Board has met at least four times during the year. b) Written notices of the Board meetings, along with agenda duly approved by the Chairman, were circulated at least seven days before the meetings. c) The minutes of the meetings were appropriately recorded and circulated.	6(1) 6(2)  6(3)	√ √ √																						
19	The Board has monitored and assessed the performance of senior management on annual basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8(2)	√																						
20	The Board has reviewed and approved the related party transactions placed before it after recommendations of the Audit Committee. A party-wise record of transactions entered into with the related parties during the year has been maintained.	9	√																						
21	a) The Board has approved the profit and loss account for and balance sheet as at the end of first, second and third quarters of the year as well as the financial year end. b) The Board has ensured that half yearly accounts are prepared and reviewed by the external auditors. c) The Board has placed the annual financial statements on the Bank's website.	10	√  √ √																						
22	All the Board members underwent an orientation course arranged by the Bank to apprise them of the material developments and information as specified in the Rules.	11	√																						
23	a) The Board has formed the requisite committees, as specified in the Rules. b) The committees were provided with written term of reference defining their duties, authority and composition. c) The minutes of the meetings of the committees were circulated to all the Board members. d) The committees were chaired by the following non-executive directors:	12	√ √ √ √																						
<table><tr><th>Committees</th><th>No. of Members</th><th>Name of Chairman</th></tr><tr><td>Board Audit Committee</td><td>03</td><td>Mr. Ahsan Ali Chughtai</td></tr><tr><td>Board HR &amp; Remuneration Committee</td><td>03</td><td>Mr. Farid Malik</td></tr><tr><td>Board Risk &amp; Compliance Committee</td><td>04</td><td>Mr. Ahsan Ali Chughtai</td></tr><tr><td>Board Technology &amp; Digitalization Committee</td><td>03</td><td>Mr. Farid Malik</td></tr><tr><td>Board Inclusive Development Committee</td><td>03</td><td>Mr. Asif Jooma</td></tr><tr><td>NBP-NY Governance Council (Sub-Committee of BRCC)</td><td>02</td><td>Mr. Ahsan Ali Chughtai</td></tr></table>					Committees	No. of Members	Name of Chairman	Board Audit Committee	03	Mr. Ahsan Ali Chughtai	Board HR & Remuneration Committee	03	Mr. Farid Malik	Board Risk & Compliance Committee	04	Mr. Ahsan Ali Chughtai	Board Technology & Digitalization Committee	03	Mr. Farid Malik	Board Inclusive Development Committee	03	Mr. Asif Jooma	NBP-NY Governance Council (Sub-Committee of BRCC)	02	Mr. Ahsan Ali Chughtai
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NBP-NY Governance Council (Sub-Committee of BRCC)	02	Mr. Ahsan Ali Chughtai																							

S. No.	Provision of the Rules	Rule No.	Y	N												
			Tick the relevant box													
24	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, with their remuneration and terms and conditions of employment, and as per their prescribed qualifications.	13	√													
25	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	14	√													
26	The Bank has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of section 225 of the Act.	16	√													
27	The directors' report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.	17	√													
28	The directors, CEO and executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the Bank except those disclosed to the Bank.	18	√													
29	a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration. b) The Annual Report of the Bank contains criteria and details of remuneration of each director.	19	√ √													
30	The financial statements of the Bank were duly endorsed by the Chief Executive and Chief Financial Officer before approval of the Board.	20	√													
31	<div>The Board has formed an Audit Committee, with defined and written terms of reference, and having the following members as at December 31, 2022:</div> <table><tr><th>Name of Banker</th><th>Category</th><th>Professional Background</th></tr><tr><td>Mr. Ahsan Ali Chughtai</td><td>Independent Director</td><td>Senior Banker</td></tr><tr><td>Mr. Farid Malik</td><td>Independent Director</td><td>Business Executive</td></tr><tr><td>Mr. Asif Jooma</td><td>Non-Executive Director</td><td>Business Executive</td></tr></table> <div>The Chief Executive and Chairman of the Board are not members of the Audit Committee.</div>	Name of Banker	Category	Professional Background	Mr. Ahsan Ali Chughtai	Independent Director	Senior Banker	Mr. Farid Malik	Independent Director	Business Executive	Mr. Asif Jooma	Non-Executive Director	Business Executive	21 (1) and 21(2)	√	
Name of Banker	Category	Professional Background														
Mr. Ahsan Ali Chughtai	Independent Director	Senior Banker														
Mr. Farid Malik	Independent Director	Business Executive														
Mr. Asif Jooma	Non-Executive Director	Business Executive														
32	a) The Chief Financial Officer, the Chief Internal Auditor, and a representative of the external auditors attended all meetings of the Audit Committee at which issues relating to accounts and audit were discussed. b) The Audit Committee met the external auditors, at least once a year, without the presence of the Chief Financial Officer, the Chief Internal Auditor and other executives. c) The Audit Committee met the Chief Internal Auditor and other members of the internal audit function, at least once a year, without the presence of Chief Financial Officer and the external auditors.	21(3)	√ √ √													
33	a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the Audit Committee. b) The Chief Internal Auditor has requisite qualification and experience prescribed in the Rules. c) The internal audit reports have been provided to the external auditors for their review.	22	√ √ √													
34	The external auditors of the Bank have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.	23(4)	√													
35	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	23(5)	√													

### III. Certain additional disclosures, required under the Listed Companies (Code of Corporate Governance) Regulations, 2019 (The Regulations)

- The total number of directors is as follows:
  - Male: 04
  - Female: Nil
- All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/Shareholders as empowered by the relevant provisions of the Companies Act, 2017 as well as these Regulations.
- The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
- The Board has formed committees which are comprised of members given below:

#### a) Board Audit Committee (BAC):

S. No.	Names of Director	Status
1	Mr. Ahsan Ali Chughtai	Chairman
2	Mr. Farid Malik	Member
3	Mr. Asif Jooma	Member

#### b) Board HR & Remuneration Committee (BHRR):

S. No.	Names of Director	Status
1	Mr. Farid Malik	Chairman
2	Mr. Ahsan Ali Chughtai	Member
3	Mr. Asif Jooma	Member

#### c) Board Risk & Compliance Committee (BRCC):

S. No.	Names of Directors	Status
1	Mr. Ahsan Ali Chughtai	Chairman
2	Mr. Farid Malik	Member
3	Mr. Asif Jooma	Member
4	Mr. Rehmat Ali Hasnie CEO/President (Acting)	Member

#### d) Board Technology & Digitalization Committee (BTDC):

S. No.	Names of Directors	Status
1	Mr. Farid Malik	Chairman
2	Mr. Ahsan Ali Chughtai	Member
3	Mr. Rehmat Ali Hasnie CEO/President (Acting)	Member

#### e) Board Inclusive Development Committee (BIDC):

S. No.	Names of Directors	Status
1	Mr. Asif Jooma	Chairman
2	Mr. Farid Malik	Member
3	Mr. Rehmat Ali Hasnie CEO/President (Acting)	Member

#### f) NBP-NY Governance Council (Sub-Committee of BRCC):

S. No.	Names of Directors	Status
1	Mr. Ahsan Ali Chughtai	Chairman
2	Mr. Rehmat Ali Hasnie CEO/President (Acting)	Member



5. The frequency of Meetings (Quarterly/half yearly/yearly) of the Committees was as per the following:

S. No.	Name of Committees	Number of Meetings held during the year
a	Board Audit Committee (BAC)	08
b	Board HR & Remuneration Committee (BHRRC)	05
c	Board Risk & Compliance Committee (BRCC)	06
d	Board Technology & Digitalization Committee (BTDC)	04
e	Board Inclusive Development Committee (BIDC)	05
f	NBP-NY Governance Council (Sub-Committee of BRCC)	01

6. The Board has set up an effective internal audit function for both local and overseas operations. With regards to NBP-USA, Internal audit function of the Bank is outsourced to an independent professional firm. In addition, audit function in Germany is also outsourced. Both these audit firms are considered suitably qualified, experienced and conversant with the policies and procedures of the Bank and all applicable laws and regulations.

7. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review programme of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or directors of the Bank;

8. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

9. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with except for the following non-compliance:

i) As per regulation 7, it is mandatory that the Board shall have at least one female director when it is reconstituted after the expiry of its current term. No female director was appointed on the Board after retirement of Ms. Sadaffe Abid, whose tenure ended on April 16, 2022.

10. Explanation for non-compliance with the requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are set out below:

i) As per regulation 9(i), The Chairman and the Chief Executive Officer of a company, by whatever name called, shall not be the same person. However, the Banks (Nationalization) Act, 1974, provides an exception to the stated regulation.

As per Banks (Nationalization) Act, 1974, section 11(8), where the Federal Government has appointed a Chairman, he shall preside over the meetings of the Board, and in case a Chairman has not been appointed, then the President shall preside over the meetings of Board. In the absence of the Chairman or the President, as the case may be the directors may elect one of its members to preside over the meetings.

Since the Federal Government did not appoint a Chairman for the Board after the retirement of Mr. Zubyr Soomro, Mr. Arif Usmani presided over the meetings of the Board from April 17, 2022, till the expiry of his term i.e. May 11, 2022. After him, Mr. Rehmat Ali Hasnie, CEO/President (Acting) presided over the meetings of the Board from May 12, 2022, till December 31, 2022.

#### IV. EXPLANATION FOR NON-COMPLIANCE WITH THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

We confirm that all other material requirements envisaged in the Rules have been complied with except for the following, toward which reasonable progress is being made by the Bank to seek compliance by the end of next Financial Year:

S. No.	Rule/Sub Rule No.	Reasons for Non-Compliance	Future course of action
1	4(1) & 4(4)	After the retirement of Mr. Zubyr Soomro, the position of chairman of the Board remained vacant during the year. In absence of the Chairman, CEO/President (A) chaired the meetings of the Board.	Subsequent to the year ended, the Federal Government vide Notification No. F.1 (11) BKG-III 2017-90 dated January 18, 2023 has appointed Mr. Ashraf Mahmood Wathra as Chairman of the Board.
2	8(1)	The performance evaluation of the members of the Board including the Chairman and the Chief Executive is required to be undertaken annually by the Government for which, the Government is required to enter into performance contract with each member of the Board at the time of his appointment. Hence the compliance to this provision is primarily attributable to the Government.	The Bank is conducting Board Evaluation in line with Regulation G-13 of Corporate Governance Regulatory Framework (CGRF) of SBP. However, a letter shall be written to the Federal Government, communicating the said non-compliance and seeking action thereupon on part of the Federal Government.

**REHMAT ALI HASNIE**  
CEO/President (Acting)

Dated: February 28, 2023  
Place: Karachi

**ASHRAF MAHMOOD WATHRA**  
Chairman

**Yousuf Adil**  
Chartered Accountants  
Cavish Court, KCHSU  
Shahrah-e-Faisal  
Karachi, Pakistan

**A.F. Ferguson & Co.**  
Chartered Accountants  
State Life Building No. 1-C  
I.I Chundrigar Road  
P.O. Box 4716  
Karachi - 74000

## Review Report to the Members

### On the Statements of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 and Public Sector Companies (Corporate Governance) Rules, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) and Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) (both herein referred to as 'Codes') prepared by the Board of Directors of **National Bank of Pakistan** (the Bank) for the year ended December 31, 2022 to comply with the requirements of regulation 36 of the Regulations and the provisions of the Rules.

The responsibility for compliance with the Codes is that of the Board of Directors of the Bank. Our responsibility is to review to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Rules and report if it does not and to highlight any non-compliance with the requirements of the Codes. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Codes.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Bank's corporate governance procedures and risks.

The Codes require the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arms' length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the 'Statement of Compliance' does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Codes as applicable to the Bank for the year ended December 31, 2022.

Further, we highlight below instances of non-compliance with the requirements of the Codes as reflected in the note / paragraph reference where these are stated in the Statement of Compliance:

	Reference	Description
i	III (9(i))	It is mandatory that the Board shall have at least one female director. However, there was no female director holding the office of Directors after the retirement of Ms. Sadaffe Abid from the Board.
ii	IV (1)	After the retirement of Mr. Zubyr Soomro as Chairman of the Board, President/CEO (A) presided over the meetings of the Board, in absence of the chairman.
iii	IV (2)	The performance evaluation of members of the Board including the Chairman and the Chief Executive shall be undertaken annually by the Government. However, no performance evaluation was undertaken of the above stated personnel.

**Yousuf Adil**  
**Chartered Accountants**  
**Place:** Karachi  
**Date:** March 6, 2023  
UDIN: CR2022100914svoxIUAq

Independent Correspondent Firm to  
Deloitte Touche Tohmatsu Limited

**A.F. Ferguson & Co.**  
**Chartered Accountants**  
**Place:** Karachi  
**Date:** March 6, 2023  
UDIN: CR202210068q1JIKSyei

Member firm of PwC network

# Statement of Internal Controls

## Reporting of Internal Control System

The Bank's management has established and is managing a system of internal controls as approved by the Board of Directors to achieve effective and efficient operations, while complying with applicable laws and regulations and preserving the reliability of financial reporting. The internal control system comprises of various interrelated components to gauge the overall control environment, including the availability of well-documented policies and procedures and their compliance, risk assessment, identification of risks and mitigating controls, technology breaches, information leakages, governance and management reporting.

The management and the employees at all levels within the Bank are required to perform their duties as per defined guidelines. The internal control system also requires effective and efficient external and internal reporting, maintenance of proper records and processes, operational loss database, compliance with applicable laws and regulations, and internal policies with respect to the conduct of business. The Bank remains cognizant of its responsibility to continuously improve and strengthen its system of internal control on an ongoing basis.

The Bank has completed the implementation of roadmap regarding Internal Control Over Financial Reporting ("ICFR") and the Long Form report on the assessment of the Bank's ICFR for the year 2021 was issued by the statutory auditor in compliance with the SBP directive. Last year, the Bank engaged external consultant to assist in the scoping and diagnostic exercise for the ICFR programme with view to its ongoing environment.

The Bank's internal control system has been designed to manage rather than eliminate risk of failure to achieve objectives under a changing environment. There are inherent limitations in the effectiveness of any system, including the possibility of human error or system failure, circumvention and overriding of control. Accordingly, even an effective internal control system can only provide reasonable assurance with respect to achievement of programme objectives.

## Evaluation of Internal Controls

Besides the monitoring of the implementation of internal control system at the management level, the Bank has an independent Internal Audit function namely the Audit & Inspection Group with three Area Audit & Inspection Offices that conduct audits of Branches, Regions, and Groups at the Head Office on an ongoing basis to evaluate the efficiency and effectiveness of internal control system. In addition, an Internal Control function is established under Operations Group for testing & monitoring key controls across operations. Adequate compliance systems and processes are available to evaluate and assess the adequacy of customers' onboarding, sanctions screening and transactions monitoring.

For the year 2022, the management continues its efforts to strengthen the internal control system of the Bank. The observations made by the external/internal auditors and regulators in their respective audits/inspections are reviewed and measures are being taken by the management (by respective groups and tracking at management level forums), Board Sub-Committees, and Board of Directors for rectification of such observations and their non-recurrence.

Based on the results achieved from reviews and audits conducted during the year, the management considers that the Bank's existing internal control system needs further improvement. This is an ongoing process and management would continuously be evaluating the efficacy of its inbuilt controls to enhance and further strengthen the overall internal control system of the Bank.

Based on the above, the Board of Directors has endorsed the management's evaluation of internal controls including ICFR in the Director's report.

**Nauman Muzaffar**  
Chief Risk Officer

**Abdul Wahid Sethi**  
Chief Financial Officer

**Nauman Riaz**  
Chief Compliance Officer

**Imran Farooqui**  
Group Chief Operation

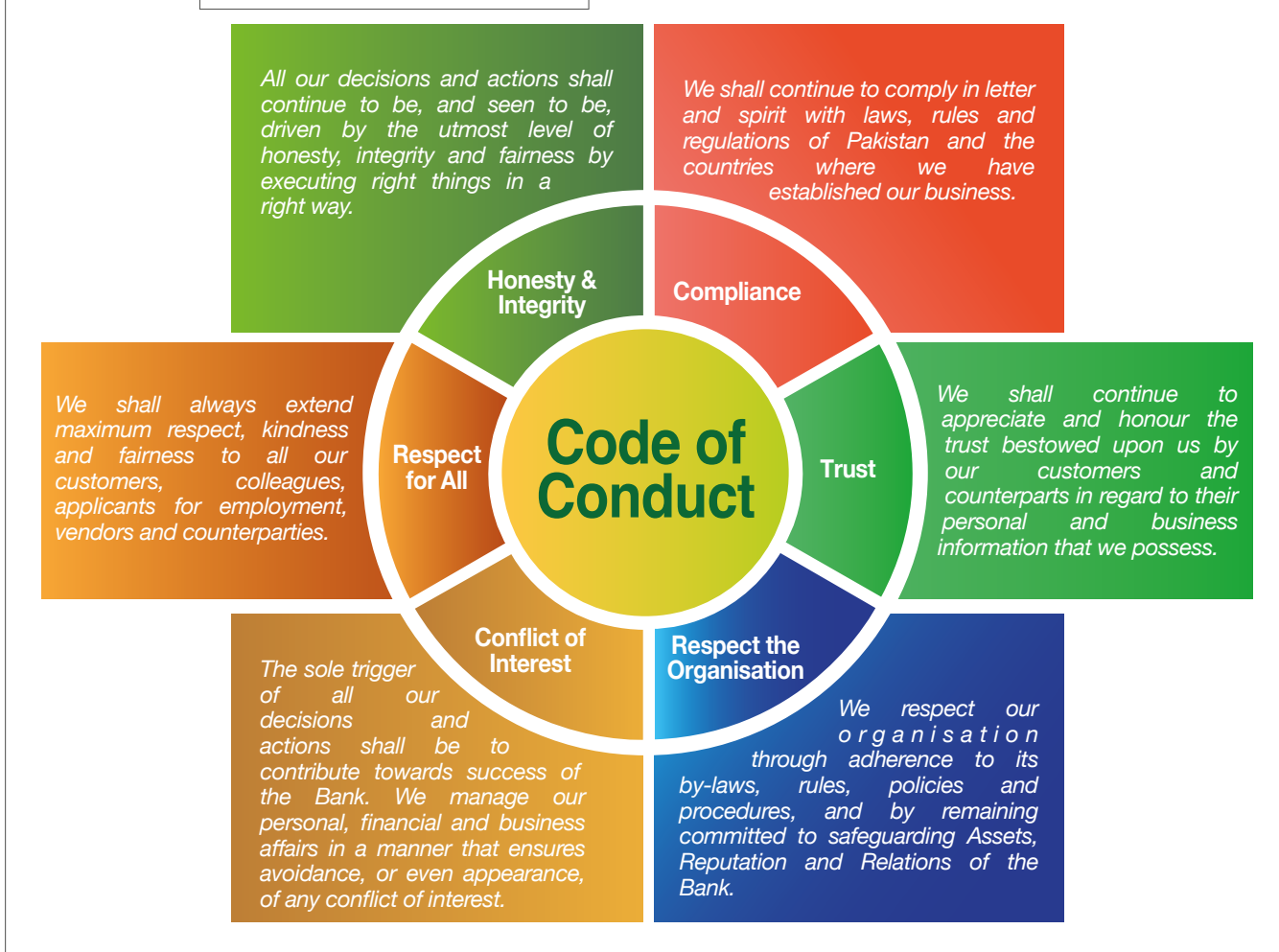
**Umair Wasti**  
Chief Internal Auditor



# Our Ethics & Code of Conduct

It is an obligation on employees of the Bank to be responsible, honest, trustworthy, conscientious and dedicated to the highest standards of ethical business practices. Our Code of Conduct reflects our commitment to meet the expectations of our stakeholders and sets the fundamental principles and rules relating to our ethics, conduct and compliance to ensure integrity. We are committed to conducting our business with honesty and integrity, and expect all our employees to maintain high standards in accordance with this Code that forms an integral part of the terms of employment of all employees.

## Pillars of our Code



## Purpose of Code

The Code of Conduct (the “Code”) is to define the commitment that the Bank expects of its employees to know in clear terms what acts, conducts and practices are considered ethical and clearly describe the appropriate behaviour that all employees are required to adopt in order to safeguard the reputation enjoyed by the Bank and its subsidiaries, both in Pakistan and abroad. It also describes, where considered necessary, the omissions that would be against the Code.

## Application of Code

It is an obligation on us all to be responsible, honest, trustworthy, conscientious and dedicated to the highest standards of ethical

business practices. Our internally developed Code of Conduct “Code” provides guidance on expected behaviour and explains the effect of decisions that are taken and describes the principles that must be followed. The Code applies to all employees of the Bank and its subsidiaries. It applies equally to interns, consultants, agents and service providers who are engaged/retained by the Bank. A copy of the code is provided to all concerned, so that they know the applicable provisions and undertake to follow these in the course of their employment and/or business relationship with the Bank. The rules set out in this Code are to be applied at all times and in all places when carrying out Bank duties, be they of a professional or social nature.

## Compliance with this Code

If an employee fails to comply with this Code or applicable laws, rules or regulations (including the rules and regulations of the SBP) he or she will be subject to disciplinary measures, including (with respect to employees) discharge from the Bank. Violations of this Code may also constitute violations of law and may result in civil or criminal penalties for such person, and such person's supervisors. The competent authority will determine, or designate appropriate persons to determine appropriate actions to be taken in the event of a violation of this Code. In determining what action is appropriate in a particular case, the competent authority or its designee will consider the following aspect. If appropriate, the relevant external authority would be notified.

## Basic Principles of our Code

### • Act with Honesty and Integrity

All our decisions and actions shall continue to be, and seen to be, driven by the utmost level of honesty, integrity and fairness by executing right things in a right way.

### • Comply with the Law

We shall continue to comply in letter and spirit with laws, rules and regulations of Pakistan and the countries where we have established our business.

### • Treat all with Respect

We shall always extend maximum respect, kindness and fairness to all our customers, colleagues, applicants for employment, vendors and counterparties.

### • Conflict of Interest

The sole trigger of all our decisions and actions shall be to contribute towards success of the Bank. We manage our personal, financial and business affairs in a manner that ensures avoidance, or even appearance of any conflict of interest.

### • Respect the Organisation

We respect our organisation through adherence to its by-laws, rules, policies and procedures; and by remaining committed to safeguarding Assets, Reputation and Relations of the Bank.

### • Non-Discrimination

NBP will not tolerate discrimination in any form, or any dishonest, unethical or inappropriate behaviour. The Bank’s policy is to ensure a harmonious environment with equal employment opportunity for all, regardless of age, gender, race, religion, colour, national origin and marital status and that client and prospective clients are not discriminated against on a prohibited basis.

### • Safeguard the Confidentiality of Information

We shall continue to appreciate and honor the trust bestowed upon us by our customers and counterparts in regard to their personal and business information that we possess.

### • Limited Use of Confidential Information

While recognizing the need for a constant flow of information for the smooth operation of the Bank, we will not disclose confidential information pertaining to our clients' affairs to our fellow workers within NBP unless they have a clear business need to know the information for the performance of their duties.

### • Avoid Conflicts of Interest

As part of our employment responsibilities we act in a way that contributes to the financial success of the Bank, enhances its reputation and fosters its client relationships. This requires us to look after our own private financial interests in such a way that we do not profit improperly from our position with NBP.

### • Use of NBP's Computer Systems

Utilization of NBP's computer systems provides an employee access to confidential client information based on the business/ support function(s) being performed. Employees are granted access to the various computer systems to perform their job duties. Each employee is expected to protect the access granted to him or her and to keep any associated passwords confidential at all times.

### • External Communications

Only designated Senior Management Officials liaison through Corporate Communications Division are responsible for NBP's relationship and communication with the press and the general public.

### • Sincerity with NBP/Management and Others

When we have knowledge of any questionable or possible illegal act or occurrence involving or affecting NBP, we have an obligation to report the act or occurrence using means made available by the Bank for such purpose.

### • Self-Dealing

We are not in any way to represent or exercise any authority on NBP's behalf, grant direct or indirect credit accommodations or make credit recommendations, or act in the capacity of an account officer with respect to any type of transaction for ourselves, or members of our immediate family.

### • Respect the Policies of the Organization

We are required to be aware of all policies and processes which apply to us as employees of NBP. These policies and processes are issued by the authorized officials of NBP, and modifications may be enforced from time to time.

### • Demonstrate Discipline and Decency

NBP expects us all to demonstrate discipline in terms of timeliness, punctuality and dress code. We should devote our full attention and energy to official duties during working hours. Employees are required to attend at work as required and not to be absent from duty without authorisation.

### • Acceptance of Gifts from Suppliers or Clients

NBP employees are prohibited from giving, seeking or accepting gifts for oneself or any other person anything of value beyond PKR 5,000/- (including services, discounts or entertainment) from clients, suppliers or anyone else in return for any business or service from, or confidential information about NBP .

### • Borrowing Money from Vendors or Clients

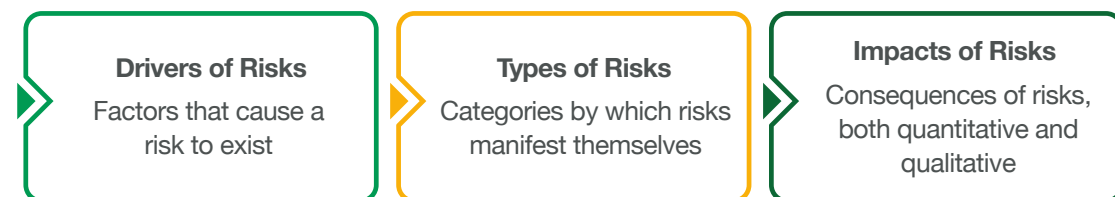
We are not allowed to borrow money from, or lend money to any of NBP's vendors or clients. This is strictly prohibited.

# Risk Management Overview

Risk Management Group (RMG), as an integrated group, is comprised of Enterprise Risk Management Group (ERMG), Credit Risk Management Group (CRMG), and Retail & Program Lending Group (R&PLG). The group also includes divisions such as, Information Security Division (ISD) and Credit Administration Division (CAD) under the supervision of Chief Risk Officer (CRO). RMG functions as an independent group reporting directly to the President with dotted line reporting to the Board. RMG endeavours to cater all material risks that the Bank may be exposed to.

## Risk Governance and Oversight Structure

The Bank's risk management governance and oversight structure involves understanding drivers, types, and impact of risks.



The Board takes the responsibility to ensure active oversight for the implementation of risk related policies, frameworks, and procedure manuals to prevent any significant financial loss or reductions in shareholders' value that may be incurred by the Bank. Therefore, the Board ensures that policies and frameworks are in place to recognize all significant/material risks to which the Bank is exposed to and the required human resources, culture, practices, and systems are adequate to address such risks. Following are the risk related board and management level committees for robust implementation and oversight of risk management practices.



Moreover, other relevant committees, such as Asset Liability Committee (ALCO) and Management Credit committee (MCC) etc. are responsible to ensure the formulation and implementation of a comprehensive risk management framework.

### Management Credit Committee (MCC)

MCC is a senior management committee that is responsible for the approval / review of credit exposures, counterparty / borrower limits, credit policies and procedures as per the Credit Approval Authority Booklet (CAAB) / Credit Policy Manual and delegated by the Board Risk & Compliance Committee/ Board of Directors. Chief Risk Officer (CRO) & Chief Credit Officer (CCO) being the members of the committee, ensures an adequate participation of risk in the decision making process.

### Asset Liability Committee (ALCO)

ALCO is responsible for managing the composition and pricing of assets and liabilities of the Bank, including off-balance sheet items, to produce results that are consistent with liquidity, capital adequacy, growth, profitability, and risk appetite/ tolerance objectives.

# Risk Management Framework Implementation

The Bank implements risk management framework through a 'Three Lines of Defence' model which defines clear responsibilities and accountabilities for various offices and ensures effective & independent oversight and assurance that the activities take place as intended under the risk management framework, and frameworks are in place to recognize all significant/material risks to which the Bank is exposed to and the required human resources, culture, practices, and systems are adequate to address such risks.



RMG sets the mission of maximizing stakeholders' value through sustainable growth which is achieved through informed risk decision-making and superior risk & capital management, supported by a consistent risk-focused culture across the Bank. Based on our approach to risk management, the Board has approved various policy documents that set forth the parameters to achieve effective risk management.

## Risk Management Approach

The Bank applies Basel framework as a cornerstone of the NBP's risk management framework and capital & liquidity strategies. The Bank maintains a strong capital, funding, and liquidity position in line with its ongoing commitment to maintaining balance sheet strength.

At a strategic level, the Bank's risk management objectives are to:

- identify and assess significant risks to which the Bank may be exposed to,
- timely response to the identified risks through formulating Bank's risk appetite,
- architecturally equip the Bank with tools & models for effective risk management,
- assist Business Groups in optimizing risk/return decisions,
- analyze the overall risk profile of the Bank,
- keep track of emerging risks and perform an active role in their mitigation.

Strategic goals, embedded into our approach toward risk management, are to maintain a robust framework, identify and escalate risks and support sustainable business growth through optimum risk-reward decisions. The aim of the risk management strategy is to enable the management to identify & assess the risks, respond through formulating effective mitigating tools and monitor the effectiveness of the response.

The risks, Bank faces, are mainly categorized as Credit Risk, Market & Liquidity Risk, Operational Risk, and other risks that have material impact over the capital of the Bank.



## CREDIT RISK

The Bank has strong credit risk management practices that include risk appetite framework, risk profiling, well-defined centralized credit approval mechanism, tools/models development and assessment, and portfolio reviews.

## MARKET & LIQUIDITY RISK

Market & Liquidity risk is managed through market & liquidity risk management framework and regular review and monitoring of the investment portfolio by the Bank's Asset Liability Management Committee (ALCO) vis-a-vis approved limits, thresholds and ratio zones. The comprehensive structure comprising product, exposure, sensitivity, VaR limits along with MATs is in place to ensure that the Bank does not exceed its tolerance for market & liquidity risk.

## OPERATIONAL RISK

Operational risk is being managed through an Operational Risk Management Framework. This framework includes aspects related to Governance, OR Strategy, Risk & Control Self-Assessment (RCSA), Key Risk Indicators (KRIs), and Loss Data Management.

## INFORMATION SECURITY RISK

The information security risk is managed through a well-established information security policy and risk management/cyber-security frameworks that covers IS Security Operations & Threat Management, Network & Infrastructure Security, and Application & Database Security in addition to the management roles of IS Governance& Compliance, IS Program Management, and IS Risk Management.

## ENTERPRISE-WIDE RISKS

In addition to the above-mentioned risks, the Bank has a structure to identify residual material risks on periodic basis. The source of these reports includes, but is not limited to, the Internal Capital Adequacy and Assessment Process (ICAAP), Recovery Plan, and Stress-Testing framework which take into account risks over and above those which directly occur as a result of daily business and operations of the Bank. These risks include Concentration Risk, Interest Rate Risk in Banking Book (IRRBB), Increase in NPL Categories, Reputational Risk, Strategic Risk, etc.

The Bank adopts different decision tools and techniques of risk management to keep the Bank resilient and vibrant to minimize losses within the defined risk appetite/tolerance levels, and credit concentration limits. Strategic goals are embedded into risk management to maintain a robust framework for identifying and escalating risks to support sustainable business growth.

# Credit Rating

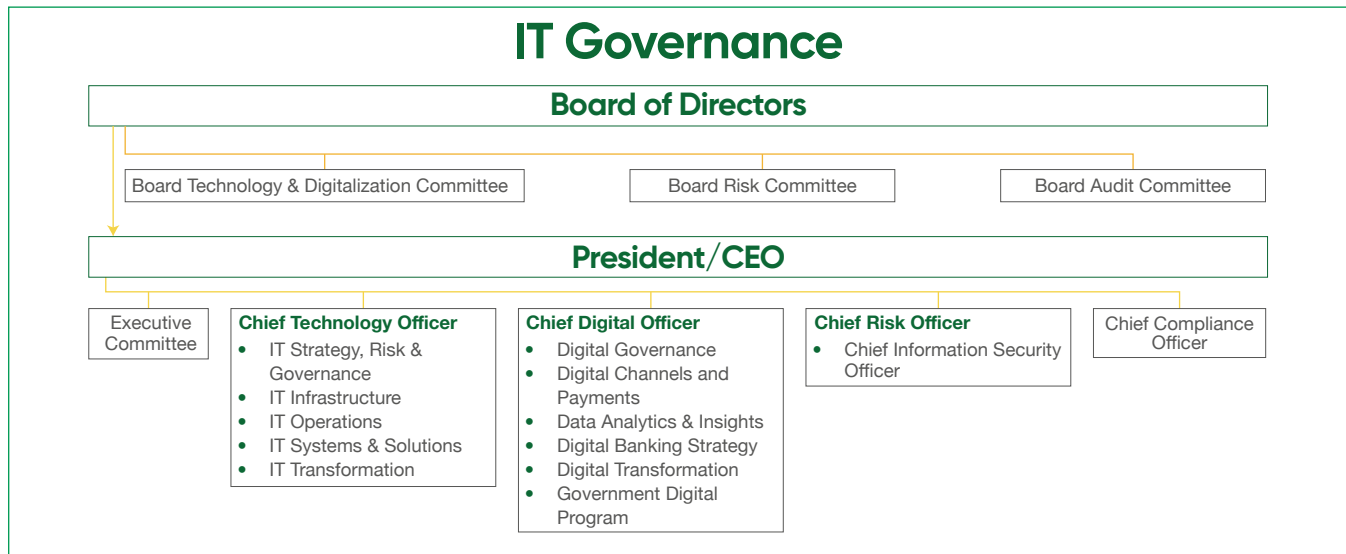
## By PACRA

**A1+ Short-Term**  
**AAA Long-Term**

## By VIS

**A-1+ Short-Term**  
**AAA Long-Term**

# IT Governance & Cybersecurity



In the era of an increasingly digitalized economy, focus on IT Governance and Management is essential to ensure that the current and future investments in IT are in line with the business needs and IT-related risk appetite of the organization. IT in the banking sector is also increasingly advancing which has shifted the key emphasis for the organization to strive for:

- Generating business value from IT-enabled investments
- Achieving operational excellence through the reliable and efficient application of technology.
- Maintaining IT-related risk at an acceptable level
- Maintaining high-quality information to support business decisions.
- Complying with ever-increasing relevant laws, regulations, contractual agreements and policies.
- Optimizing the cost of IT services and technology

IT Governance of the Bank comprises monitoring by:

## NBP Board of Directors

The NBP board oversees the conduct of the business and supervises management. NBP Board of Directors always remains committed to adopting the highest standards of corporate governance practices. While the Board of Directors is responsible for the overall governance of the Bank with integrity and in compliance with all applicable laws and regulations, the CEO and senior management are responsible for efficient business operations by following the Board’s approved plans & policies, and placing significant issues for the information, consideration and decision, as the case may be, of the Board or its Committees. The NBP Board has established a monitoring and control function through its sub-Committees for each area of the Bank. The NBP Board is fully responsive to the legal and regulatory implications of

cyber-risks and has designated the Board Technology & Digitalization Committee to monitor and manage the timely IT network and Security projects implementation.

## Board Technology & Digitalization Committee

A dedicated Sub-Board Committee formalized by the NBP BoD to specifically review advise, and report on the status of technology activities and digital initiatives in the bank. The Committee also support the NBP management to ensure that IT risk-related strategies are designed and implemented to achieve resilience and monitor the ability of the Bank to effectively respond to wide-scale disruptions, including cyber incidents. Technology has caused risks to become more prevalent and intrusive to business. Hence, the BTDC ensures the implementation of better governance while working with senior executives on overseeing risk management and establishing a healthy IT-related risk profile. Regular update about IT Network upgrade and Security posture is being taken by the BTDC along with an update on all IT Projects.

## Chief Executive Officer

The NBP CEO oversees corporate functions across all businesses and subsidiaries and directs reports on all activities of the Bank to the board and the respective committees as requested from time to time by the chair of the board and the chairs of the board committees. The NBP CEO has the primary responsibility for the management of the business and affairs of the Bank as well as provides leadership and vision for the effective management and profitability of the Bank for increasing shareholder value and conformity with corporate policies adopted by the board.

## Chief Technology Officer

Information Technology Group works under the supervision of the Chief Technology Officer as the backbone of the Bank that provides 24 x 7 support for connectivity, servers, applications, network and security infrastructure to the Bank. The NBP CTO is responsible for managing and controlling key IT capability decisions to improve IT management, ensure compliance, and increase value from IT technology resources. CTO is primarily responsible to ensure that the governance of activities related to IT is well-established as IT governance centres around making sure the Bank knows what impact IT decisions have on business value. The Zero-trust identification and implementation of endpoint detection and response (EDR) on all endpoints provide continuous endpoint monitoring and analytics to quickly evaluate and respond to cyber threats. CTO regularly update the Bank’s senior management as well as the BTDC regarding the IT and cyber security posture of the Bank.

## IT Strategy, Risk & Governance

An exclusive IT Governance domain is defined under the supervision of the CTO by the name of IT Strategy, Risk & Governance Division that is specifically responsible to prepare, review and implement IT-related policies, incident response, and controlling planning for IT governance. The division is managing technology programs and operations and proposes IT Strategic initiatives to ensure that IT operates within the budget and that targets are completed. The Division has also established policies and procedures for implementing controls in each area of ITG. Additionally, IT Network Security assessment was also conducted to further improve the cybersecurity posture of the Bank.

Implementation of a 24x7 Security Operation Centre is also established to have real-time monitoring, detection and response for cyber threats. External/third-party assessments were also done to ensure a secure IT environment. Moreover, Disaster Recovery plans and contingency Plans are in place to counter any unforeseen event. Information Security Policy and Cybersecurity Policy are also in place. On the educational front, IT SRG has worked to educate all employees by arranging training for Cyber Security Essentials Bank-wide. Zero-Trust Architecture, Software Defined Networks, Service Oriented Architecture, Cybersecurity fundamentals, Project Management, Security Analyst, etc. are the key training delivered to ITG employees to remain abreast with the latest trends and technologies. Relevant specialized certifications are also arranged for ITG employees to have well-equipped human resources at the Bank. The hiring of employees (new talent) with specific IT skills remains an ongoing strategy to overcome any missing expertise and capabilities whereas resource augmentation is a continuous process at the Bank.

## Information Security Governance

The Information Security function resides within Risk Management Group at NBP, headed by a Chief Information Security Officer and is primarily responsible for developing Information and Cyber Security policies and frameworks for the bank and overseeing, promoting and reviewing security programs. The information security setup has been designed to provide guidance and support to the bank through IS Governance, IS Security Operations and Threat Management, IS Risk Management, IS Program management, Network and Infrastructure Security and Application Security wings, which are being augmented with relevant resources to enhance the information security posture of the bank.

The function is represented at the Board level by the CRO and President who oversee the development, implementation and maintenance of banks information security program

## Chief Digital Officer

The Chief Digital Officer is responsible for overseeing the Bank's adoption of digital technologies, transforming business strategy via the use of technology and data, and evangelising how people, processes, and technology can achieve the digital vision. The CDO is largely accountable for transforming the overall business model and introducing a digital dimension to the Bank's operations. CDO is vigorously embracing the newest digital technologies, such as cloud computing, data analytics, etc., and has established a dedicated division to enhance transparency, reporting, and governance in the digital domain. CDO is working on NBP's long-term strategy, which includes the deployment of robotic process automation, AI-based decision making in lending-based business and cross-selling, and the implementation of block chain technology for the expansion of digital banking footprints in NBP. To meet NBP's long-term, mid-term, and short-term ambitions, the CDO keeps Ex Com and BTDC updated of the latest digital domain developments and projects on a regular basis.

## Digital Governance

Under the leadership of the CDO, the Digital Governance domain is pursuing and executing the process governance for horizontal policies to implement internal controls, ensure compliance with all internal and regulatory mandates, and ensure that all processes & procedures are flawless for instant audit. The Digital Governance Division is responsible for the execution of all digital banking-related policies, regulatory requirements, SOPs, and SLAs.



# FINANCIAL PERFORMANCE

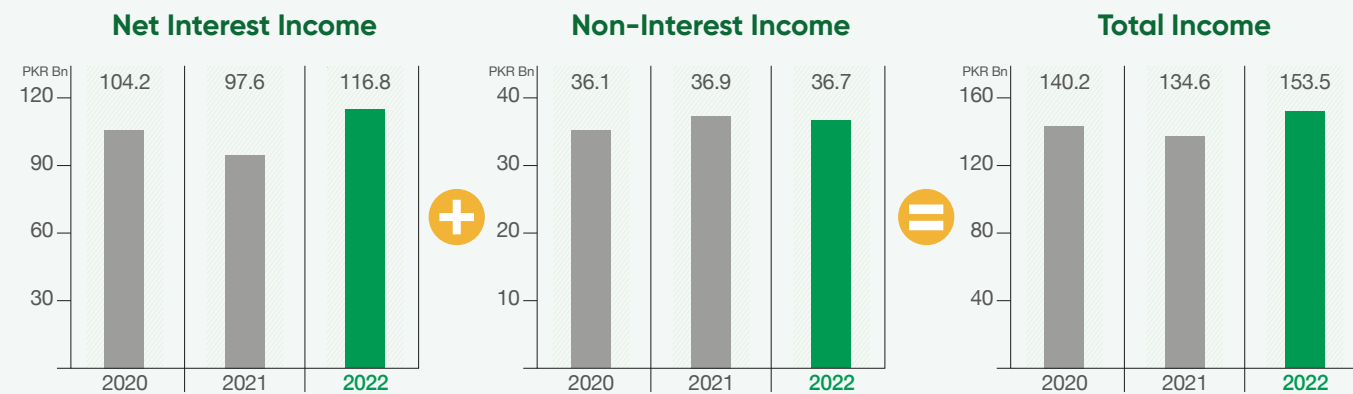
سازمان

# پاکستان

To be the best, it is important to be in the know. As our nationwide network caters to millions of people, we have constantly introduced services and products that are designed for all Pakistanis, everywhere, from basic banking to industry-specific product suites.



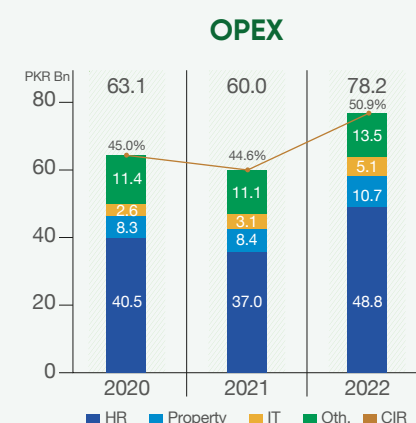
# Financial Performance Overview



During the year, the average policy rate remained at 13.2% compared to 7.3% of last year. This translates into increase in the policy rate by 590bps due to which the Bank earned a gross mark-up/ interest income of PKR 503.3 Bn (117.1% YoY). Net interest-bearing assets during the period averaged at PKR 3,886.9 Bn (+41% YoY). Interest-bearing investment portfolio averaged 55.1% up at PKR 2,631.7 Bn (Dec '21 : PKR 1,697.2 Bn) and generated interest/mark-up income of PKR 348.3 Bn (150.4% YoY), making 69.2% of the total mark-up income. Average loans and advances (net) increased by 15.9% to PKR 1,145.5 Bn (2021: PKR 988.4 Bn) and generated mark-up/interest income of PKR 141.4 Bn, which compared to PKR 87.3 Bn levels of 2021, is higher by 61.8%. Average interest-bearing liabilities increased by 43.9% to PKR 3,871.9 Bn. Therefore, the Bank's cost of funds also increased to PKR 386.5 Bn (187.9% YoY), of which PKR 209.6 Bn (Dec '21: PKR 87.8 Bn) was on account of profit to the depositors. The Bank's cost of deposits increased by 400bps to close at 8.0% for 2022 (2021: 4.0%). Overall, the Bank's net mark-up/ interest income closed at PKR 116.8 Bn, which is 19.7% higher against PKR 97.6 Bn earned during the prior year.

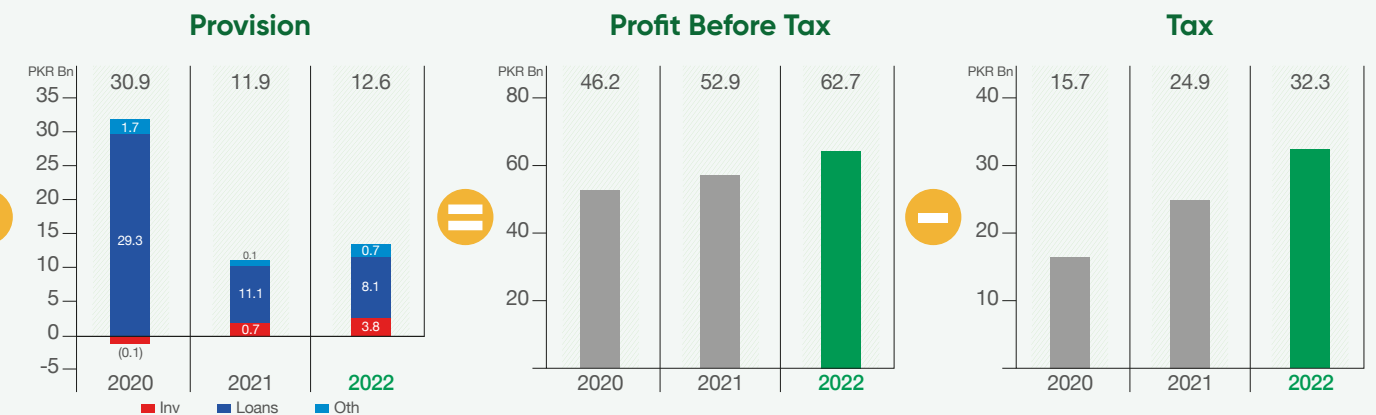
Despite a generally lower economic activity during the year due to the aftershocks of pandemic and the floods, the Bank succeeded to maintain the level of its non-fund-based income stream by generating a non-mark-up income of PKR 36.7 Bn which is slightly lower than the previous year's PKR 36.9 Bn. Non-markup income constitutes 23.9% of the total income (Dec '21: 27.5%). Branch banking operations continued generating healthy fees & commission income that closed at PKR 21.2 Bn (18.8% YoY). Dividend income increased by 13.3% to PKR 5.2 Bn as companies resorted to paying dividends. Higher international trade volumes, increasing the foreign exchange income by 14.4% YoY to PKR 7.4 Bn (Dec '21: PKR 6.5 Bn). These gains were however offset by the lower gain on securities that amounted to PKR 1.1 Bn (Dec '21: PKR 6.2 Bn). Accordingly, the non-mark-up/interest income of the Bank totalled PKR 36.7 Bn, as against PKR 36.9 Bn of the last year.

**Net interest income and Non-interest income collectively generate PKR 153.5 Bn during the year.**

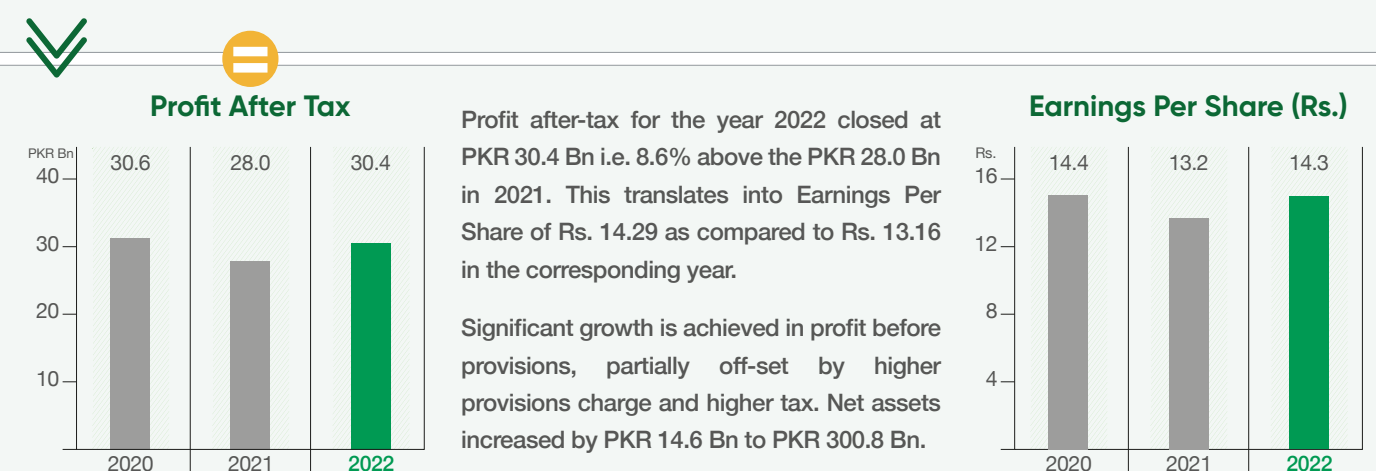


Operating expenses for the year closed at PKR 78.2 Bn against PKR 60.0 Bn for the year 2021. HR compensation that accounts for 62.5% of the total operating expenses amounted to PKR 48.8 Bn compared to PKR 37.0 Bn for the year 2021. Resultantly, the Bank's operating cost to income ratio stood at 50.9%, against 44.6% for the prior year.

The Bank invests appropriate funds in the uplift and maintenance of its business premises, providing a secure & healthy work environment to its workforce and customers. This year we spent a sum of PKR 1.1 Bn on repair and maintenance of our business premises. Overall property-related expenses amounted to PKR 10.7 Bn, which is 26.7% more than the prior year. Since Information Technology is pivotal for the Bank to achieve its strategic goals, The Bank continue to invest in upgrading its IT infrastructure, systems, and applications architecture. In 2022, we spent PKR 2.0 Bn on software maintenance and PKR 0.8 Bn on Network enhancement.

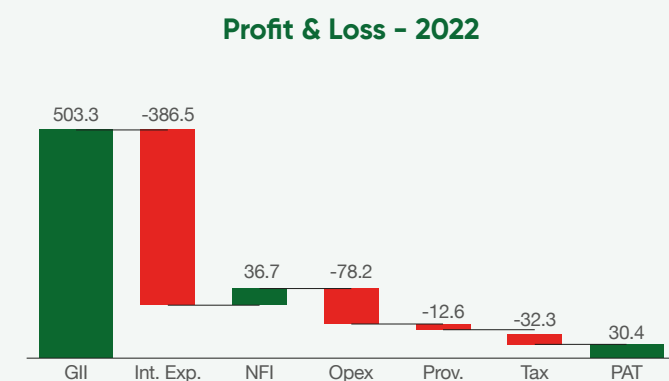


Pre-tax profit for the year amounted to PKR 62.7 Bn i.e. 18.7% higher YoY against PKR 52.9 Bn of 2021. As a result of retrospective taxation and increase of 10% in income tax rates for banks (from 39% to 49%), Tax charge amounted to PKR 32.3 Bn, translating into an effective tax rate of 51.5% (2021: 47.0%).

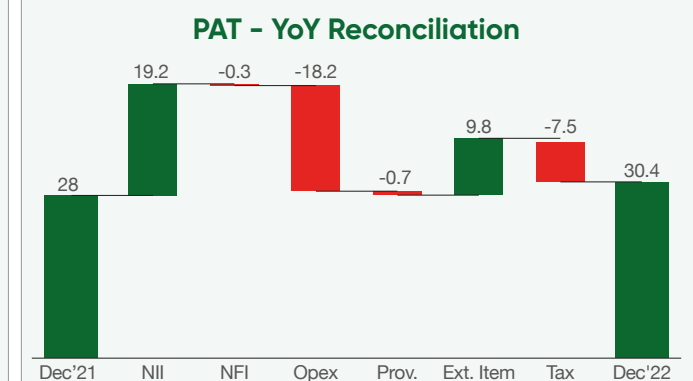


Profit after-tax for the year 2022 closed at PKR 30.4 Bn i.e. 8.6% above the PKR 28.0 Bn in 2021. This translates into Earnings Per Share of Rs. 14.29 as compared to Rs. 13.16 in the corresponding year.

Significant growth is achieved in profit before provisions, partially off-set by higher provisions charge and higher tax. Net assets increased by PKR 14.6 Bn to PKR 300.8 Bn.



**Our performance remained strong as we continued to create growth opportunities for the Nation through uninterrupted delivery of services to our customers. Financial results for the year 2022 reflect our resilience to the impact of Covid and Flooding on the Bank, its customers and the economy.**



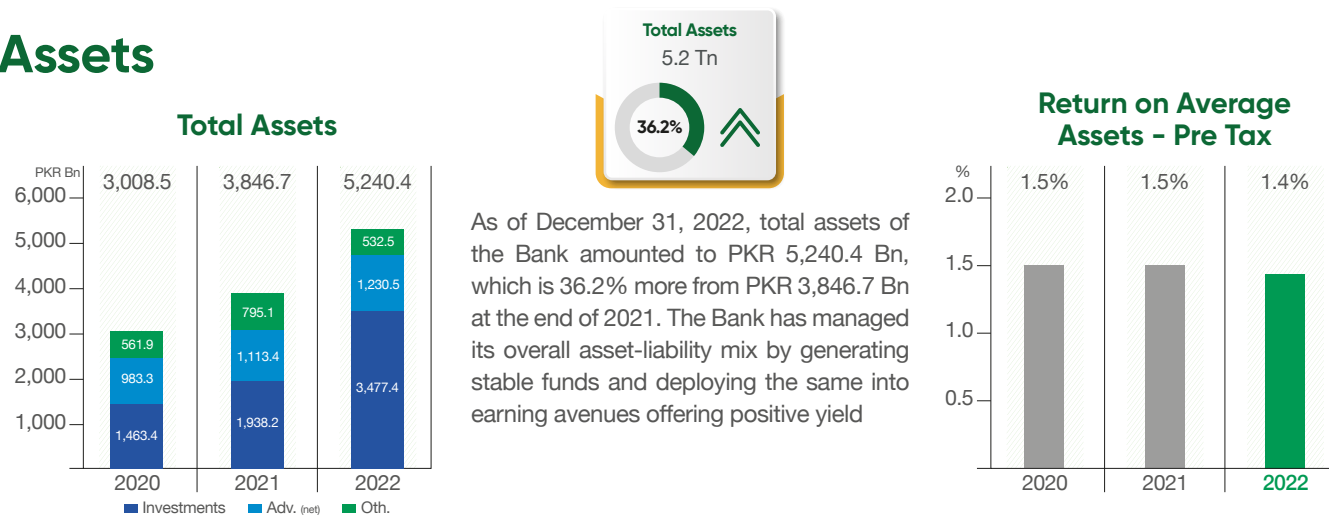
**Significant growth is achieved in profitability, partially off-set by higher Opex.**



## Balance Sheet Strength

Balance sheet strength is critical to the Bank's ability to serve its customers, drive core business outcomes and deliver strong & sustainable returns to the shareholders. Our key capital, liquidity and funding metrics have strengthened further during FY'22. The strength of our balance sheet means the Bank is well-positioned to support its customers and the Pakistani economy through challenging and uncertain times.

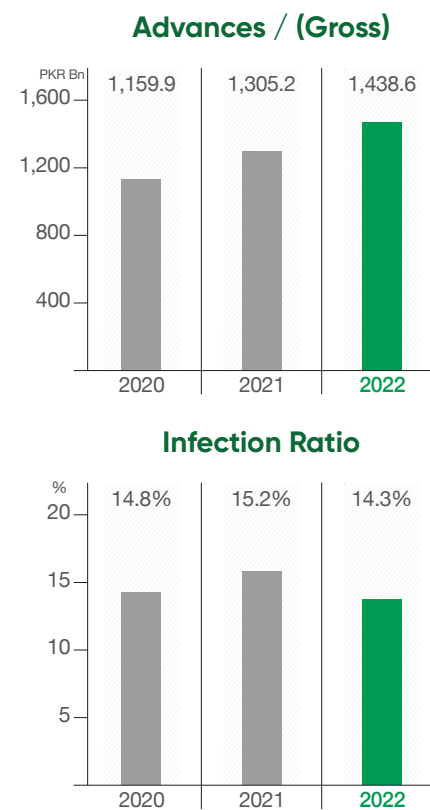
## Assets



## Loans and Advances

At Dec-2022, gross loans & advances of the Bank amounted to PKR 1,438.6 Bn depicting a 10.2% prudent increase from the year end 2021 levels. The loan book is diversified over 30+ sectors. Private and Public sector constitute 65.3% (2021: 67.8%) and 34.7% (2021: 32.2%), respectively. With PKR 203.2 Bn, Individuals make 14.1% of the loan book whereas Power makes 13.5% share and PKR 194.5 Bn in outstanding loans, followed by 11.5% of the Textile sector where the exposure increased by 3.2% YoY to reach PKR 165.1 Bn. Oil & Gas also recorded 73.9% growth to reach PKR 178.7 Bn from PKR 102.8 Bn in 2021. In line with the Bank's refreshed vision of inclusive development, healthy growth was also achieved in Commodity and Agriculture & Allied sectors. These 5 major sectors make almost 60% of the total loan book with PKR 837.9 Bn in outstanding.

With PKR 205.3 Bn of NPLs at end of 2022, net loans & advances amounted to PKR 1,230.5 Bn i.e. 10.5% up from PKR 1,113.4 Bn level at end 2021. Given the focused decline in deposits and a prudent growth in advances, the Bank's Advances-to-Deposits Ratio (gross) improved from 43% at the end of Dec'21 to 54.0% at end Dec'22. Furthermore, the Finance Act-2022 imposed 10% additional tax on banks if their Advances to Deposits Ratio falls below 50%; and 16% if the ADR goes below 40%. The Bank has also recognized a prior tax charge of PKR 3.8 Bn due to the retrospective applicability of additional tax on income from Government securities due to ADR below 50%. Business groups that contributed towards YoY growth in advances include C&IBG (+PKR 4.5 Bn), IDG (+PKR 12.6 Bn), RBG (+PKR 37.7 Bn), and AIBG (+PKR 4.01 Bn), etc.

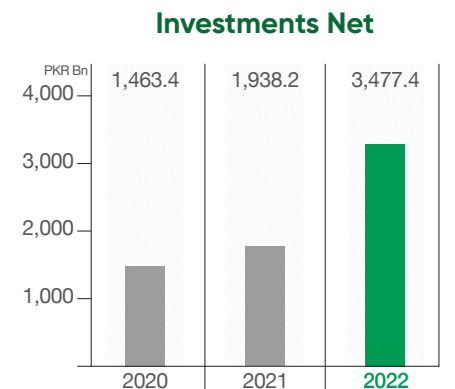


## Investments

At the end of 2022, the Bank's investments (at cost) amounted to PKR 3,509 Bn (YE'21: PKR 1,924.2 Bn), making just over one-half of the Bank's balance sheet. Given the limited quality loan-growth opportunities, and a constant growth in the customer deposits, excess liquidity with the Bank is placed in shorter term GoP securities to capitalize on price volatility in the hiking policy rate environment.

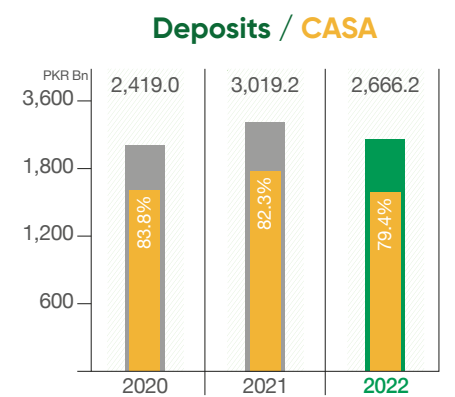
The PKR 1,584.8 Bn or 82.4% increase in investments (at cost) mostly came in T-Bills that increased by PKR 68.1 Bn from PKR 812.4 Bn at the YE'21 to PKR 880.5 Bn at end Dec'22. PIBs increased by PKR 1,484.3 Bn from PKR 925.2 Bn at the YE'21 to PKR 2,409.5 Bn at end Dec'22. As the market opportunity offered decent spread, investments were funded through deposit mobilization as well as leveraging keeping in view the hiking increase in policy rate.

PKR 42.0 Bn of investment in listed companies is a diversified portfolio in 30+ sectors with highest concentration in commercial banks (15.8%), followed by Oil & Gas downstream (13.7%), Cement (10.2%) Power (7.3%), and Oil & Gas upstream (6.5%).



## Deposits

The Bank has established an unparalleled outreach to a wide range of core depositors throughout the country. As the Bank enjoys depositors' utmost trust, most of our deposits are 'stable funds' coming from core customers. During the year, the Bank followed a focused strategy to optimize its deposits to deliver higher PAT to its stakeholders therefore deposits reduced by PKR 353 Bn and amounted to PKR 2,666.2 Bn, which is 11.7% lower than PKR 3,019.2 Bn, at the end of year 2021. This was in line with our deposit management strategy to avoid non core deposits coming at year end, and not available for deployment but impacted higher tax rates in relation to advances-to-deposits ratio. Customers' deposits as of Dec'22 amounted to PKR 2,616.8 Bn, representing 98.1% of the total deposits. Total current deposits (including FI's) stood at PKR 1,310.2 Bn, depicting a 23.7% decrease YoY. Also, the saving deposits increased by 5.4% to PKR 807.4 Bn, as compared to PKR 765.9 Bn a year back. The bank's CASA deposits decreased slightly from 82.3% in December 2021 to 79.4% as of December 31, 2022.



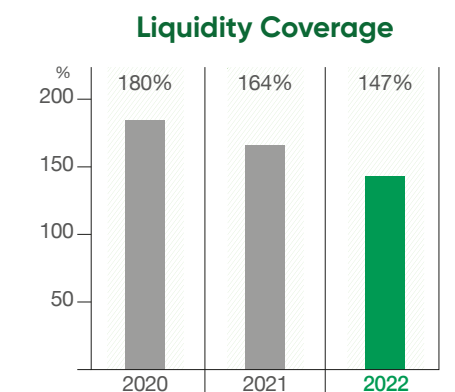
## Funding & Liquidity

Your Bank has the second-largest share of customer deposits in the Pakistan banking sector and wide branch network to attract low cost CASA deposits. The Bank's liquidity and funding profile are sound as the vast bulk of assets are funded by a large and stable customer deposit base which continued to grow strongly.

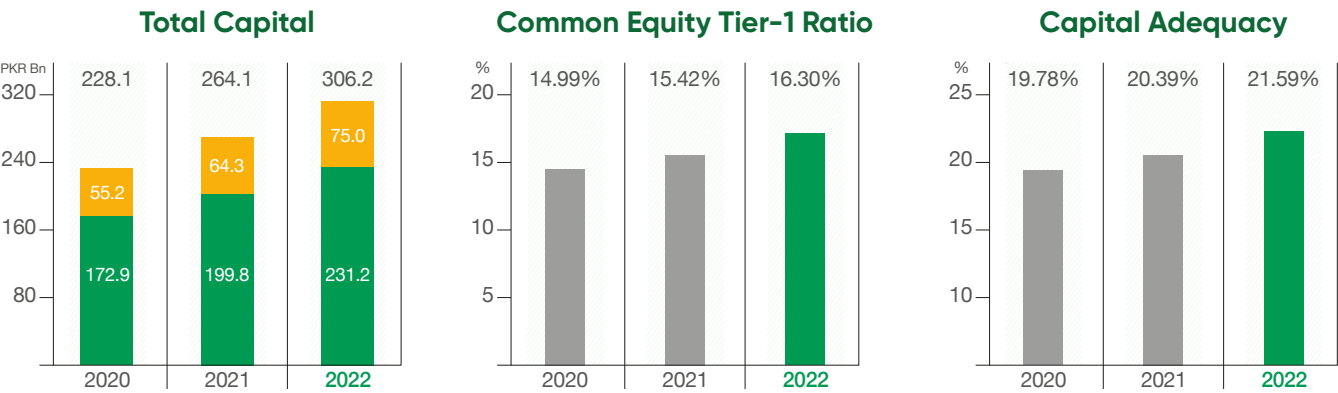
The Bank maintains optimum levels of funding and liquidity. As of December 31, 2022, deposits closed at PKR 2,666.2 Bn. Average deposits during the year however grew by PKR 474.6 Bn or 21.8% to PKR 2,655.3 Bn.

The majority of the Bank's funding comes from core customer deposits that contribute 98.1% (PKR 2,616.8 Bn) of the Bank's total deposits. Compared to Dec 31, 2021 level, customer deposits have increased by PKR 118.7 Bn or 4.8%. FI deposits, decreased during the period under review by PKR 471.7 Bn and closed at PKR 49.4 Bn (Dec'21: PKR 521.1 Bn).

The Bank's liquidity coverage ratio stood at 147%, and the Net Stable Funding Ratio stood at 251%, well above the statutory requirement of 100%.



## Capital Strength and Adequacy



The Bank has been identified by the SBP as Domestic Systemically Important Bank ‘DSIB’. Therefore, the Bank is required to maintain minimum CET-1 at 9.0% and Total CAR at 13.0%.

During 2022, the Bank’s Eligible Tier 1 capital increased by PKR 31.4 Bn or 15.7% from PKR 199.8 Bn at YE’21 to PKR 231.2 Bn at the end of 2022. Likewise, Eligible Tier 2 capital also increased by PKR 10.7 Bn or 16.6% to close at PKR 75.0 Bn at year end 2022. Tier 2 capital eligible component increased corresponding to increase in total Tier 1 capital. Whereas total RWAs increased moderately by PKR 123.4 Bn or 9.5% from PKR 1,295.1 Bn at YE’21 to PKR 1,418.5 Bn at end Dec’22. Accordingly, Total Capital Adequacy Ratio (CAR) improved to 21.59% (2021: 20.39%). with Tier-1 capital adequacy ratio at 16.30% (2021: 15.42%). Leverage ratio of 3.0% was introduced in response to the Basel III accord as a regulatory minimum. At the year-end 2022, the Bank’s leverage ratio was at 3.08% (2021: 3.47%).

Financial soundness indicators of the Bank have improved significantly in recent years and have resulted in the Bank being in a much stronger position. Retaining the profit has added to the Shareholders' wealth through higher book value per share, which has increased 12.4% from PKR 125.8 per share at the end of 2020 to PKR 141.4 per share at the end of December 2022. Key financial soundness indicators of our Bank are as follows.

Capital Soundness at December 31, 2022				Movement in RWAs (PKR Bn)			
Capital	Actual	Reqd.	Buffer	RWA Type	Dec'22	Dec '21	Change
CET1	16.30%	9.00%	730bps	Credit	1,066.2	983.7	82.6 8.4%
CAR	21.59%	13.00%	860bps	Market	93.6	82.3	11.2 13.6%
Leverage	3.08%	3.00%	8bps	Operational	258.7	229.1	29.6 12.9%
				<b>Total RWAs</b>	<b>1418.5</b>	<b>1,295.1</b>	<b>123.4 9.5%</b>

## Minimum Capital Requirement

Minimum Capital Requirement (PKR Bn):	2022	2021
Paid-up Capital	21.3	21.3
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	231.2	199.8
Eligible Additional Tier 1 (ADT 1) Capital	-	-
<b>Total Eligible Tier 1 Capital</b>	<b>231.2</b>	<b>199.8</b>
Eligible Tier 2 Capital	75.0	64.3
<b>Total Eligible Capital (Tier 1 + Tier 2)</b>	<b>306.2</b>	<b>264.1</b>
Risk Weighted Assets (RWAs):		
Credit Risk	1,066.2	983.7
Market Risk	93.6	82.3
Operational Risk	258.7	229.1
<b>Total</b>	<b>1,418.5</b>	<b>1,295.1</b>
Common Equity Tier 1 Capital Adequacy ratio	16.30%	15.42%
Tier 1 Capital Adequacy Ratio	16.30%	15.42%
Total Capital Adequacy Ratio	21.59%	20.39%

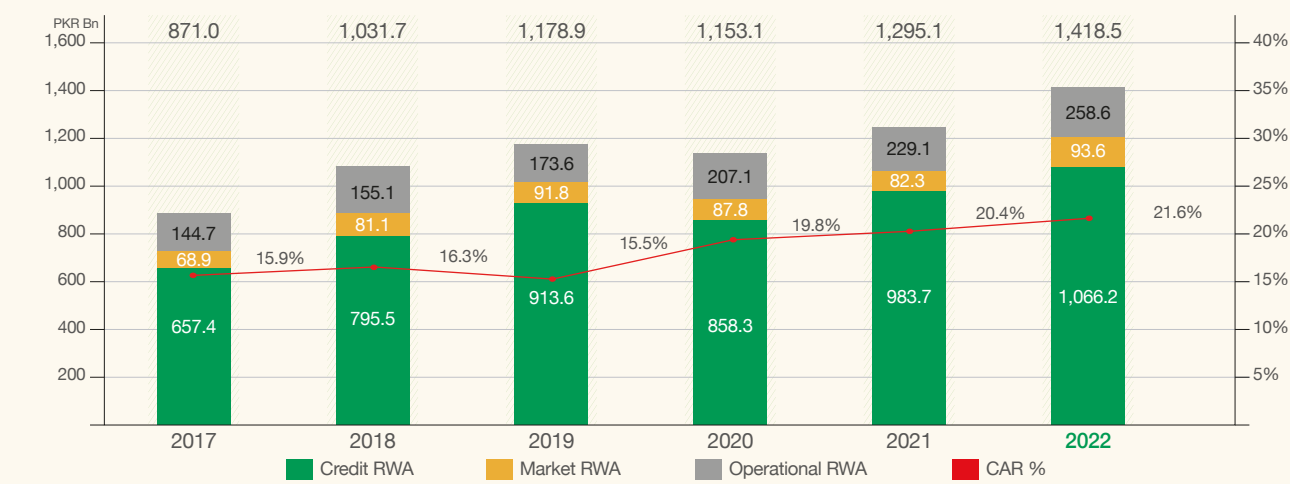
The full disclosure on the Capital Adequacy, Leverage Ratio and Liquidity Requirements as per SBP instructions issued from time to time, is available on NBP's website. The link to the full disclosure is available at <https://www.nbp.com.pk/blsd/>

Shareholders' Value	2022	2021	2020
Net Assets (PKR Bn)	300.8	286.2	267.2
Break up Value per Share (Rs.)	141.4	134.5	125.8

## Capital Adequacy

Financial Performance	PKR Mn					
	2022	2021	2020	2019	2018	2017
Total Eligible Tier-1 Capital	231,191	199,752	172,896	142,716	124,818	101,303
Eligible Tier-2 Capital	75,036	64,343	55,224	39,816	43,840	37,582
<b>Total Eligible Capital (Tier-1 + Tier-2)</b>	<b>306,227</b>	<b>264,095</b>	<b>228,120</b>	<b>182,532</b>	<b>168,658</b>	<b>138,885</b>
Risk Weighted Assets						
Credit Risk	1,066,233	983,659	858,263	913,568	795,527	657,437
Market Risk	93,558	82,342	87,766	91,753	81,071	68,863
Operational Risk	258,687	229,114	207,072	173,620	155,079	144,667
<b>Total Risk Weighted Assets</b>	<b>1,418,477</b>	<b>1,295,116</b>	<b>1,153,101</b>	<b>1,178,941</b>	<b>1,031,677</b>	<b>870,967</b>
Capital Adequacy Ratio						
Total Eligible Capital	306,227	264,095	228,120	182,532	168,658	138,885
Total Risk Weighted Assets	1,418,477	1,295,116	1,153,101	1,178,941	1,031,677	870,967
<b>Capital Adequacy Ratio</b>	<b>21.6%</b>	<b>20.4%</b>	<b>19.8%</b>	<b>15.5%</b>	<b>16.3%</b>	<b>15.9%</b>

## Risk Weighted Assets





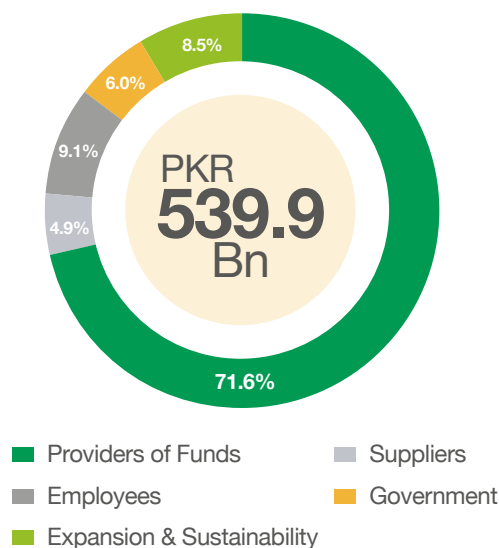
# PKR 540 Bn to Our Stakeholders

## Value Creation and Distribution

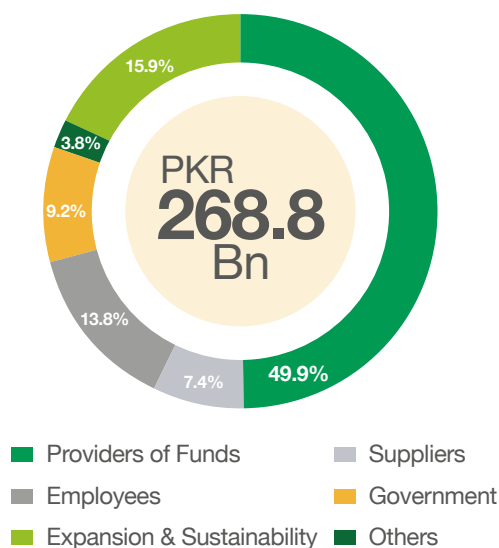
Economic Value Generated	PKR Mn			
	2022	%	2021	%
Mark-up / Interest Income Earned	503,310	93.2%	231,883	86.3%
Non Mark-up / Interest Income Earned	36,684	6.8%	36,942	13.7%
<b>Total Value Generated</b>	<b>539,994</b>	<b>100%</b>	<b>268,824</b>	<b>100.0%</b>

Economic Value Distribution	PKR Mn			
	2022	%	2021	%
<b>Providers of Funds:</b> Profit / Mark-up on Deposits, borrowings, etc.	386,484	71.6%	134,265	49.9%
<b>Suppliers:</b> Payments made for the provision of utilities, goods and services	26,456	4.9%	19,777	7.4%
<b>Employees:</b> Salaries, superannuation contributions, incentives and T&D	48,877	9.1%	37,045	13.8%
<b>Society:</b> Donations & CSR	107.1	0.02%	8.5	0.0%
<b>Government:</b> Income Tax	32,327	6.0%	24,852	9.2%
<b>Others</b>	73	0.0%	10,124	3.8%
<b>Expansion &amp; Sustainability:</b>				
<b>Value Erosion:</b> Depreciation / Amortization	2,660	0.5%	2,828	1.1%
Provision against non-performing assets	12,601	2.3%	11,916	4.4%
Value Retained	30,410	5.6%	28,008	10.4%
<b>Total Economic Value Distributed</b>	<b>539,994</b>	<b>100%</b>	<b>268,824</b>	<b>100%</b>

### Value Distribution - 2022

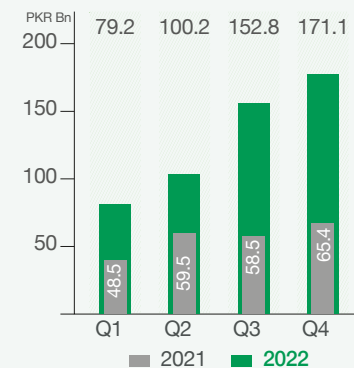


### Value Distribution - 2021

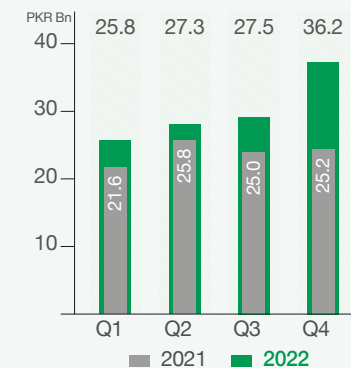


## Quarterly Performance

### Gross Mark-up/Interest



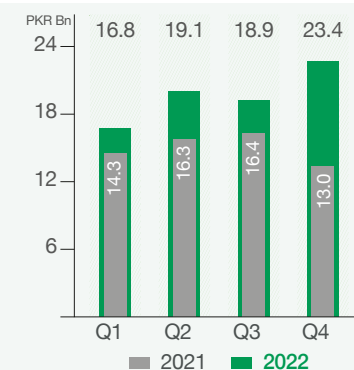
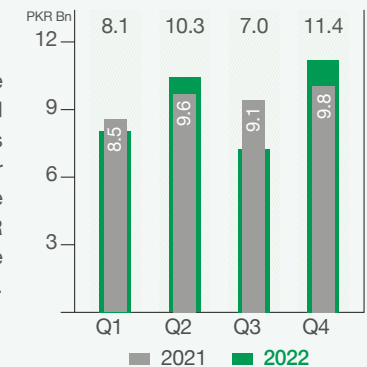
### Net Interest Income



Net interest income for Q1 '22 amounted to PKR 25.8 Bn which increased by 2% as compared to Q4 '21 due to volumetric growth in average interests bearing assets coupled with the impact of higher average policy rate i.e. 9.75% during Q1 '22 as compared to Q4 '21 i.e. 7.0%. For the Q2 '22, NII amounted to PKR 27.3 Bn, i.e. 6% up as compared to the previous quarter and quarter 2 of 2021 as well. This is mainly due to increase in policy rate i.e. 13%. NII for the Q3 '22 amounted to PKR 27.5 Bn remained the same with a slight increase of 1% as compared to the previous quarter and show an increase of 10% as compared to the corresponding quarter of last year. Net interest income for the Q4 '22 amounting to PKR 36.2 Bn, i.e., 31.9% more as compared to the previous quarter. However, this was 43.7% higher than the corresponding quarter last year.

### Non Interest / Mark-up Income

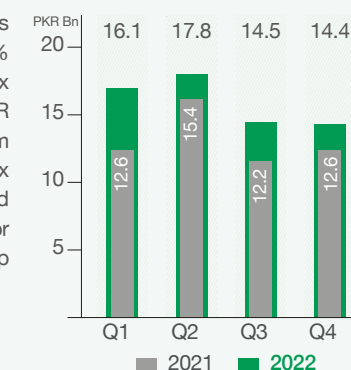
Non-interest income for the Q1 '22 amounted to PKR 8.1'Bn, reflecting 18% decrease, as compared to the previous quarter due to less deposits during the quarter which is due to the reduced transactions and ultimately transaction fee. Non-interest income for the Q2 '22 amounted to PKR 10.3'Bn i.e. 27% up as compared to Q1'22 mainly due to increase deposits and increase by 7.4% than the corresponding quarter last year. Non-interest income for the Q3 '22 amounted to PKR 7.0'Bn i.e. 32% down as compared to the previous quarter due to limited economic activity. Non-interest income for the 4th quarter amounted to PKR 11.4 Bn which is 62.8% up as compared to the previous quarter and 15.5% as compared to the corresponding quarter last year, which is mainly due to an increase in dividend and foreign exchange income.



### Operating Expenses

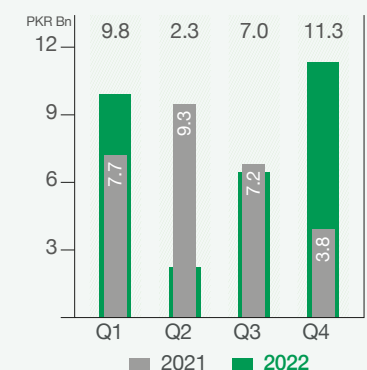
Due to inflationary pressure and geo-political tensions resulted in increase in commodity prices particularly of oil & gas and food which ultimately had impact on operating expenses of bank. Operating expenses of Q1 '22 amounted to PKR 16.8'Bn, reflecting 29% increase, as compared to the previous quarter. For the Q2 '22, operating expenses amounted to PKR 19.1'Bn which is 14% higher, as compared to Q1'22 and 17% higher against the Q2 '21. Operating expenses for the Q3 '22 decreased to PKR 18.9'Bn, slightly lower by 1% as compared to the previous quarter. For the 4th quarter operating expenses amounting to PKR 23.4 Bn showing an increase of 24% as compared to Q3'22 due to creation of certain provisions.

### Pre-tax Profit



Profit after tax for the Q1 '22 amounted to PKR 9.8'Bn as compared to a profit of PKR 3.9'Bn in Q4 '21 reflecting 155% increase as compared to previous quarter. In Q2 '22, profit after tax is declined by 77% and closed at PKR 2.3'Bn as against PKR 9.8'Bn in the previous quarter due to increase in super tax rate from 4% to 10% and prior year charge pertaining to ADR related tax amounting to PKR 3.8 Bn. Profit after-tax for the Q3 '22 amounted to PKR 7.0'Bn, 205% up as compared to the previous quarter. For the Q4 '22 profit after-tax amounted to PKR 11.3 Bn, i.e., 60% up as compared to the previous quarter.

### After-tax Profit



Financial Position	2022				2021				PKR Mn
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	
Cash and balances with treasury and other banks	229,911	220,822	262,915	241,010	278,747	220,171	383,276	283,981	
Balances with other banks	18,594	21,053	15,957	18,733	17,667	16,303	18,152	16,919	
Lending to financial institutions	31,272	102,251	184,977	125,133	335,467	267,933	180,791	79,783	
Investments - net	3,477,354	3,356,574	3,250,620	1,997,334	1,938,171	2,130,707	1,849,466	1,836,497	
Advances - net	1,230,522	1,213,960	1,170,225	1,188,226	1,113,392	1,016,729	996,947	947,741	
Operating Fixed assets	58,495	53,442	53,632	54,066	54,754	55,019	54,385	54,511	
Deferred tax assets - net	22,299	3,033	3,873	1,154	1,626	108	-	-	
Right of use assets	6,708	7,006	6,510	6,543	6,605	6,933	6,992	6,668	
Other assets	165,269	188,612	170,238	108,238	100,255	109,644	126,883	114,229	
Total Assets	5,240,425	5,167,965	5,119,835	3,740,921	3,846,684	3,823,545	3,616,891	3,340,330	
Bills payable	55,268	14,325	30,883	19,035	21,848	20,754	22,265	19,843	
Borrowings	1,940,486	1,578,495	1,315,601	607,680	312,925	780,886	442,257	603,265	
Deposits and other accounts	2,666,184	3,010,776	3,198,626	2,634,546	3,019,155	2,551,602	2,679,739	2,280,375	
Lease Liability against right-of-use assets	8,268	8,610	8,109	7,966	7,894	8,170	8,064	7,610	
Deferred tax liabilities	-	-	-	-	-	-	2,915	1,274	
Other liabilities	269,371	253,857	273,639	173,345	198,660	172,131	176,109	158,150	
Total Liabilities	4,939,577	4,866,063	4,826,857	3,442,571	3,560,482	3,533,544	3,331,348	3,070,516	
Net Assets (Represented by as below)	300,848	301,902	292,978	298,350	286,203	290,001	285,543	269,813	
Share capital	21,275	21,275	21,275	21,275	21,275	21,275	21,275	21,275	
Reserves	64,144	62,792	58,466	54,665	60,371	60,432	57,106	55,017	
Surplus on revaluation of assets	42,917	53,984	55,747	65,921	64,482	70,741	75,521	70,378	
Unappropriated Profit	172,512	163,851	157,490	156,489	140,074	137,553	131,641	123,143	
Total	300,848	301,902	292,978	298,350	286,203	290,001	285,543	269,813	

Financial Performance	2022				2021				PKR Mn
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	
Mark-up / return / interest earned	171,115	152,805	100,186	79,204	65,397	58,490	59,524	48,472	
Mark-up / return / interest expensed	134,877	125,322	72,873	53,412	40,172	33,492	33,722	26,878	
Net mark-up / Interest income	36,238	27,484	27,313	25,791	25,225	24,998	25,801	21,594	
Non interest income	11,356	6,976	10,259	8,093	9,832	9,067	9,551	8,492	
Operating Expenses	23,399	18,929	19,090	16,755	12,978	16,378	16,311	14,337	
Profit before provisions	24,196	15,531	18,481	17,130	22,079	17,687	19,041	15,749	
Provisions and write offs - net	9,801	1,065	665	1,069	(315)	5,458	3,661	3,112	
Extraordinary Item	-	-	-	-	(9,779)	-	-	-	
Pre-tax profit	14,394	14,465	17,817	16,061	12,615	12,228	15,381	12,637	
Taxation	3,147.64	7,442	15,514	6,223	8,751	5,049	6,123	4,929	
After-tax profit	11,247	7,023	2,303	9,837	3,863	7,179	9,257	7,708	

## Key 6 Years' Performance Ratios

Indicator		2022	2021	2020	2019	2018	2017
A . SIZE FACTORS							
1 . Total Assets	Rs. Mn	5,240,425	3,846,684	3,008,527	3,124,389	2,798,566	2,505,321
2 . Capital & Reserves	"	300,848	286,203	267,559	232,614	206,869	175,382
3 . Deposits	"	2,666,184	3,019,155	2,418,966	2,198,049	2,011,385	1,727,102
4 . Profit before Tax	"	62,737	52,860	46,224	28,003	29,683	35,599
5 . Profit after Tax	"	30,410	28,008	30,559	15,810	20,015	23,028
B . ASSET QUALITY							
6 . Assets to Equity	Times	20.32	17.35	15.52	19.24	19.05	19.93
7 . Total Assets Growth Rate	%	36.23	27.86	-3.71	11.64	11.70	24.71
8 . NPLs To Total Assets	"	3.92	5.15	5.69	4.76	4.77	4.82
9 . Investment to Deposit Ratio	"	130.42	64.20	60.50	65.95	63.85	75.02
10 . Investment to Total Assets	"	66.36	50.39	48.64	46.39	45.89	51.72
11 . Infection Ratio - NPLs/ Gross Advances	"	14.27	15.17	14.77	12.92	12.59	14.10
12 . Earning Assets to Total Assets Ratio	"	95.18	95.76	85.54	92.73	92.06	89.76
13 . NPL Coverage - Total provision/ NPLs	"	101.3	96.89	103.11	96.25	100.08	96.99
14 . NPL Coverage - (specific provision / NPLs)	"	92.89	90.59	89.99	90.20	94.68	91.60
C . CAPITAL ADEQUACY							
15 . Tier-I Capital	Rs. Mn	231,191	199,752	172,896	142,716	124,818	101,303
16 . Total Eligible Capital	"	306,227	264,095	228,120	182,532	168,658	138,885
17 . Risk Weighted Assets - RWA	"	1,418,477	1,295,116	1,153,101	1,178,941	1,031,677	870,967
18 . RWA to total assets	%	27.07	33.67	38.33	37.73	36.86	34.76
19 . Tier-I Ratio	%	16.30	15.42	14.99	12.11	12.10	11.63
20 . Capital Adequacy Ratio	%	21.59	20.39	19.78	15.48	16.35	15.95
D . INVESTMENT / MARKET RATIOS							
21 . Earning per Share and Diluted EPS	Rs.	14.29	13.16	14.36	7.43	9.41	10.82
22 . Price Earning Ratio	Times	1.65	2.26	2.99	5.83	4.47	4.49
23 . Price to book value ratio	Times	0.17	0.26	0.34	0.40	0.43	0.59
24 . Market Value per Share	Rs.	23.59	34.52	42.96	43.30	42.03	48.56
25 . Breakup value per share	"	-	-	-	-	-	-
- without surplus on revaluation of fixed assets	"	121.20	114.89	105.79	89.55	77.63	72.31
- with surplus on revaluation of fixed assets & investments	"	141.40	134.52	125.76	109.34	97.23	82.44
E . LIQUIDITY							
26 . Gross Advances to Deposits Ratio	%	53.96	43.23	47.95	52.38	52.67	49.62
27 . Net Advances to Deposits Ratio	"	46.15	36.88	40.65	45.87	46.04	42.83
28 . Net Loans To Total Assets	"	23.48	28.94	32.68	32.27	33.09	29.53
29 . Net Loans To Total Deposits (Deposits & Borrowings)	"	26.71	33.41	38.45	37.76	38.52	35.44
30 . Liquidity Reserve Ratio	"	147.00	164.00	180.02	147.57	169.44	169.69
31 . Net Stable Funding Ratio	"	251.00	278.11	256.27	233.19	320.82	365.29
32 . CASA	"	79.43	82.28	83.83	81.80	81.49	77.13
F . PROFITABILITY							
33 . Return on Average Assets - Pre Tax	%	1.38	1.54	1.51	0.95	1.12	1.58
34 . Return on Average Equity - Pre Tax (Excl. Surplus on Rev.)	"	26.16	25.44	25.95	18.11	21.78	28.98
35 . Operating Profit To Average Assets	"	1.66	2.18	2.51	1.43	1.55	1.63
36 . Total Income To Average Assets	"	3.38	3.93	4.57	3.65	3.65	3.78
37 . Non-Interest Income To Total Income	"	23.90	27.45	25.73	33.48	37.40	36.41
38 . Operating Expenses To Average Assets	"	1.72	1.75	2.06	2.22	2.11	2.15
39 . Loan Loss Provisioning Expense to Operating Profit	"	16.73	15.98	40.06	33.73	27.57	3.24
40 . Profit before tax ratio	"	12.46	22.80	17.93	11.69	19.79	28.93
41 . Cost to income ratio	"	50.92%	44.59%	45.0%	60.9%	57.7%	56.9%
G . DuPont Analysis							
42 . Net Operating Margin	%	19.81	20.81	21.79	14.62	20.65	26.99
43 . Asset Utilization	"	3.38	3.93	4.57	3.65	3.65	3.78
44 . Return on Assets - After Tax	"	0.67	0.82	1.00	0.53	0.75	1.02
45 . Return on Equity - After Tax	"	12.68	13.48	17.16	10.22	14.69	18.74
H . Per Branch							
46 . No. of branches (Domestic)	Number	1,512	1,513	1,535	1,530	1,525	1,519
47 . No. of employees	"	15,112	15,409	15,109	15,188	15,738	15,616
48 . Gross Advances	Rs. Mn	951	863	756	752	695	564
49 . Deposits	"	1,763	1,995	1,576	1,437	1,319	1,137
50 . Profit before Tax (PBT)	"	41.49	34.94	30.11	18.30	19.46	23.44
51 . Profit after Tax (PAT)	"	20.11	18.51	19.91	10.33	13.12	15.16
I . RATES							
52 . Exchange Rate	US \$	226.4309	176.5135	159.8344	154.8476	138.8619	110.4172





6 Years' Summary (Unconsolidated)

PKR Mn

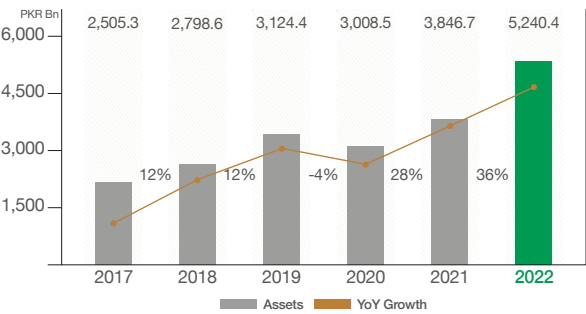
Financial Position	2022	2021	2020	2019	2018	2017
<b>Assets</b>						
Cash and balances with treasury banks	229,911	278,747	249,260	292,513	247,518	160,090
Balances with other banks	18,594	17,667	14,227	13,221	12,202	26,404
Lending to financial institutions	31,272	335,467	126,805	134,780	106,392	26,916
Investments - net	3,477,354	1,938,171	1,463,398	1,449,555	1,284,319	1,295,720
Advances - net	1,230,522	1,113,392	983,255	1,008,139	926,007	739,772
Operating Fixed assets	58,495	54,754	54,717	54,679	54,106	32,752
Deferred tax assets - net	22,299	1,626	-	-	-	7,317
Right of use assets	6,708	6,605	6,670	7,221	-	-
Other assets	165,269	100,255	110,196	164,281	168,022	216,351
<b>Total assets</b>	<b>5,240,425</b>	<b>3,846,684</b>	<b>3,008,527</b>	<b>3,124,389</b>	<b>2,798,566</b>	<b>2,505,321</b>
<b>Liabilities</b>						
Bills payable	55,268	21,848	16,795	19,867	9,944	13,195
Borrowings	1,940,486	312,925	138,539	471,757	392,739	360,106
Deposits and other accounts	2,666,184	3,019,155	2,418,966	2,198,049	2,011,385	1,727,102
Liabilities against assets subject to Finance Lease	-	-	-	-	-	15
Lease liability against right of use assets	8,268	7,894	7,534	7,640	-	-
Deferred tax liabilities	-	-	2,978	10,916	6,985	-
Other liabilities	269,371	198,660	156,156	183,545	170,644	229,522
<b>Total Liabilities</b>	<b>4,939,577</b>	<b>3,560,482</b>	<b>2,740,968</b>	<b>2,891,775</b>	<b>2,591,698</b>	<b>2,329,939</b>
<b>Net Assets (Represented by as below)</b>	<b>300,848</b>	<b>286,203</b>	<b>267,559</b>	<b>232,614</b>	<b>206,869</b>	<b>175,382</b>
<b>Share capital</b>	<b>21,275</b>	<b>21,275</b>	<b>21,275</b>	<b>21,275</b>	<b>21,275</b>	<b>21,275</b>
Reserves	64,144	60,371	56,563	52,309	53,274	50,357
Surplus on revaluation of assets	42,917	64,482	73,699	70,244	59,986	49,689
Unappropriated Profit	172,512	140,074	116,021	88,786	72,333	54,061
<b>Total</b>	<b>300,848</b>	<b>286,203</b>	<b>267,559</b>	<b>232,614</b>	<b>206,869</b>	<b>175,382</b>

Financial Performance	2022	2021	2020	2019	2018	2017
Mark-up / return / interest earned	503,310	231,883	257,811	239,477	149,969	123,073
Mark-up / return / interest expensed	386,484	134,265	153,656	167,570	89,302	68,820
<b>Non Mark-up / Interest Income</b>	<b>116,827</b>	<b>97,618</b>	<b>104,155</b>	<b>71,907</b>	<b>60,666</b>	<b>54,253</b>
Fee & commission income and Exchange Income	28,602	24,314	22,327	25,170	27,017	19,026
Capital gain & Dividend income	6,345	10,783	9,787	5,262	6,545	10,301
Other income	1,737	1,844	3,963	5,768	2,687	1,740
<b>Total non-mark-up / interest income</b>	<b>36,684</b>	<b>36,942</b>	<b>36,077</b>	<b>36,199</b>	<b>36,249</b>	<b>31,066</b>
<b>Total income</b>	<b>153,510</b>	<b>134,559</b>	<b>140,232</b>	<b>108,107</b>	<b>96,915</b>	<b>85,319</b>
Non-Markup / Interest Expenses	78,173	60,004	63,112	65,853	55,931	48,528
<b>Profit before provisions</b>	<b>75,338</b>	<b>74,556</b>	<b>77,120</b>	<b>42,254</b>	<b>40,984</b>	<b>36,791</b>
Provisions and write offs - net	12,601	11,916	30,896	14,250	11,300	1,192
Extraordinary Item	-	(9,779)	-	-	-	-
<b>Profit before taxation</b>	<b>62,737</b>	<b>52,860</b>	<b>46,224</b>	<b>28,003</b>	<b>29,683</b>	<b>35,599</b>
Taxation	32,327	24,852	15,665	12,194	9,668	12,571
<b>Profit after taxation</b>	<b>30,410</b>	<b>28,008</b>	<b>30,559</b>	<b>15,810</b>	<b>20,015</b>	<b>23,028</b>

6 Years' Horizontal Analysis (Balance Sheet)

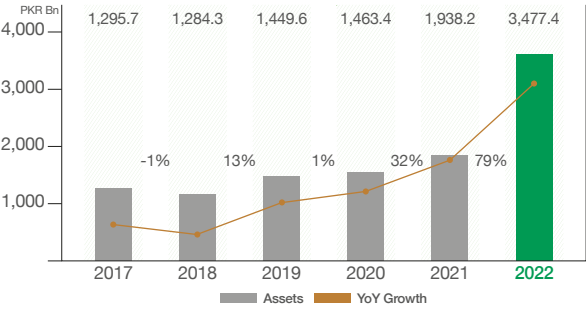
Horizontal Analysis (YoY growth)	2022	2021	2020	2019	2018	2017
	PKR' Mn   YoY	PKR' Mn   YoY	PKR' Mn   YoY	PKR' Mn   YoY	PKR' Mn   YoY	PKR' Mn   YoY
<b>Assets</b>						
Cash and balances with treasury banks	229,911   -18%	278,747   12%	249,260   -15%	292,513   18%	247,518   55%	160,090   0%
Balances with other banks	18,594   5%	17,667   24%	14,227   8%	13,221   8%	12,202   -54%	26,404   91%
Lending to financial institutions	31,272   -91%	335,467   165%	126,805   -6%	134,780   27%	106,392   295%	26,916   -78%
Investments - net	3,477,354   79%	1,938,171   32%	1,463,398   1%	1,449,555   13%	1,284,319   -1%	1,295,720   44%
Advances - net	1,230,522   11%	1,113,392   13%	983,255   -2%	1,008,139   9%	926,007   25%	739,772   11%
Operating Fixed assets	58,495   7%	54,754   0%	54,717   0%	54,679   1%	54,106   65%	32,752   0%
Deferred tax assets - net	22,299   1272%	1,626   0%	-   0%	-   0%	-   -100%	7,317   42%
Right of use assets	6,708   2%	6,605   -1%	6,670   -8%	7,221   100%	-   0%	-   0%
Other assets	165,269   65%	100,255   -9%	110,196   -33%	164,281   -2%	168,022   -22%	216,351   96%
<b>Total assets</b>	<b>5,240,425   36%</b>	<b>3,846,684   28%</b>	<b>3,008,527   -4%</b>	<b>3,124,389   12%</b>	<b>2,798,566   12%</b>	<b>2,505,321   25%</b>
<b>Liabilities</b>						
Bills payable	55,268   153%	21,848   30%	16,795   -15%	19,867   100%	9,944   -25%	13,195   30%
Borrowings	1,940,486   520%	312,925   126%	138,539   -71%	471,757   20%	392,739   9%	360,106   703%
Deposits and other accounts	2,666,184   -12%	3,019,155   25%	2,418,966   10%	2,198,049   9%	2,011,385   16%	1,727,102   4%
Liabilities against assets subject to Finance Lease	-   0%	-   0%	-   0%	-   0%	-   -100%	15   -43%
Lease liability against right of use assets	8,268   5%	7,894   5%	7,534   0%	7,640   100%	-   0%	-   0%
Deferred tax liabilities	-   0%	-   -100%	2,978   -73%	10,916   56%	6,985   100%	-   0%
Other liabilities	269,371   36%	198,660   27%	156,156   -15%	183,545   8%	170,644   -26%	229,522   92%
<b>Total Liabilities</b>	<b>4,939,577   39%</b>	<b>3,560,482   30%</b>	<b>2,740,968   -5%</b>	<b>2,891,775   12%</b>	<b>2,591,698   11%</b>	<b>2,329,939   27%</b>
<b>Net Assets</b>	<b>300,848   5%</b>	<b>286,203   7%</b>	<b>267,559   15%</b>	<b>232,614   12%</b>	<b>206,869   18%</b>	<b>175,382   -1%</b>
<b>Share capital</b>	<b>21,275   0%</b>	<b>21,275   0%</b>	<b>21,275   0%</b>	<b>21,275   0%</b>	<b>21,275   0%</b>	<b>21,275   0%</b>
Reserves	64,144   6%	60,371   7%	56,563   8%	52,309   -2%	53,274   6%	50,357   8%
Surplus on revaluation of assets	42,917   -33%	64,482   -13%	73,699   5%	70,244   17%	59,986   21%	49,689   -12%
Unappropriated profit	172,512   23%	140,074   21%	116,021   31%	88,786   23%	72,333   34%	54,061   4%
<b>Equity</b>	<b>300,848   5%</b>	<b>286,203   7%</b>	<b>267,559   15%</b>	<b>232,614   12%</b>	<b>206,869   18%</b>	<b>175,382   -1%</b>

Total Assets



Over the past 6 years, the Bank's asset base has increased manifold depicting 16% CAGR. The PKR 5.2 Trillion of total assets represents approximately 15.0% of the total industry assets. In recent years, the Bank has achieved prudent & focused growth in assets-mix efficiently managing its assets-liability maturity profile. The highest 36.2% YoY increase in the asset base has been observed in 2022. In line with our effective strategy to manage cost of deposits, the deposits closed at PKR 2,666.2 as compared to 3,019.2 Bn of 2021. Liquidity generated was placed into investments that stood at PKR 3,477.4 Bn, which is PKR 1,539.2 Bn or 79.4% up from PKR 1,938.2 Bn at the end of 2021. This was in line with the Bank's prudent strategy of liquidity & funding management.

Investments (net)

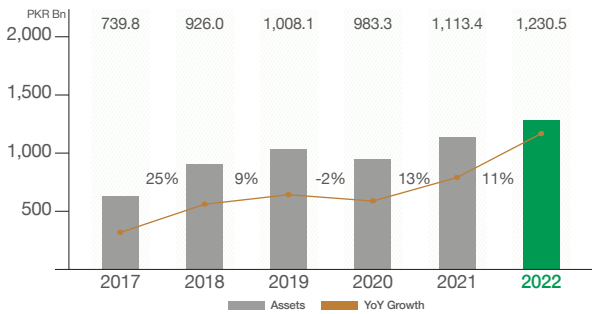


Investments continue to take the major share of the total asset base. 79.4% YoY growth in 2022 is due to availability of surplus liquidity. The Bank holds a diversified investment portfolio that earns higher yield on investments. This translates into 22% CAGR over the past six years.

6 Years' Vertical Analysis (Balance Sheet)

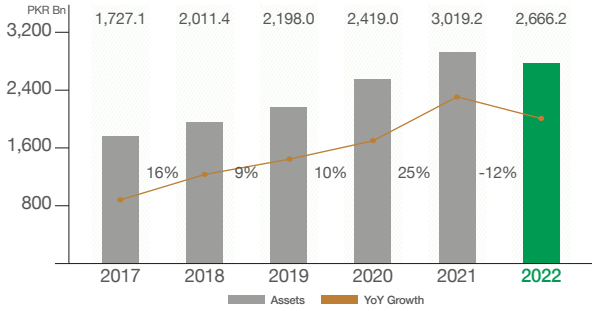
Vertical Analysis (Composition)	2022		2021		2020		2019		2018		2017	
	PKR' Mn	YoY	PKR' Mn	YoY	PKR' Mn	YoY	PKR' Mn	YoY	PKR' Mn	YoY	PKR' Mn	YoY
Assets												
Cash and balances with treasury banks	229,911	4%	278,747	7%	249,260	8%	292,513	9%	247,518	9%	160,090	6%
Balances with other banks	18,594	0%	17,667	0%	14,227	0%	13,221	0%	12,202	0%	26,404	1%
Lending to financial institutions	31,272	1%	335,467	9%	126,805	4%	134,780	5%	106,392	4%	26,916	1%
Investments - net	3,477,354	66%	1,938,171	50%	1,463,398	49%	1,449,555	46%	1,284,319	46%	1,295,720	52%
Advances - net	1,230,522	23%	1,113,392	29%	983,255	33%	1,008,139	32%	926,007	33%	739,772	30%
Operating Fixed assets	58,495	1%	54,754	1%	54,717	2%	54,679	2%	54,106	2%	32,752	1%
Deferred tax assets - net	22,299	0%	1,626	0%	-	0%	-	0%	-	0%	7,317	0%
Right of use assets	6,708	0%	6,605	0%	6,670	0%	7,221	0%	-	0%	-	0%
Other assets	165,269	3%	100,255	3%	110,196	4%	164,281	5%	168,022	6%	216,351	9%
Total assets	5,240,425	100%	3,846,684	100%	3,008,527	100%	3,124,389	100%	2,798,566	100%	2,505,321	100%
Liabilities												
Bills payable	55,268	1%	21,848	1%	16,795	1%	19,867	1%	9,944	0%	13,195	1%
Borrowings	1,940,486	37%	312,925	8%	138,539	5%	471,757	15%	392,739	14%	360,106	14%
Deposits and other accounts	2,666,184	51%	3,019,155	78%	2,418,966	80%	2,198,049	70%	2,011,385	72%	1,727,102	69%
Liabilities against assets subject to Finance Lease	-	0%	-	0%	-	0%	-	0%	-	0%	15	0%
Lease liability against right of use assets	8,268	0%	7,894	0%	7,534	0%	7,640	0%	-	0%	-	0%
Deferred tax liabilities	-	0%	-	0%	2,978	0%	10,916	0%	6,985	0%	-	0%
Other liabilities	269,371	5%	198,660	5%	156,156	5%	183,545	6%	170,644	6%	229,522	9%
Total Liabilities	4,939,577	94%	3,560,482	93%	2,740,968	91%	2,891,775	93%	2,591,698	93%	2,329,939	93%
Net Assets	300,848	6%	286,203	7%	267,559	9%	232,614	7%	206,869	7%	175,382	7%
Share capital	21,275	0%	21,275	1%	21,275	1%	21,275	1%	21,275	1%	21,275	1%
Reserves	64,144	1%	60,371	2%	56,563	2%	52,309	2%	53,274	2%	50,357	2%
Surplus on revaluation of assets	42,917	1%	64,482	2%	73,699	2%	70,244	2%	59,986	2%	49,689	2%
Unappropriated profit	172,512	3%	140,074	4%	116,021	4%	88,786	3%	72,333	3%	54,061	2%
Equity	300,848	6%	286,203	7%	267,559	9%	232,614	7%	206,869	7%	175,382	7%

Advances (net)



Historically, advances of the Bank have posted a modest growth since 2017 and have sharply increased in 2022. Steady growth has been achieved in net advances over the last six years increasing from PKR 739.8 Bn in 2017 to PKR 1,230.5 Bn in 2022 with a CAGR of 11%. An increase of 10.5% YoY in 2022 is observed due to increasing loan demand as the economy is recovering from the impact that Covid-19 and catastrophic floods had in recent years.

Deposits

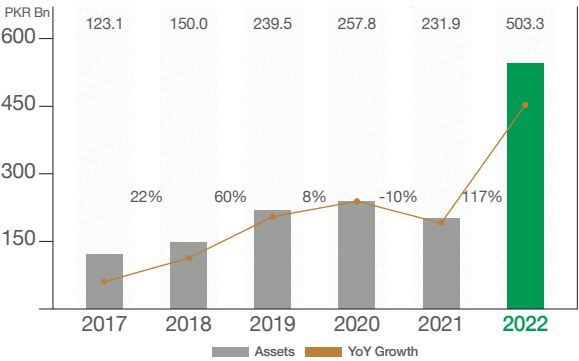


Deposits, that are primary source of funding for the Bank, have also increased significantly over the last six years' growing from PKR 1,727.1 Bn in 2017 to PKR 2,666.2 Bn in 2022. Smooth growth was observed throughout these years, however, the deposits reduced by 11.7% in 2022 in line with the Bank's strategy to manage cost of deposits and deliver higher PAT. Despite the short-term maturity profile. Deposits have historically proved to be sticky and a stable funding source.

6 Years' Horizontal Analysis (P&L)

	2022		2021		2020		2019		2018		2017	
	PKR' Mn	YoY	PKR' Mn	YoY	PKR' Mn	YoY	PKR' Mn	YoY	PKR' Mn	YoY	PKR' Mn	YoY
Profitability												
Markup / Return / Interest earned	503,310	117%	231,883	-10%	257,811	8%	239,477	60%	149,969	22%	123,073	8%
Markup / Return / Interest expensed	386,484	188%	134,265	-13%	153,656	-8%	167,570	88%	89,302	30%	68,820	16%
Net Markup / Interest income	116,827	20%	97,618	-6%	104,155	45%	71,907	19%	60,666	12%	54,253	-1%
Fee, commission and exchange income	28,602	18%	24,314	9%	22,327	-11%	25,170	-7%	27,017	42%	19,026	12%
Capital gains & dividend income	6,345	-41%	10,783	10%	9,787	86%	5,262	-20%	6,545	-36%	10,301	-10%
Other income	1,737	-6%	1,844	-53%	3,963	-31%	5,768	115%	2,687	54%	1,740	12%
Non interest income	36,684	-1%	36,942	2.4%	36,077	0%	36,199	0%	36,249	17%	31,066	4%
Total income	153,510	14%	134,559	-4%	140,232	30%	108,107	12%	96,915	14%	85,319	1%
Operating expenses	78,173	30%	60,004	-5%	63,112	-4%	65,853	18%	55,931	15%	48,528	3%
Profit before provisions	75,338	1%	74,556	-3%	77,120	83%	42,254	3%	40,984	11%	36,791	-2%
Provisions	12,601	6%	11,916	-61%	30,896	117%	14,250	26%	11,300	848%	1,192	200%
Extraordinary Item	-	-	9,779	-	-	-	-	-	-	-	-	-
Pre-tax profit	62,737	19%	52,860	14%	46,224	65%	28,003	-6%	29,683	-17%	35,599	-4%
Taxation	32,327	30%	24,852	59%	15,665	28%	12,194	26%	9,668	-23%	12,571	-13%
After-tax profit	30,410	9%	28,008	-8%	30,559	93%	15,810	-21%	20,015	-13%	23,028	1%

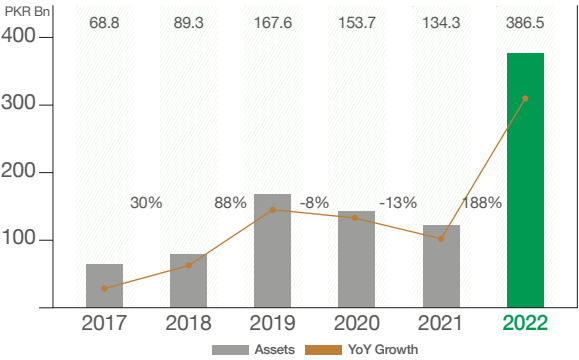
Mark-up / Return / Interest Earned



In the backdrop of higher average policy rates coupled with a major volumetric growth in interest bearing assets, the Bank generated a gross mark-up/interest income of PKR 503.3 Bn which is more than double the PKR 231.9 Bn of prior year. Gross mark-up / interest earned has posted compounded average increase of 33% over the span of the last six years. While growth was low during the initial two years, a sharp increase was achieved in the year 2019 and 2020 on the back of increasing discount rate and volumetric growth in earning assets. Corresponding to the shift in asset mix on the back of higher liquidity placed into investments, contribution from income on investments has increased constantly over the years.

Average Policy Rate	
2021	2022
7.29%	13.20%

Mark-up / Return / Interest Expensed



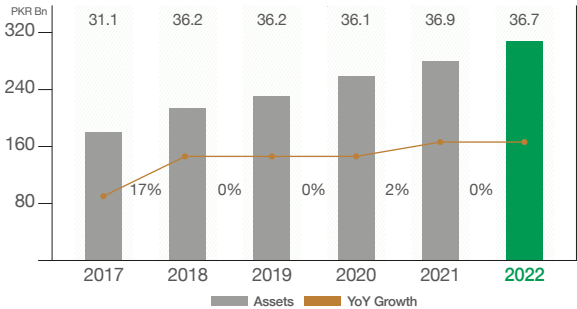
The increase in mark-up expense reflects the impact of volumetric growth in deposits borrowings coupled with the impact of revision in profit rates in line with the policy rate increase from time to time. Responding to the increasing discount rate, the Bank has been particularly active in mobilizing low-cost CASA deposits. Satisfactory results have been delivered in this regard by both conventional as well as Islamic banking operations. During the year 2022, the average policy rate remained at 13.20% compared to 7.29% of last year. This translates into an average increase in the policy rate by 590bps. As a consequent of that, the Bank has achieved an increase in cost of funds of 400bps to 8.0% for 2022 (2021: 4.0%).



## 6 Years' Vertical Analysis (P&L)

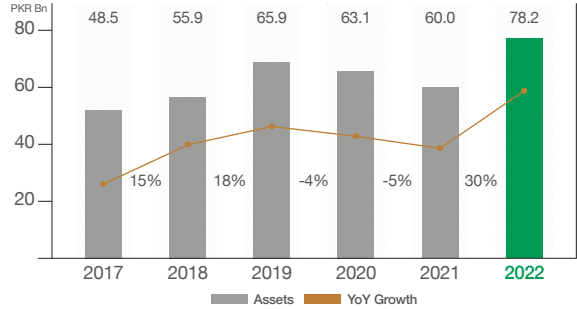
	2022		2021		2020		2019		2018		2017	
	PKR' Mn	YoY	PKR' Mn	YoY	PKR' Mn	YoY	PKR' Mn	YoY	PKR' Mn	YoY	PKR' Mn	YoY
<b>Markup / Return / Non Interest Income Earned</b>												
Markup / Return / Interest earned	503,310	93%	231,883	86%	257,811	88%	239,477	87%	149,969	81%	123,073	80%
Fee & commission income and Exchange Income	28,602	5%	24,314	9%	22,327	8%	25,170	9%	27,017	15%	19,026	12%
Capital gains & dividend income	6,345	1%	10,783	4%	9,787	3%	5,262	2%	6,545	4%	10,301	7%
Other income	1,737	0%	1,844	1%	3,963	1%	5,768	2%	2,687	1%	1,740	1%
<b>Total Income</b>	<b>539,994</b>	<b>100%</b>	<b>268,824</b>	<b>100%</b>	<b>293,888</b>	<b>100%</b>	<b>275,677</b>	<b>100%</b>	<b>186,218</b>	<b>100%</b>	<b>154,138</b>	<b>100%</b>
<b>Markup / Return / Non Interest Expense</b>												
Markup / Return / Interest expensed	386,484	72%	134,265	50%	153,656	52%	167,570	61%	89,302	48%	68,820	45%
Operating expenses and other charges	78,173	14%	60,004	22%	63,112	21%	65,853	24%	55,931	30%	48,528	31%
Provisions	12,601	2%	11,916	4%	30,896	11%	14,250	5%	11,300	6%	1,192	1%
Extraordinary item	-	0%	9,779	4%	-	-	-	-	-	-	-	-
Taxation	32,327	6%	24,852	9%	15,665	5%	12,194	4%	9,668	5%	12,571	8%
<b>Total Expense - As a % of Total Income</b>	<b>509,584</b>	<b>94%</b>	<b>240,816</b>	<b>90%</b>	<b>263,329</b>	<b>90%</b>	<b>259,867</b>	<b>94%</b>	<b>166,203</b>	<b>89%</b>	<b>131,110</b>	<b>85%</b>
After-tax profit	30,410	6%	28,008	10%	30,559	10%	15,810	6%	20,015	11%	23,028	15%
<b>Total</b>	<b>539,994</b>	<b>100%</b>	<b>268,824</b>	<b>100%</b>	<b>293,888</b>	<b>100%</b>	<b>275,677</b>	<b>100%</b>	<b>186,218</b>	<b>100%</b>	<b>154,138</b>	<b>100%</b>

### Non Mark-up / Interest Income



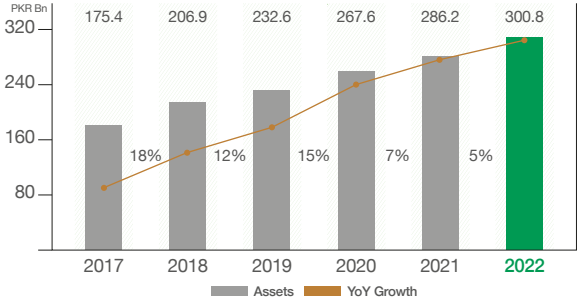
With 3% growth over the past six years, the Bank's Non-mark-up / interest income "NFI" has also recorded a satisfactory performance for most of the years. During these years, NFI has maintained a trend of contributing approximately one-third of the Bank's total income. However, due to a lackluster performance of the stock market, and depressed trade business, NFI for 2022 remained almost similar to that of 2021.

### Operating Expenses



Total operating expenses in 2022 amounted to PKR 78.2 Bn against PKR 60.0 Bn for the year 2021. The operating expenses increased by 30.3%. Over the period increase was observed from 2017 to 2019 followed by a drop in 2020 and also in 2021. This drop was due to reversal of certain HR related unutilised provisions that were no more required. In 2022 a 30% YoY growth depicts the impact of both i.e. the reversals in prior year as well as inflationary pressure in the rising utility and fuel prices.

### Capital



Reflecting our prudent capital management strategy, net assets of the Bank have also posted healthy increase on the back of higher profitability and profit retention in the recent years. Net assets, that amounted to PKR 175.4 Bn in 2017, have increased to PKR 300.8 Bn at the end of December 2022. This translates into a 11% CAGR over the past six years.

## 6 Years' Summary (Consolidated Financials)

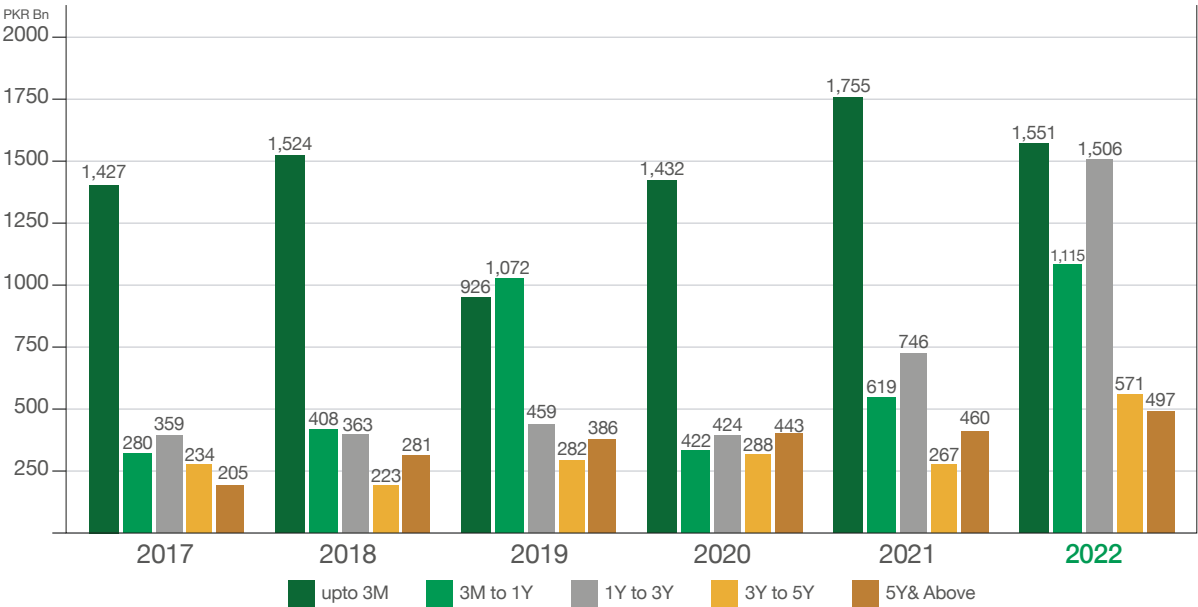
	PKR Mn					
Financial Position	2022	2021	2020	2019	2018	2017
Cash and balances with treasury banks	230,226	278,869	249,970	293,198	247,917	160,405
Balances with other banks	19,623	19,211	15,015	13,598	13,050	26,992
Lending to financial institutions	31,272	335,467	126,805	134,780	106,392	26,916
Investments - net	3,482,936	1,942,741	1,466,405	1,452,799	1,284,975	1,296,537
Advances - net	1,230,669	1,113,314	983,871	1,008,399	926,340	740,345
Operating Fixed assets	59,706	56,005	56,109	55,990	55,196	33,822
Deferred tax assets - net	22,406	1,903	-	-	-	7,342
Right of use assets	7,186	7,091	7,017	7,447	-	-
Other assets	167,741	102,434	112,018	166,148	170,018	219,092
<b>Total Assets</b>	<b>5,251,766</b>	<b>3,857,035</b>	<b>3,017,210</b>	<b>3,132,360</b>	<b>2,803,886</b>	<b>2,511,452</b>
Bills payable	55,268	21,848	16,795	19,867	9,944	13,195
Borrowings	1,940,486	312,925	138,539	471,757	392,739	360,106
Deposits and other accounts	2,665,273	3,018,148	2,418,928	2,197,985	2,011,313	1,727,059
Liabilities against assets subject to Finance Lease	121	134	197	194	121	57
Lease liability against right of use assets	8,761	8,361	7,869	7,831	-	-
Deferred tax liabilities	-	-	2,933	10,869	6,946	-
Other liabilities	271,556	200,596	157,545	184,633	171,762	231,359
<b>Total Liabilities</b>	<b>4,941,466</b>	<b>3,562,012</b>	<b>2,742,808</b>	<b>2,893,138</b>	<b>2,592,825</b>	<b>2,331,776</b>
<b>Net Assets (Represented by as below)</b>						
Share capital	21,275	21,275	21,275	21,275	21,275	21,275
Reserves	67,489	62,427	57,591	53,261	53,443	49,887
Surplus on revaluation of assets	42,274	64,995	73,988	70,359	59,262	49,632
Unappropriated Profit	178,190	145,313	120,632	93,466	76,240	58,069
<b>Sub Total</b>	<b>309,227</b>	<b>294,010</b>	<b>273,486</b>	<b>238,360</b>	<b>210,220</b>	<b>178,864</b>
Non-controlling interest	1,073	1,013	916	863	842	811
<b>Total</b>	<b>310,300</b>	<b>295,023</b>	<b>274,402</b>	<b>239,223</b>	<b>211,061</b>	<b>179,676</b>

	PKR Mn					
Financial Performance	2022	2021	2020	2019	2018	2017
Mark-up / return / interest earned	503,576	232,052	258,031	239,710	150,178	123,415
Mark-up / return / interest expensed	386,474	134,285	153,652	167,556	89,287	68,811
<b>Net mark-up / Interest income</b>	<b>117,102</b>	<b>97,767</b>	<b>104,379</b>	<b>72,154</b>	<b>60,891</b>	<b>54,604</b>
Fee & commission income and Exchange income	30,840	26,054	23,823	26,737	28,924	20,820
Capital gain & Dividend income	6,193	10,718	9,748	5,265	6,445	10,049
Share of profit / (loss) from joint venture - net of tax	545	218	(219)	(96)	(334)	2
Share of profit / (loss) from associates - net of tax	(95)	23	43	37	(35)	(512)
Other income	1,790	1,856	3,965	5,817	2,675	1,757
<b>Total non-markup / interest income</b>	<b>39,273</b>	<b>38,869</b>	<b>37,360</b>	<b>37,760</b>	<b>37,674</b>	<b>32,115</b>
Total income	156,375	136,636	141,739	109,914	98,566	86,720
Operating Expenses	79,661	61,406	64,443	67,379	57,480	50,041
<b>Profit before provisions</b>	<b>76,714</b>	<b>75,230</b>	<b>77,297</b>	<b>42,535</b>	<b>41,085</b>	<b>36,678</b>
Provisions	13,116	11,659	30,912	13,557	11,205	535
Extraordinary item	-	(9,779)	-	-	-	-
<b>Pre-tax profit</b>	<b>63,597</b>	<b>53,792</b>	<b>46,385</b>	<b>28,978</b>	<b>29,880</b>	<b>36,144</b>
Taxation	32,648	25,032	15,798	12,331	9,844	12,798
<b>After-tax profit</b>	<b>30,949</b>	<b>28,760</b>	<b>30,586</b>	<b>16,647</b>	<b>20,035</b>	<b>23,346</b>

## 6 Years’ – Maturities of Assets & Liabilities

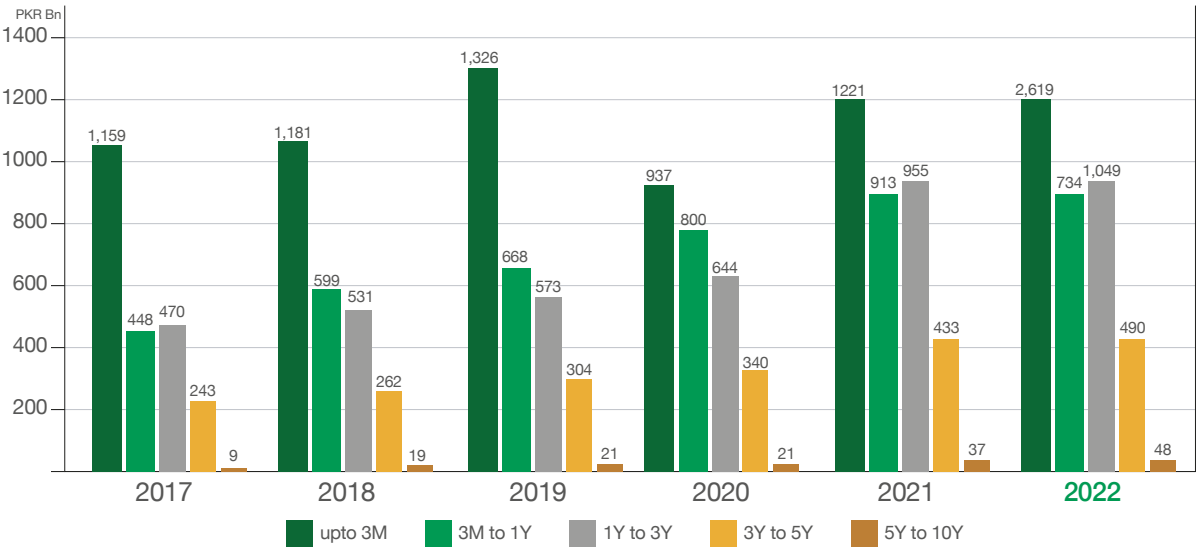
### Maturity of Assets

At the year end 2022, the Bank's total assets stood at PKR 5,240.4 Bn, increasing at a CAGR of 15.90% over the past six-years based on expected maturities. While 13.40% of the Bank's assets are expected to mature within a period of one month, another 16.20% are expected to mature over the next two months i.e. a total of 29.6% to mature within a period of 3 months. The remaining 70.4% of the assets have a maturity period of beyond 3 months.



### Maturity of Liabilities

At the year end 2022, the Bank's total liabilities stood at PKR 4,939.6 Bn, increasing at a CAGR of 16% over the past six-years based on expected maturities. While 40% of the Bank's liabilities are expected to mature within a period of one month, another 13.1% are expected to mature over the next two months i.e. a total of 53% to mature within a period of 3 months. The remaining 47% of the liabilities have a maturity period of beyond 3 months. Thus, efficiently managing the liquidity risk, the Bank maintains a positive maturity gap between the average maturity of its assets and liabilities.



## Other Financial Highlights

### Sectoral Concentration

Sector	PKR Mn			PKR Mn		
	2022	Gross Advances (%Share)	(%YoY)	2022	(%Share)	(%YoY)
Power, Oil & Gas, Water, Sanitary	373,229	25.9%	23.7%	127,665	4.6%	-23.3%
Individuals	203,235	14.1%	2.6%	317	0.0%	310.5%
Textile	165,107	11.5%	3.2%	15,853	0.6%	-37.6%
Public Sector Commodity Operations	96,305	6.7%	24.5%	200	0.0%	-97.6%
Agriculture, Forestry, Hunting & Fishing	80,495	5.6%	13.0%	504	0.0%	401.9%
Metal Products	70,883	4.9%	-0.2%	21,853	0.8%	36.9%
Transport, Storage and Communication	57,659	4.0%	4.7%	117,806	4.2%	146.9%
Wholesale and Retail Trade	53,369	3.7%	25.7%	1,464	0.1%	-37.6%
Services	42,007	2.9%	10.3%	1,532,588	55.2%	13.1%
Others	296,293	20.6%	2.1%	959,217	34.5%	7.8%
<b>Total</b>	<b>1,438,581</b>	<b>100%</b>	<b>10.2%</b>	<b>2,777,466</b>	<b>100%</b>	<b>11.5%</b>

### Gross Advances

Gross advances of the Bank grew steadily over the last six years at a CAGR of 10.9%, closing at PKR 1,438.6 Bn at year end 2022. Whereas 25.9%, 14.2% and 11.5% of the Bank's gross advances pertain to Power, Individuals and Textile that primarily drive Pakistan's economy, Over the past six years, and more particularly in the recent years, significant growth in advances to Textile, Financial and Oil and Gas sectors is witnessed given an increasing demand following the Government's relief package for various sector.



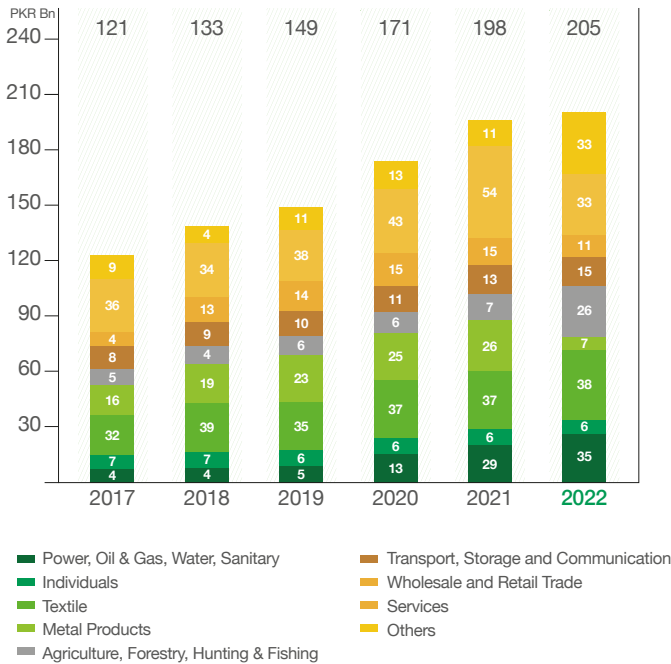


## Sectoral Concentration

Sector	PKR Mn					
	Non-performing Loans			Specific Provision Held		
	2022	(%Share)	(%YoY)	2022	(%Share)	(%YoY)
Power, Oil & Gas, Water, Sanitary	34,775	16.9%	4.0%	32,320	16.9%	10.0%
Individuals	6,469	3.2%	5.2%	4,350	2.3%	1.2%
Textile	37,830	18.4%	2.6%	36,395	19.1%	-1.2%
Public Sector Commodity Operations	74	0.0%	0.0%	74	0.0%	0.0%
Agriculture, Forestry, Hunting & Fishing	7,362	3.6%	2.1%	5,713	3.0%	10.0%
Metal Products	26,477	12.9%	3.1%	26,473	13.9%	3.8%
Transport, Storage and Communication	14,821	7.2%	16.0%	12,548	6.6%	21.2%
Wholesale and Retail Trade	10,713	5.2%	-0.2%	10,608	5.6%	-0.6%
Services	3,104	1.5%	-26.6%	1,813	1.0%	-28.7%
Others	63,682	31.0%	4.8%	60,416	31.7%	11.0%
<b>Total</b>	<b>205,307</b>	<b>100%</b>	<b>3.7%</b>	<b>190,711</b>	<b>100%</b>	<b>6.4%</b>

### Non-performing Loans

At year end of 2022, Bank's non-performing loans stood at PKR 205.3 Bn, demonstrating a 3.7% YoY deterioration. However, despite same increase in total NPL, the infection ratio has improved from 15.17% in 2021 to 14.27% in 2022. NPL's that grew at a CAGR of 11.2% over the period under review, are more concentrated in the Oil, Gas, Sugar, Textile and Metal Products sectors. However, recently the NPL ratio has shown slight improvement as it changed from 14.1% in 2017 to 14.3% at the end 2022.Furthermore, the coverage ratio has improved from 90.6% (2021) to 92.9% at the year end of 2022.

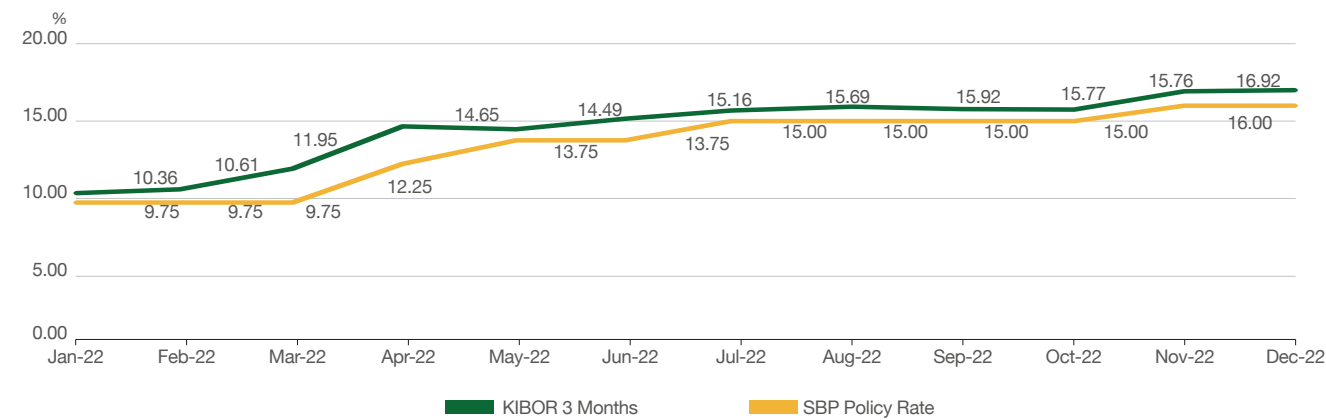


## Maturities of Assets and Liabilities

Financial Position	PKR Mn						
	Total	Upto 3 Months	Over 3 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
<b>Assets</b>							
Cash and balances with treasury banks	229,911	154,645	73,984	1,282	-	-	-
Balances with other banks	18,594	17,239	1,355	-	-	-	-
Lending to financial institutions	31,272	31,272	-	-	-	-	-
Investments	3,477,354	672,262	794,298	593,545	741,082	419,894	256,273
Advances	1,230,522	557,590	229,380	70,628	64,097	125,183	183,644
Fixed assets	58,495	-	1,231	2,311	1,231	1,306	52,417
Right of Use Assets	6,708	17	238	374	845	1,550	3,684
Deferred tax assets	22,299	-	-	-	-	22,299	-
Other assets	165,269	118,099	14,146	29,928	688	1,032	1,376
<b>Total</b>	<b>5,240,425</b>	<b>1,551,124</b>	<b>1,114,631</b>	<b>698,066</b>	<b>807,942</b>	<b>571,265</b>	<b>497,395</b>
<b>Liabilities</b>							
Bills payable	55,268	31,191	12,470	11,607	-	-	-
Borrowings	1,940,486	1,868,128	29,118	3,942	4,278	12,396	22,622
Deposits and other accounts	2,666,184	558,358	656,096	529,765	463,476	456,492	1,998
Liabilities against assets subject to right of use assets	8,268	21	240	417	1,017	1,904	4,669
Other liabilities	269,371	161,059	36,236	24,159	9,894	19,221	18,802
<b>Total</b>	<b>4,939,577</b>	<b>2,618,759</b>	<b>734,161</b>	<b>569,889</b>	<b>478,665</b>	<b>490,012</b>	<b>48,090</b>
<b>Net assets</b>	<b>300,848</b>	<b>(1,067,634)</b>	<b>380,470</b>	<b>128,177</b>	<b>329,277</b>	<b>81,253</b>	<b>449,305</b>

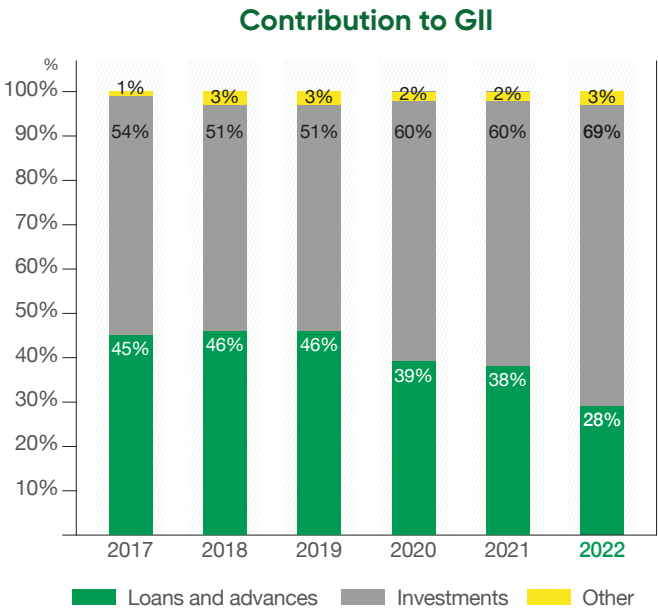
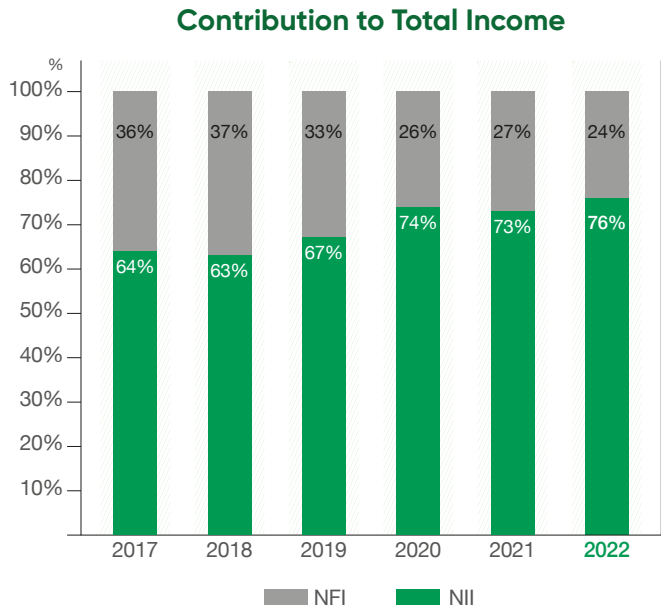
### Key Interest Bearing Assets and Liabilities

Financial Performance	PKR Bn					
	Avg. Volume	2022 Effective Interest Rate %	Interest	Avg. Volume	2021 Effective Interest Rate %	Interest
<b>Interest Earning Assets</b>						
Placements	110	12.4%	14	71	7.7%	5
Advances (net)	1,169	12.1%	141	988	8.8%	87
Investments	2,632	13.2%	348	1,697	8.2%	139
<b>Interest Bearing Liabilities</b>						
Deposits	2,655	7.9%	210	2,181	4.0%	88
Borrowings	1,208	13.7%	166	505	7.5%	38



# Markup & Non Markup Income

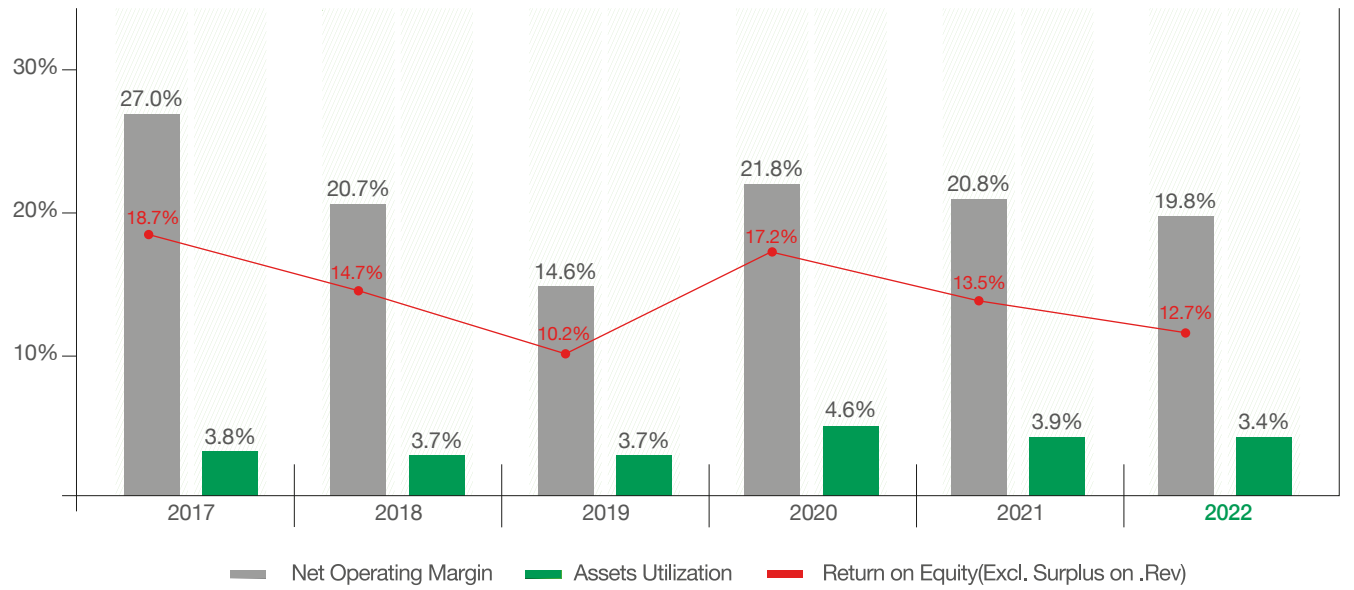
PKR Mn						
Financial Performance	2022	2021	2020	2019	2018	2017
<b>Mark-up Earned</b>						
Loans and advances	141,365	87,347	99,781	109,646	69,359	54,885
Investments	348,305	139,115	154,041	122,337	76,288	66,453
Lending to financial institutions	12,815	3,957	2,374	5,367	3,593	1,068
Balances with banks	825	1,464	1,616	2,128	729	666
<b>Total</b>	<b>503,310</b>	<b>231,883</b>	<b>257,811</b>	<b>239,477</b>	<b>149,969</b>	<b>123,073</b>
<b>Mark-up Expensed</b>						
Deposits	209,598	87,838	103,380	110,075	61,704	54,875
Borrowings	5,117	6,839	6,930	6,982	2,942	953
Cost of foreign currency swaps against foreign currency deposits / borrowings	10,026	8,018	9,175	9,157	6,075	3,072
Finance charge on lease liability against ROUA	849	775	754	719	-	-
Securities sold under repurchase agreements	160,895	30,795	33,417	40,637	18,581	9,919
<b>Total</b>	<b>386,484</b>	<b>134,265</b>	<b>153,656</b>	<b>167,570</b>	<b>89,302</b>	<b>68,820</b>
<b>Non Mark-up / Interest Income</b>						
Fee and commission income	21,152	17,804	18,254	19,125	17,526	16,774
Dividend income	5,207	4,595	1,901	3,150	2,613	3,821
Foreign exchange income	7,450	6,511	4,073	6,045	9,490	2,251
Gain on securities - net	1,138	6,188	7,886	2,112	3,932	6,480
Other income	1,737	1,844	3,963	5,768	2,687	1,740
<b>Total</b>	<b>36,684</b>	<b>36,942</b>	<b>36,077</b>	<b>36,199</b>	<b>36,249</b>	<b>31,066</b>



# DuPont Analysis

Indicator	Formula	Unit	2022	2021	2020	2019	2018	2017
Net Operating Margin	PAT / Total Income	A %	19.8	20.8	21.8	14.6	20.7	27.0
Asset Utilisation	Total Income / Avg Assets	B %	3.4	3.9	4.6	3.7	3.7	3.8
Return on Assets	PAT / Avg Assets	C = A x B %	0.7	0.8	1.0	0.5	0.8	1.0
Leverage Ratio / Equity Multiplier	Avg Assets / Avg Equity	D Times	18.9	16.5	17.2	19.2	19.5	18.4
Return on Equity (Excl. Surplus on Rev.)	PAT/Avg Equity	E = C x D %	12.7	13.5	17.2	10.2	14.7	18.7

## DuPont Analysis

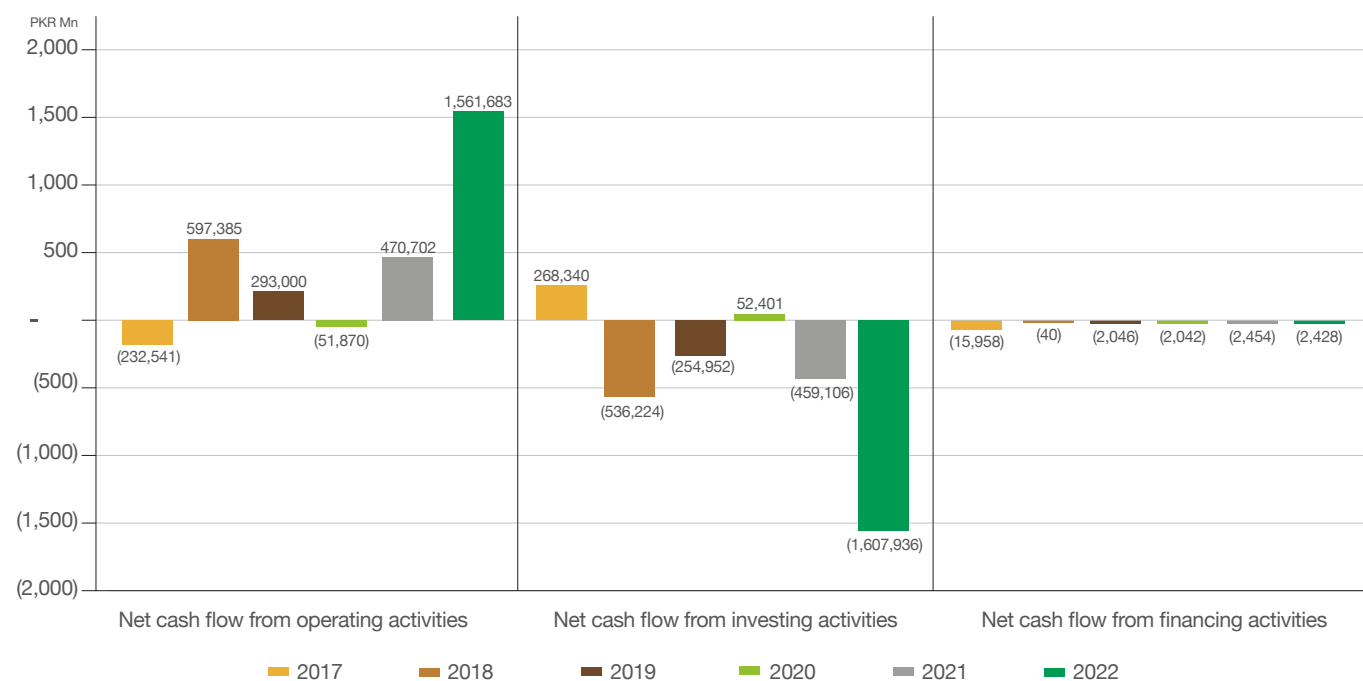


- The Bank’s operating margin of the Bank has lightly dropped in from 21.8% in 2020 to 19.8% in 2022. Two major reasons behind include (i) the civil penalty of PKR 9.8 Bn in 2021, and (ii) higher effective tax rates on the back of supertax and ADR related taxes.
- Assets utilisation in terms of total income has remained fairly stable over the period ranging between 3.4% in 2022 to 4.6% in 2020. In the past three years, there has been a drop in assets utilisation as the balance sheet size increased significantly.
- Return on equity has also remained high in the range of 18.7% in 2017 to 12% in 2022. In the recent years, RoE has recorded a drop as the Bank’s has been retaining its profit after tax since 2017 to strengthen its capital base, resultantly reducing the RoE ratio.



## Summary of Cash Flows

	PKR Mn					
Classification	2022	2021	2020	2019	2018	2017
Net cash flow from operating activities	1,561,683	470,702	(51,870)	293,000	597,385	(232,541)
Net cash flow from investing activities	(1,607,936)	(459,106)	52,401	(254,952)	(536,224)	268,340
Net cash flow from financing activities	(2,428)	(2,454)	(2,042)	(2,046)	(40)	(15,958)
Cash & cash equivalent at beginning of the year	271,386	262,243	263,754	227,753	166,631	146,790
<b>Cash &amp; cash equivalent at the end of the year</b>	<b>222,704</b>	<b>271,386</b>	<b>262,243</b>	<b>263,754</b>	<b>227,753</b>	<b>166,631</b>



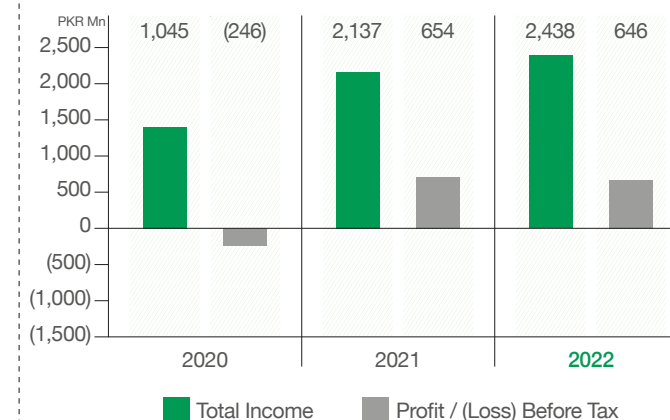
Cash Flow from operating activities mainly represent the core activity of the Bank i.e. mobilization of deposits. Since 2017, deposits of the Bank have shown a CAGR of 9.1%. During year 2022, there was net inflow of PKR 1,561.6 Bn from operating activities. The major outflow under investing activities was on account of net investments in available-for-sale securities and investment made in held-to-maturity securities. During the year 2022, outflows of PKR 2.4 Bn under financing activities were observed against payment of lease obligation.

## Geographical Segment

### Pakistan



### Asia Pacific (Including South Asia)



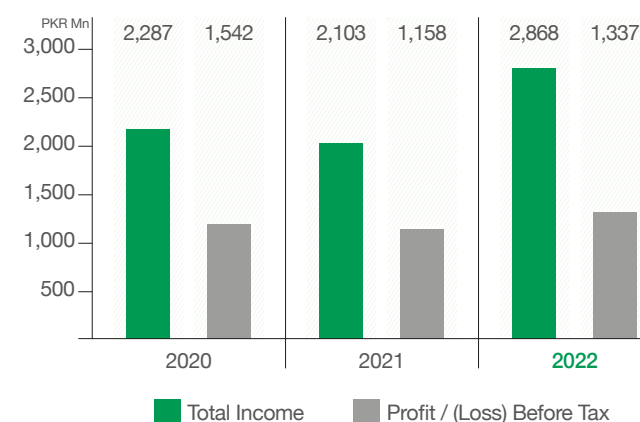
### Europe



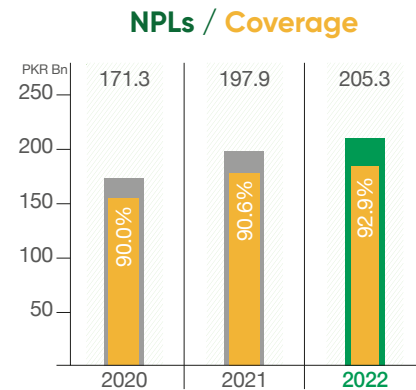
### USA



### Middle East



## Assets Quality and Provisions



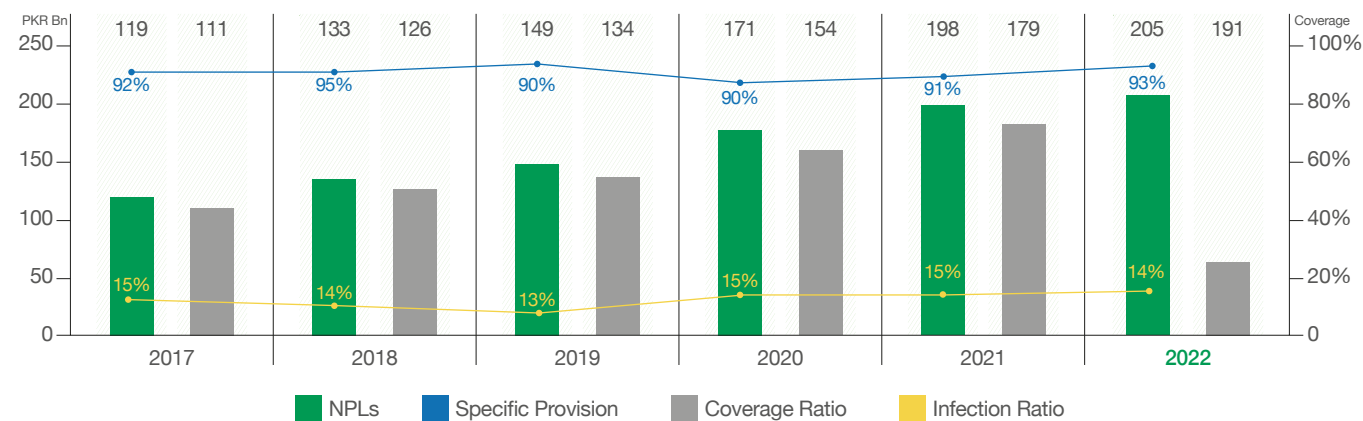
There was no increase in domestic NPLs. However, NPLs in FCY denominated loans recorded an increase of PKR 7.4 Bn mainly due to exchange impact. We prudently measure impairments in the assets portfolio and maintain robust levels of provisions. Provisions charge for 2022 amounted to PKR 12.6 Bn of which PKR 8.1 Bn was against impairment in loans, and PKR 3.8 Bn against diminution in value of investments.

Specific provisions held against NPLs stood at PKR 190.7 Bn (Dec'21: PKR 179.3 Bn) whereas general provisions stood at PKR 17.3 Bn (Dec'21: PKR 12.5 Bn) and NPL coverage against total NPL is 92.9%. Since IFRS 9 stands implemented effective January 01, 2023, therefore prudently some general provisions under the expected credit loss methodology have been kept over and above as required under prudential regulations.

## Non-performing Loans

Category	2022		2021	
	NPL	Spec. Prov.	NPL	Spec. Prov.
OAEM	1,781	73	1,941	95
Substandard	5,888	1,440	5,245	1,230
Doubtful	9,165	4,811	17,286	8,596
Loss	188,473	184,387	173,466	169,390
<b>Total</b>	<b>205,307</b>	<b>190,711</b>	<b>197,938</b>	<b>179,312</b>

### Asset Quality



## Share Price

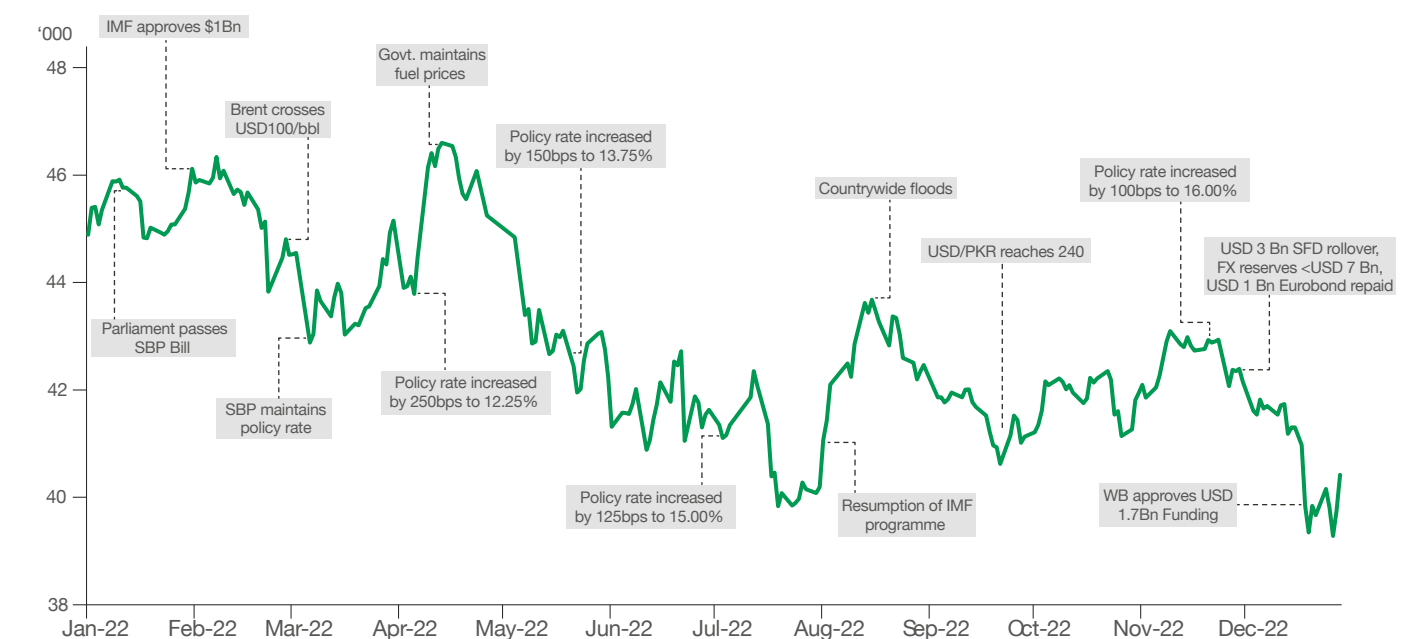
NBP	PKR Mn			
	Mar'22	Jun'22	Sep'22	Dec'22
High	37.80	32.69	34.20	26.70
Low	29.52	26.00	25.55	23.00
Close	31.19	27.95	26.07	23.59
Average Volume	568,738	286,533	731,607	218,922
Total Volume	35,830,500	17,192,000	44,628,000	14,011,000
Closing Market Cap (Mn)	66,357	59,464	55,464	50,188

NBP	Dec'22	10% Increase	10% Decrease
No. of shares closing (Mn)	2,128	2,128	2,128
Closing Share Price (Dec'22)	23.59	25.95	21.23
Market Cap (Mn)	50,188	55,207	45,169

### Share Price /Trade Volume - 2022



### KSE 100 Index





Share Price Sensitivity

Market Capitalization as of December 31, 2022PKR 50,188 Mn

Change in share price by:  
+ 10%PKR 5,019 Mn  
- 10%PKR 5,019 Mn

The following major factors have varying impact on financial performance of the Bank and market valuation of its shares

- Policy Rate**  
In the prevailing hyperinflationary environment, the State Bank of Pakistan has maintained a rising policy rate policy and the market expectations are that the policy rate will remain high in the short to near term. Any volatility in the interest rates will impact revenue and profitability of the Bank.
- Capital and money markets**  
The Bank’s investments amount to PKR 3,477 Bn, which mainly consist of high-yielding low-maturity, low-risk Government Securities. Trends in the money & capital markets have a direct impact on the Bank’s financial performance.
- Minimum Rate of Return on Deposits**  
Any upward revision in rate of profit payable to providers of funds leads to increased costs of funds and compression in net interest margins earned by the Bank. Such revision can negatively impact the earnings and correspondingly the share price of the scrip.
- Exchange fluctuations**  
The Bank is a major enabler of the country’s international trade. In this process, the Bank remains exposed to significant foreign currency exchange rates Hence, the currency fluctuation also affects the Banking business.
- Inflation**  
Inflationary trends inflict an indirect impact on earnings of the Bank through its corresponding incremental impact on the policy rate. Higher policy rates usually lead investments into high yielding but low-risk Government papers, thus resulting in increased interest income. This, in turn, will have a positive impact on overall profitability and the share price.
- Political Stability**  
Political stability is a prerequisite for economic growth and resilience for the organisation as the same reduces the uncertainty and urges investors to mobilise economic activity through injecting their funds in investment avenues. Political stability will stimulate trade & business activity resultantly higher earnings for the Bank and its shareholders.
- Natural Calamities**  
Natural calamities are outside the control of the Bank such as natural disasters, floods and pandemics might negatively disrupt the operations of the Bank and ultimately might affect share price of the Bank.

Pattern of Shareholding

as at December 31, 2022

Categories of Shareholders	Shareholders	Shares Held	Percentage
<b>Government Holding</b>			
M/s Federal Government of Pakistan	1	6,238,919	0.29
M/s Pakistan Atomic Energy Commission	1	679,424	0.03
Finance Division, Ministry of Finance, Govt. of Pakistan	1	1,656,788	0.08
<b>State Bank of Pakistan</b>			
M/s State Bank of Pakistan	1	1,599,845,728	75.20
<b>Directors, Chief Executive Officer, their spouse(s) and minor children</b>			
Rehmat Ali Hasnie, President/CEO (A)	1	949	0.00
Farid Malik, Director	1	1,000	0.00
<b>Associated Companies, undertakings and related parties</b>	1	70,000	0.00
<b>NIT and ICP</b>	1	463,078	0.02
<b>Banks Development Financial Institutions, Non-Banking Financial Institutions</b>	9	22,778,447	1.07
<b>Insurance Companies</b>	6	85,263,147	4.01
<b>Modarabas and Mutual Funds</b>	9	14,935,442	0.70
<b>General Public</b>			
a. Local	10,185	144,306,655	6.78
b. Foreign	84	1,058,590	0.05
<b>Foreign Companies</b>	23	115,301,476	5.42
<b>Others</b>	162	134,913,383	6.34
<b>Total</b>	<b>10,486</b>	<b>2,127,513,026</b>	<b>100.00</b>

Shareholders holding 10% or more	Shares Held	Percentage
M/s State Bank of Pakistan	1,599,845,728	75.20



# Groups' Performance

## Retail Banking

Major initiatives were taken in areas of organizational restructuring, technological advancement, product innovation, risk management and inculcation of sales culture. This was done through instilling a reward for performance culture which has not only resulted in boosting the overall branch productivity, but in addition, with its transparent reward culture, has also played a pivotal role in growth of RBG deposits, advances and ancillary business.

### Deposits Performance 2022

RBG Deposit business continued to build strong momentum from the outset of 2022. However, after the introduction of revised ADR tax rules, our growth turned into a story of 2 halves:

#### H1' 2022

RBG Absolute deposits reported an YoY growth rate of over 18% as on 30-06-2022 as compared to industry growth rate of around 15%. We closed June 2022 at Rs 2,675 Billion as compared to the closing position of Rs 2,263 Billion as on 30-06-2021. This helped us exhibit an impressive 20% growth in Average Deposits during the year 2022.

The drive to attain new to bank accounts in targeted segments bore fruit as the business acquired over 350,952 in new to bank accounts in 2022 which was 30% greater than NTBs opened in 2021. A significant contribution was from special segments like Women, Assan and Remittance accounts, which contributed almost 50% of new accounts.

#### H2' 2022

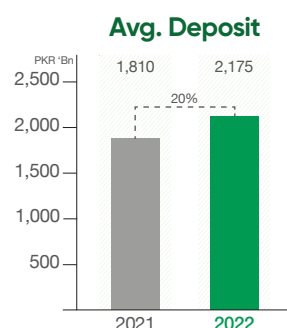
In line with the latest tax rules introduced by FBR, NBP managed its year-end 2022 ADR level successfully. RBG carrying lion's share of the bank's deposits utilized its recently introduced efficient network structure to play the lead role towards this cause by coordinating bank-wide efforts to ensure that NBP's ADR ratio remains over 50% as on 31-12-2022. To further channelize the efficiency achieved through restructuring, RBG started shedding special rate deposits and have reduced dependency on chest deposit balances so that future growth comprises primarily of core deposits.

### Debit Cards Activation 2022

RBG's Debit card base continued to build a strong momentum from the outset of 2022. We closed June 2022 at 180,260 and Dec 2022 at 729,264, a growth of 305% in activations in the second half. This healthy growth was an outcome of various measures taken in 2021 and 2022 which included addition in the MPI scoring model, establishment of debit card discount & loyalty offers in collaboration with our loyalty partners, introduction of debit card activations through ADCs (ATMs and Mobile App), improvement in card activation process etc.

### Wealth Management

The Bancassurance business registered an impressive YoY growth of 15% with annual volume of PKR 848 MN. This is a commendable performance considering the overall Bancassurance market witnessed stagnant performance during 2022 due to the ongoing pressure on consumer savings and disposable income. Furthermore, the NBP Bancassurance business showed a remarkable productivity growth with 10,820 policies underwritten which was 25% higher YoY. This enhancement in network productivity was fueled by strong frontline engagement through trainings, regular analytics and effective sales management. Under the new regulatory framework, the business logged a complaint ratio of only 2% of booked cases during the year. Our key focus in this segment remains on consolidation and strengthening of processes and controls to ensure regulatory compliance and sustainability. The Wealth Management menu is set to see further expansion and diversification this year with the launch of mutual fund offerings for NBP customers through distribution agreement signed with NBP Funds.



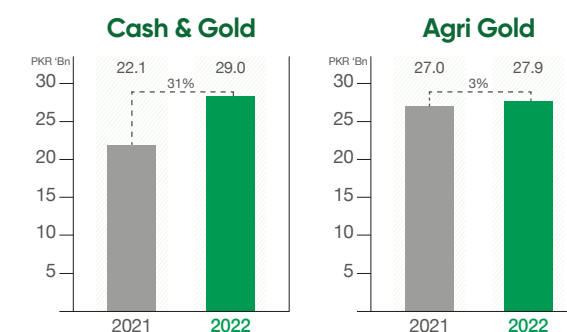
Debit Cards Activation	
Q1 '22	88,966
Q2 '22	180,260
Q3 '22	294,480
Q4 '22	729,264

### Advances Performance 2022

Cognizant of the overall economic situation, Consumer Assets at RBG adopted a somewhat selective growth strategy, thereby focusing consumer advances that are secured and collateralized. Besides, Consumer Assets business in 2022 progressed on the trajectory of "Change Management" through process re-engineering, technological advancement, digitization, new product development, target market expansion, introduction of new sales channel – institutional sales and improved risk management.

#### Cash & Gold" and "Agri. Gold"

Focus under the selective growth strategy was diverted to relatively secured products "Cash & Gold" and "Agri Gold", exhibiting YoY growth of 31.1% and 18.48% respectively. Growth in Cash & Gold resulted in surpassing the allocated targets for the year 2022. These secured products also witnessed a significant reduction in problem loans. YoY NPLs against "Cash & Gold" reduced by ~34% whereas the same for "Agri Gold" reduced by ~25% w.r.t June'2022.



#### Advance Salary

The selective growth strategy resulted in a measured growth of 5% in the overall RBG advances portfolio. Underlying this growth was a result of reduction in "NBP Advance Salary" portfolio primarily impacted due to the monetary economic contraction and full year impact of revised Prudential Regulations under which the DBR was reduced from 50% to 40% and financing tenor from 05 to 04 years. These economic and regulatory measures resultantly reduced the average ticket size for new loans and also impacted the rollover cases. Despite these factors, RBG managed to maintain the lion's share in the category of personal loans. CAG – RBG achieved a lot more on other fronts related to this product that include:

- » Expansion in Advance Salary target market by offering the product to Contractual employees
- » Launch of incentive scheme for staff to promote the product in these tough times
- » Revamping and automation of "NBP Advance Salary" loan approval process, thereby providing customers the ease to apply for loan from the comfort of his/her home/office
- » Simplification of required documentation thereby making it minimal, hassle free and convenient

#### Low Cost Housing and Saibaan

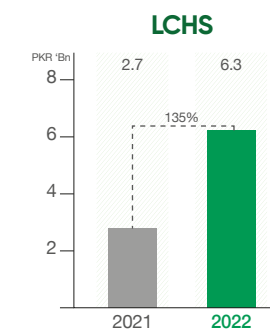
CAG – RBG carried forward the NBP legacy of being an active participant in all government initiated lending programs. Being major contributor to the Government low cost housing program "Mera Pakistan Mera Ghar", the Bank proudly maintained its prominent position. This is evident from the fact that the Bank maintained the highest relative market share in terms of number of loans, being the first bank to provide shelter to 2,000+ families. The low cost housing portfolio witnessed an exponential growth of ~135% in 2022. On the proprietary NBP Saibaan product, efforts were focused to reduction in NPLs – Saibaan NPL portfolio reduced by more than Rs 70M i.e. ~10% – and product features were reviewed, thereby making it effective and conducive for future growth.

Following are the significant initiatives and achievements under LCH and Saibaan

- » Review of product features for both Saibaan and LCH thereby making it more effective
- » Financing under Saibaan was allowed in branches across the network instead of limiting it to positive or selected areas
- » Signed agreement with "Saste Se Sasta" for lead generation to promote housing finance
- » Approval of framework to on-board builders/developers and realtors for promotion of mortgage finance
- » Revised Marketing collateral thereby making it more effective
- » Timely resolution of complaints received across various channels

#### Institutional Sales

RBG beefed up its efforts on the institutional sales front. During 2022, the group build upon the "Institutional Sales" foundation laid in 2021. More than 35 institutions were targeted by the institutional sales division in 2022. 05 institutions have already accepted standard and concessional rate proposals. During 2022, our commercial Banking Group entered into an "Employee Banking" arrangement with institutions, that inter alia include concessions for their employees on NBP entire product suite (i.e. assets, liabilities and services). RBG will continue its performance trajectory in 2023 and years ahead. Going forward, CAG-RBG through perseverance will further strengthen the consumer finance business of a thriving "Nation's Bank"





# Corporate & Investment Banking

C&IBG handles one of the largest corporate loans/advances/deposit portfolios amongst all banks in Pakistan and constitutes more than 50% advances portfolio of NBP. With its presence in major cities of Pakistan, CIBG is well-positioned to cater to the banking & financial needs of all its corporate customers and government entities by offering a diversified spectrum of financial products & services. This is achieved through innovative product development and a well-integrated approach to relationship management.

## Regional Corporate Centres

Our highly experienced Regional Corporate Centre relationship management teams are located close to our clients in Pakistan’s six major cities namely Karachi, Lahore, Islamabad, Rawalpindi, Faisalabad, & Multan and provide on-the-ground coverage to our clients to meet their wide ranging, multifaceted, and constantly changing financial needs.

## GOP & Specialized Agencies Division

GOP & Specialized Agencies Division within C&IBG covers all priority Government of Pakistan relationships by providing dedicated & personalized banking services to all Government Ministries/Departments and Specialized Agencies of Government of Pakistan.

## Trade Finance Division

For providing dedicated centralized services to corporate clients, a specialized Trade Finance Division has been incorporated within CIBG with a team of experienced trade professionals for efficient handing of all trade related transactions for our clients. For leveraging the global trade finance network and our correspondent banking arrangements, NBP’s Trade Finance team supports exporters and importers by securing and financing their international trade transactions.

## Investment Banking Division

Investment Banking Division specializes in Capital Markets, Project Finance, Advisory, Syndication, Agency, Trustee Services, Escrow Services, M&A, Underwriting, etc. Over the years NBP has successfully exhibited its proven capability to act as a lead arranger and underwriter for a variety of corporate & capital market transactions.

## Cash Management Division

NBP, through its Cash Management Division provides customized solutions to our clients to improve their overall cash management efficiency and day-to-day business needs through transactional partnership with our customers to bridge their fund flow gap.

## Initiatives & Achievements

- CIBG led, advised and/ or participated in raising debt including development of over 10,000 MW of thermal & renewable energy across the country during the year.

S. No.	Issuer/ Obligor	Amount	Role
1	Riko Dec	\$900	Advisor and Arranger
2	Pakistan Mobile Comm Ltd	50,000	Joint Lead Advisor, Book Runner
3	K-Electric	43,510	Project Finance & Advisory Services
4	Pak Telecom Mobile Limited	21,000	Mandated Lead Advisor and Arranger
5	TPL REIT	18,000	Lead Advisor & Participant
6	Askari Cement Private Ltd	17,000	Mandated Joint Lead Arrangers
7	Swat Expressway	5,000	Lead Advisor & Arranger

# Treasury & Capital Markets

Pakistan’s economy faced strong headwinds during the year 2022. Treasuries in particular bear the brunt of simmering political conditions, outright war in Ukraine, high global commodities prices, remnants of pandemic and now the two headed monster of high inflation and economic stagnation. Adding fuel to the fire - high country risk along with low foreign exchange reserves and then the recent devastating floods felt throughout the economy particularly in the agriculture, livestock, transportation, and infrastructure sectors. SBP initiated monetary tightening cycle – policy rate in July 2021 from 7% jumped to a whopping 16% in November 2022. Cumulative change during the CY 22 was 6.75%. The impact of high inflation and policy rate lead to slow down in the economy. Currently policy makers are committed to IMF program (now extended until June 2023) and are trying to make the necessary macroeconomic adjustments to protect economic sustainability.

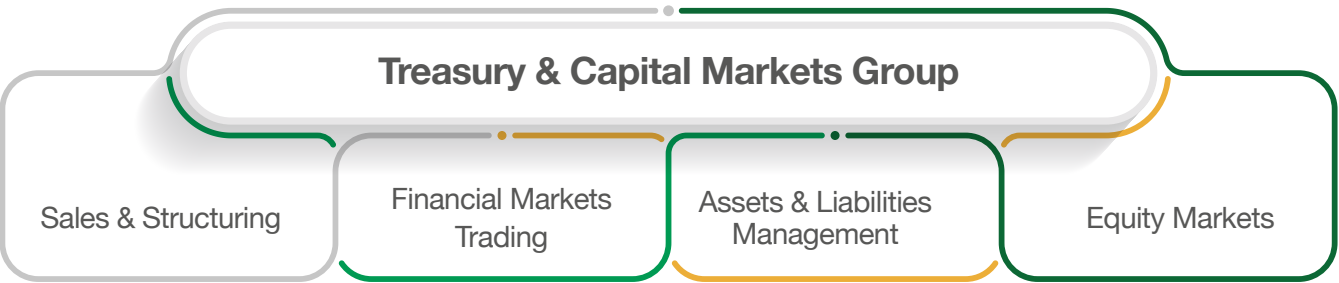
Any deviation from a prudent and coordinated monetary and fiscal policy mix would risk compounding macroeconomic challenges and may require more aggressive policy action in future if planned revenue measures and external financing arrangements do not meet expectations. Hence, the markets are likely to remain topsy-turvy during H1 CY23.

Change in macro-economic indicators during the year:

	2021	2022
FY GDP - IMF/World Bank	5.7%	6.00%
CY CPI Average	9.48%	19.29%
CY Policy Rate EOP	9.75%	16.00%
CY USD/PKR EOP	176.51	226.43
CY KSE-100 EOP	44596	40420

Challenges faced by the economy:

- High Inflation
- Stringent IMF conditions
- External account challenges
- Tight Monetary Policy
- Volatile exchange rate and massive devaluation
- High oil & commodity prices
- Low FX reserves

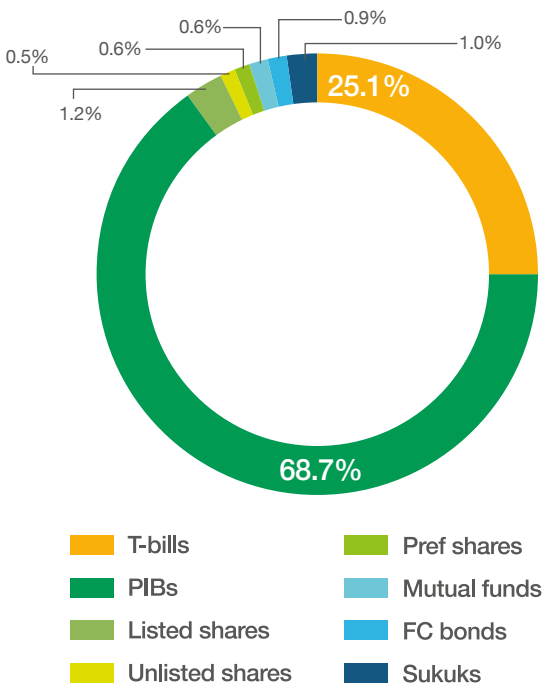


Equity markets remained lackluster globally in 2022 with fast changing political and economic landscape that resulted in higher volatility. Pakistan stock market provided some early gains in 2022, but the excitement proved short-lived as political landscape and macroeconomic indicators changed the sentiment, resulting in KSE-100 index closing the year with negative 10.68% return. Remaining cognizant of the market conditions, Capital Markets team remained focused to optimally rebalance the portfolio towards high dividend yielding stocks along with selected high growth scrips that remained part of the portfolio.

Overall, TCMG fared well by rebalancing the investment portfolio mix to align with the changing dynamics and prudent exchange risk management that enabled Treasury to achieve departmental goals and targets even though the challenges of high inflation, low growth, volatile equity and exchange markets coupled with heightened political uncertainty exacerbated in terms of longevity and magnitude.

The fact that TCMG is persistently considered as a leading FX bank and rated as one of the top Primary Dealers for Government securities bears testament to our expertise in providing FX and investment solutions to our diversified clientele. Furthermore, TCMG has made steady progress in strengthening controls and compliance environment by focusing on people, culture and systems.

## Key Investments





## Digital Banking

The Bank is creating a digital financial institution instead of simply digitizing various aspects of a bank. Since NBP has recently embarked on its transformation journey, we may appear a late entrant, but it is a unique advantage. We are applying learnings from the industry's digital transformation dos and don'ts and leveraging proven state-of-the-art digital technologies. NBP aspires to make banking more accessible, convenient, and efficient for our customers and the citizens of Pakistan.

In 2021, the State Bank of Pakistan mandated the financial industry to create the role of a Chief Digital Officer, a key executive responsible for steering the digitization efforts of the organization. The Bank appointed Mr. Muhammad Hamayun Sajjad, recognized as one of Asia's top 100 fintech leaders, as the Chief Digital Officer (CDO).

2022 was the year of demonstrating digital and upskilling the Bank's staff. Muhammad brought a positive cultural shift capitalizing which we delivered phenomenal growth in Digital Banking. Our efforts have enabled digital banking adoption, digital-literacy, serve our customers better, and support the Government's broader initiatives to promote financial inclusion and alleviate poverty in the country.

### NBP Digital - Strategy

NBP is the largest financial institution with the most comprehensive suite of banking products. The Bank has a unique blend of customers ranging from Bank account holders, Citizens, Corporations, and government institutions. Our digital banking strategy is two folds; the first is about embedding foundational capabilities, whereas the second focuses on continuously delivering high-priority business initiatives leveraging available digital features.

### Achievements in Digital Banking

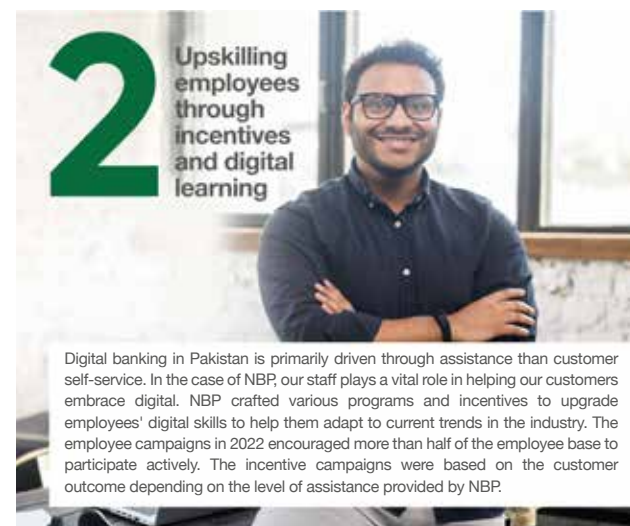
NBP is at an early stage of its digital banking transformation, but our staff and customer exhibited an overwhelming response even to our initial launch of basic digital banking features. Here we would like to share the significant highlights of NBP Digital Banking from the year 2022

#### 1 Increased Adoption of Mobile Banking and growing use of non-cash transactions

Introduced new features in the NBP Digital App to offer easy signup, Quick account balance view, Employee referral, and Debit Card Management. The results were outstanding, with over 180% YoY signup growth, half a million active users, an 84% transaction volume increase, and a 260% increase in value. To promote adoption, we have offered various incentives, such as cashback rewards and discounts on transactions made through the app. The migration to digital channels reduced the Call Center traffic by 30%, whereas on the whole, alternative delivery channels processed more than seventy million transactions in volume and just above a trillion in value.

#### 3 From ATM to Debit, use of card beyond cash withdrawal

We accomplished the mark of 2.0M active debit cards, a phenomenal 60% YoY growth, enabling at least half of the Bank's customer base. The most exciting part is YoY 100% growth in the POS volumes.



#### 4 Government's Digital Initiatives

We take immense pride in enabling the Government of Pakistan to digitize the stamp-paper, the famous E-stamping initiative. The implementation is divided among each Province, and we successfully launched in Sindh and KPK.

#### 5 Comfort and convenience for the old-age pensioners

We designed and launched a set of in-branch digital features based on the Pensioner customer persona. Pensioners can now use their fingerprints to access their accounts coupled with an alternative verification in case of failure. The process is fully automated and digitized from front to back. During the year, more than 60% of Government pensioners have utilized the new digital pensioner verification facility.

#### 6 We have adopted Cloud technologies to deliver speed at scale

The scale and breadth of NBP digital banking services require flexible, scalable, secure, and 24x7 available foundations. We have successfully transitioned our Digital Banking platform onto a local cloud infrastructure, enabling NBP to offer the most reliable and efficient digital customer experience at markedly lower costs.

#### 8 Assisting customers with in-branch Digital transformation

We have embarked on a mission of equipping our front-line staff and the branch with digital capabilities to assist walk-in customers in the Bank branch or by visiting customers' premises.

#### 7 The launch of Targeted Commodity Subsidy Platform

the Government of Pakistan promised the global stakeholders the launch of targeted subsidies on essential commodities. The National Bank of Pakistan was responsible for designing, developing, and launching a digital platform and an ecosystem. We built, ground up, a Targeted Commodity Subsidy Platform driving the digital ecosystem supporting more than two million beneficiary's grocery purchases at thirty thousand Kiryana stores, Government's Utility Stores Corporation, and Canteen Stores Department.



## BEYOND 2023

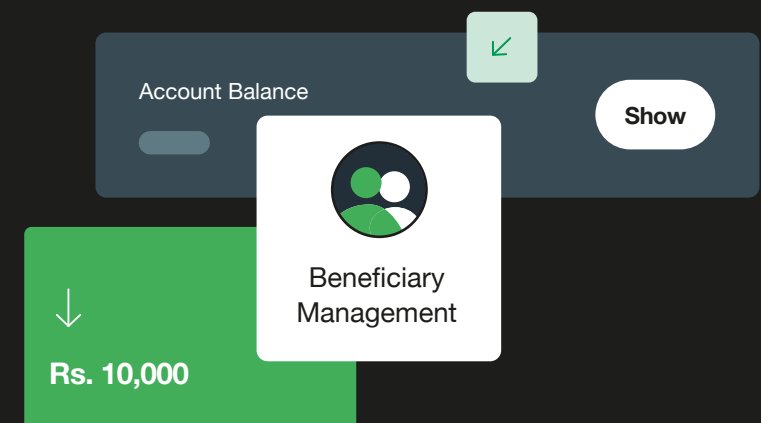
### Digital Trends and Cultural Transformation are Shaping Our Strategy

As we prioritize digital banking transformation, we remain mindful of the global and local trends shaping our strategy. Globally, we have seen a rapid increase in the adoption of digital banking services, with customers seeking convenience, security, and personalized experiences. Locally, Pakistan has also seen a surge in digital banking adoption, with the pandemic accelerating the shift toward digital transactions. We consciously pivoting from the legacy by carefully seeding the "digital culture," emphasizing the importance of branches enabling NBP's employees and making them responsible for the digital customer experience. To meet these trends, we will continue prioritizing innovative digital services, investing in technology and data analytics, promoting financial inclusion and digital literacy, and supporting government initiatives. In particular, we will leverage emerging technologies such as artificial intelligence and block chain to provide our customers with more personalized and secure services.

In conclusion, we are proud of our significant strides in digital banking transformation over the past year. As we look to the future, we are committed to remaining at the forefront of digital banking innovation in Pakistan and supporting our customers and the broader community through our digital banking services.

### NBP Digital Design Language

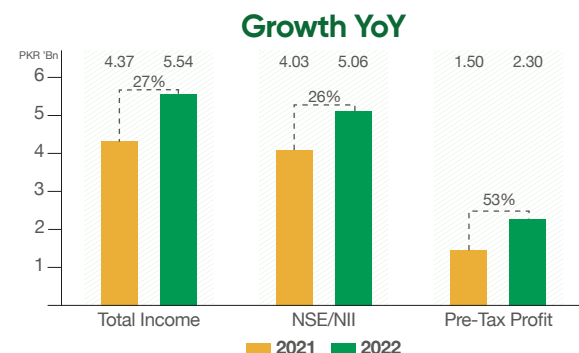
Building blocks of the user interface that are crucial for providing a seamless and intuitive user experience across platforms



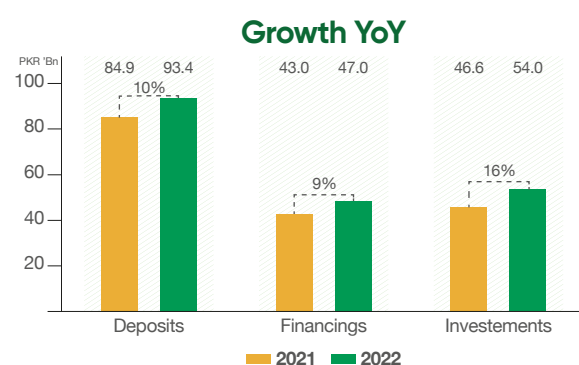


## Aitemaad Islamic Banking

Alhamdulillah, NBP Aitemaad Islamic Banking Group posted pre-tax profit of Rs. 2.30 billion for the year ended December 31, 2022 as compared to Rs. 1.5 billion during the previous year and witnessing 53% YOY growth. NBP Aitemaad recorded total income Rs. 5.54 billion during the year under review which is 27% higher than previous year Rs. 4.37 billion. This improvement was due to volume growth (YOY) in average deposit and earning assets 15% and 23% respectively along with high policy rate environment. NBP Aitemaad earned 0.475 billion non fund income in 2022, depicting 41% increase YOY. Despite the inflationary pressure, operating expenses increased by 11% to 3.05 billion versus last year Rs. 2.74 billion.



NBP Aitemaad's average deposit has been Rs. 87.7 billion during year as compared to last year Rs. 76.2 billion having 15% YOY growth. End of period deposit grew by 10% to Rs. 93.4 billion from 84.8 billion as at December 2021. Total deposit customers stood at 223,626 at end of 2022 with increase of 26,403 (13.4%).



NBP Aitemaad Islamic Banking Group invested Rs. 19.5 billion in SLR eligible GOP Ijarah sukuk during the year of 2022 as Bai Muajjal with GOP of Rs. 8 billion is matured in first quarter of 2022. Hence, NBP Aitemaad's gross investment augmented to Rs. 54.01 billion in Dec-22 from Rs. 46.58 billion in Dec-21 recording 16% growth YOY (9% by including profit earned Rs.2.97 billion on Bai Muajjal in investment in 2021).

NBP Aitemaad increased its gross financing portfolio by Rs. 4.01 billion to close the year end at Rs 47.04 billion as compared to Rs. 43.03 billion at the end of Dec-21, exhibiting a YOY growth of 9% owing to given economic conditions and all time high policy rate environment. NBP Aitemaad managed to recover monthly installments from Hascol, 100% provided for in Dec-21. Non performing financing decreased to 0.655 billion from Rs. 0.713 billion in Dec-21. The financing portfolio comprises corporate customers, located in Karachi, Lahore, Islamabad and Multan. Strategy is to continue booking top tier corporate customers, albeit cautiously.

Alhamdulillah, NBP Aitemaad has opened 50 Islamic Banking Windows (IBWs) in Conventional Branches during the year 2022 and enabled ADC services including Green PIN through NBP ATMs and Debit Card Management via Mobile App for new card request, change card status & PIN, non-cardholder onboarding and MPG – RAAST P2P via Mobile App. NBP Aitemaad has also revamped its all financing products in order to further strengthen the products parameters as per business and industry practices.

Also, new specialized deposit product namely 'Aitemaad Amirah Account' has been introduced from October 01, 2022 and this product is playing a vital role to enhance women's financial inclusion and to bring a shift towards women friendly business practices by providing complete bouquet of banking services including current/saving account options, competitive profit rates, discounted rates on consumer finance, 24/7 digital banking, Debit Card with over 20,000 Golootlo merchant discounts, locker, cheque book and many more.

Slight decrease in Home Remittance transactions, stood at 322,690 for the year as compared to last year 352,679 due to economic slowdown and uncertainty on rupees-dollar parity. Cards Activation increased to 54,692 as of December-2022 from 43,580 in 2021, showing 25.5% growth. Over 4,800 digital banking were activated during the year and closed at 11,133, 75% up YOY.



## Special Assets Management

It has been a challenging year for the Banking Industry as well as for the country due to prevalent tough economic conditions internally and externally. In addition, political instability and unprecedented devastation caused by floods have taken a big toll on economy. As a result of these factors stress on the industry has increased manifold which is expected to result in higher NPL stock for the banking industry. This calls for a strong Special Asset Management Group which is able to contribute to recovery and rehabilitation on non performing assets and contributing to the bottom line of the bank.

Main function of SAMG is to manage the wholesale NPLs of the Bank and reduce NPL stock through timely recovery either through court and/or settlements/restructuring. SAMG is currently handling the largest portfolio in the industry.

The group was given the objective both by the Board and the regulator for improving the performance of recovery and reduce flow on new names to the remedial portfolio. In addition to this the Group also faced challenges in term of HR resources. To achieve the said goals, the group was revamped with a strategy of reviewing the portfolio with the intention to quickly develop a recovery pipeline on which the existing HR could be focused to achieve quick recoveries. Also, an early warning process was developed with Risk to monitor and identify deterioration in account so that early corrective action could be taken to reduce flow of new NPLs to the portfolio. However a major impediment and a challenge for SAMG is the perception of it being a risky business given legal and LEAs involvement. In addition to this close working relationship was built with the Businesses and Risk to support the business to deliver its results. Despite the constraint with the staff the **Group was able to exceed the budgeted recovery of PKR 4 Bn** while developing a decent recovery pipeline for the future.

SAMG would focus on reduction of NPAs through adoption of following strategies:

- Implement systematic review of legal status.
- Change of BLAs where progress is slow.
- Preference to negotiated settlements rather than litigation
- Improved Coordination with Legal
- Reconsider waivers of COF and non-accrued interest to accelerate potential settlements
- Alignment between Risk and Business on recovery strategy and improvement of approval efficiency
- Addition of qualified manpower and re-organization of the remedial business

## Audit

The Bank has an independent internal audit function referred to as Audit & Inspection Group (A&IG). A&IG provides independent assessment of risk management, control and governance process of NBP in line with the Institute of Internal Auditors (IIA) and SBP guidelines. A&IG assists the Board Audit Committee in discharging its oversight responsibilities regarding internal controls and internal audit of the Bank.

Audit coverage includes domestic & overseas branch operations, information technology, Islamic banking and HO functions as per approved audit plan. Gaps in controls and areas of improvement identified during audits were escalated to the management and Board Audit Committee.

During 2022, Audit policy and Charter were revised to bring it in accordance with the revised SBP guidelines and IIA Standards. Audit procedures have been amended in light with the regulatory guidelines and in accordance with the banks' structure, risks and related controls. Quality assurance process has been instituted in line with IIA guidelines.

Human Resource has been provided necessary trainings to build-up their capacity for effective audits. In addition to this, expert and trained resources were hired to strengthen the Audit and Inspection Group.

With a commitment to support the Bank in its journey to be the Nation's leading bank, A&IG will continue to strengthen its resources, systems and framework in line with regulatory requirements and to cope with the changing banking environment.

## Human Resource Management

### Diversity and Inclusion

Our HR team is great advocate of creating and nurturing a diverse and inclusive culture for all our employees. Customized D&I training programs have created social and economic impact on our agenda that are safer work environment, increased employee morale, sense of belonging for employees and assisted us in developing more inclusive company values within NBP.

There are 253 Women Champions who are touchpoints for women clients. 183 of them are trained on Gender Sensitivity. In addition, we have also integrated D&I awareness content into all our training programs; be it technical or soft skills training.

Furthermore, International Women's Day is celebrated at NBP across the board, awareness sessions for PINK tober and specialized training sessions are conducted for positive behavioral reinforcement. In addition to the above, many important areas of D&I have been covered through customized trainings.

The Board of Directors and its Management is committed to the growth, development and investment in its human resources by focusing on D&I initiatives, Talent Management and Rewards. As such, National Bank of Pakistan has been recognized at the Global Diversity, Equity and Inclusion Benchmarks Awards 2023. The Bank won a total of four awards in categories of Recruitment; Work-life Integration, Flexibility & Benefits; DEI Learning & Development and Community, Government Relations & Philanthropy. NBP won the "Best Practice" award in category of Flexibility and Benefits, whereas "Progressive" award in the other three categories.

NBP has also partnered with Purple Tuesday, an initiative that inspires organizations to make public commitment to communities and countries committed to wider disability and inclusion strategy and practice.

### Talent Management and HR Business Partners

The HR Business Partners and Centre of Excellence model was strengthened through further restructuring at Head Office and Regional offices to efficiently provide value-added services to the business through dedicated HRBPs in closed coordination with Center of Excellence.

More than 450 new hires were inducted during the year 2022. The Bank also recently inducted a Trainee Officer batch for Human Resource Management Group in which 62 percent are female employees and 15 percent are minorities/under represented applicants.

The Bank participated in various career fairs at educational institutions in order to attract business graduates keeping in mind the agenda of branding NBP as an employer of choice as well as to improve staff diversity and inclusion ratio.

### Competency Framework

The Competency framework is designed to provide NBP with tools to have clear and robust action plan to identify and map competencies for job roles within the Bank. This framework shall

also provide tools to address any competency gaps for consistent development of employees through a comprehensive Development Needs Analysis by providing a clear and transparent framework and mechanism for developing their skills.

Our organisational Effectiveness Division organized six workshops conducted by Group Chief HRMG and attended by other Group Chiefs and their Divisional Heads. At the end of each workshop, technical competencies were developed and mapped for their respective groups. Subsequently, the consultants reviewed Leadership and Technical Competencies in line with best market practices according to job roles.

In the first phase, the Competency Framework has been rolled out for grade SVP and above. The outcome of this initiative is to identify employee strengths and development needs and align these to the banks Development Needs Analysis by providing a clear and transparent framework and mechanism for developing their skills. Subsequently, this framework shall be linked to Learning & Development, Talent Management and various other functions of HRMG.

### Employee Relations

Employee's grievances require an empathetic and impartial approach in a safe environment. A meticulous grievance handling approach was adopted in 2022. "Employee Grievance Handling guidelines" were developed with end to end process. Through the efforts of HRMG's team the TAT for the complaints is strictly complied with and average time taken to resolve a complaint has been reduced to minimum threshold.

Dedicated efforts have been made to achieve industrial harmony. No major strikes/sit ins/protests for considerable period of time throughout the Bank.

### Compensation and Benefits

NBP has always kept its employees' & their dependents health as "Top Priority" by providing all the required medical facilities. In the year 2022, we enlisted well-reputed hospitals on Bank's approved panel and also engaged hospitals in conducting health awareness campaigns/sessions and liaison with renowned labs for vaccination camps in Bank's premises.



Some of the various distinguished hospitals/Labs enlisted on Bank's approved panel during the year 2022.

Free Medical Camps were organized in collaboration with various labs during the year, where in arrangements were also made for free testing services for the employees.

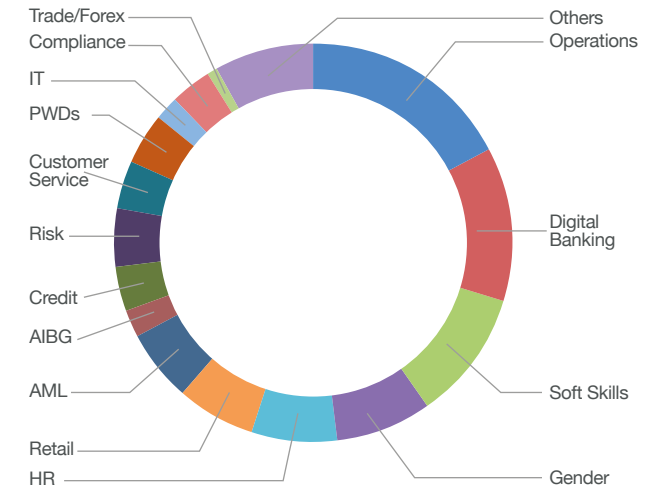
### Learning & Development

During the year 2022 over all approx. 24,291 participants were Imparted trainings with focus on AML, AIBG, Credit, Risk, Digital Banking, Gender Sensitization, PWDs, Operations, Retail & Regulatory compliance, Agri. etc. Besides this, through e-learning platform multiple modules were disseminated to the staff. Bite sized learning modules on Digital Banking were uploaded on e-Learning portal along with modules on TBML, Islamic Banking and AML.

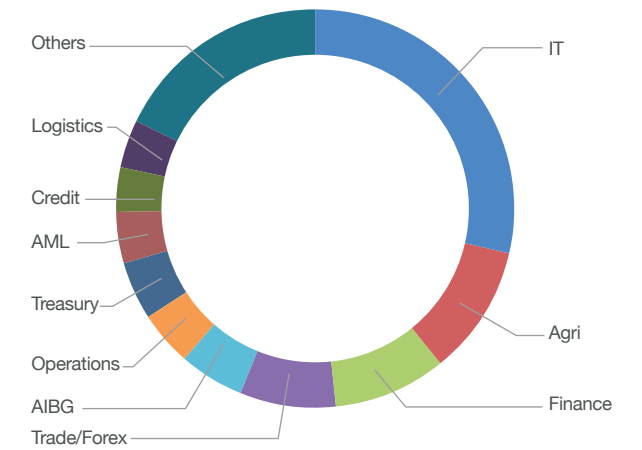
Furthermore, L&D organized Certified Professional Trainer (CPT) program in collaboration with International Association for People and Performance Development (IAPPD) for our faculty members to equip them with latest tools and techniques to boost up their content development and delivery.



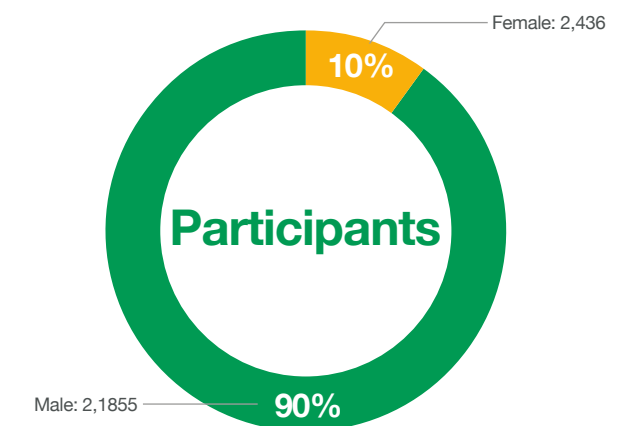
### Training by Area



### External Training Participants



### Gender Wise Distribution





## ITG Achievements

IT Group continued its efforts to implement effective solutions and efficient services to help the Bank in achieving its business goals with the maximum possible controls in place. With the first quarter of the year 2022 that was full of challenges, connectivity disruptions and hardware issues post-cyber-incident, a semblance of stabilization was returned as ITG kept working tirelessly and dedicatedly to ensure un-interrupted services for “Business as Usual (BaU)” functions. By the end of the second quarter of the year, significant progress was made on initiatives approved under emergency for improved security and enhanced controls for its infrastructure and network.

The Profile Upgrade is unavoidably required as the Core Banking application is struggling to cope with the speed and volume of the transactions required to process especially during the month ends.

With the upgrade to the latest version, the bank will have the latest technology, updated functionalities and performance advances the vendor has built into the succeeding versions. This will also reinstate full vendor support for the National Bank of Pakistan ("NBP").

Besides the upgrades on the IT infrastructure front, ITG also initiated Core Banking Upgrade (Profile) implementation project .

The following applications are also implemented by the bank to provide improved services to the customers:

- Single-window remittances operations for cash payout through Pakistan Post Offices
- SBP - RAST payments on Mobile App
- e-Stamping for KPK and Sindh province
- Pakistan Single Window portal for trade operations
- Trade Innovation solution catering for all branches and NBP trade factories
- PLRA (i.e. Punjab Land Records Authority) CLRMIS Web Application Portal at NBP Designated Branches for Agriculture Financing
- Cardless/Bio-Metric transactions enablement
- Debit Card Management on Mobile App
- Card Activation through ATMs
- Digital Account Opening of Customers (pilot project)





## Financial Control

In recent years, the role of FCG has broadened throughout the Bank as a key partner in the process of strategy formulation as well as its execution. FCG is now providing efficient decision support information to the key business & control functions in the Bank. This strategic role of FCG is delivered through its synergetic core functions i.e. Financial Information, policy review, ICFR, taxation, financial planning & analysis, and SBP reporting. All these functions relate to the gathering, analysis, interpretation and communication of financial, as well as related, explanatory non-financial information to both internal and external stakeholders.

Efficiently managing the taxation matters in 2022, FCG managed to adjust over PKR 7.5 Bn refunds against advance tax, leading to a better cash flow management. To promote a tax compliance culture in the Bank, FCG arranged facilitation guidelines to assist the Bank's employees in filing their income tax returns in a timely manner which resulted in significant improvement in employees' number of taxpayers. As a member of the cross-group team, FCG made effective contributions towards balancing and reconciliation of GL. FCG has also contributed towards improvements in the control & compliance environment of the Bank through updating various procedures & controls in the area of financial reporting, vendor payments, ICFR, etc. As the Bank's extension towards external stakeholders, FCG endeavours to promote corporate governance image of the Bank through, inter alia, efficient financial reporting and investors/analyst relations. This year too, FCG has achieved the prestigious recognition for the Bank on quality published annual report.

In 2022, FCG welcomed the 1st batch of CA Trainees in the Bank. Under this programme, NBP is offering training (article) opportunities to the CA student in its key functional areas e.g. Finance, Risk, Treasury, Credit, Audit, etc. This scheme aims to create professional learning & growth opportunities for the CA students across the Country. Furthering its business-partnering role, FCG has clear plans to strengthen its role for efficient management decision making and strategic financial planning.

Our strategic plan for 2023 is clearly focused on moving towards a more automated environment for data management and producing quality information for all our stakeholders. Last, but not the least, FCG will be further enriching the Bank's talent pool by acquiring young finance professionals under the CA trainee scheme and capacity building of existing resources.



## Operations

During year 2022, as county experienced an un-imaginable challenges on political, economic and security front, NBP Operations Group also witnessed numerous challenges, but remained committed to serve the country and nation in best possible manner. Besides rendering uninterrupted operational support to internal Business Groups, performance and efficiency in executing government transactions has been one of the top priority and focused area for Operations Group.

Key milestone achieved during year areas under:

1. Since promulgation of Public Finance Management Act (PFMA)-2019, amended in June 2020, for implementation of Treasury Single Account-TSA to bring fiscal discipline in government expenditures. It has been Federal / Provincial Governments top priority to monitor/control budgetary expenditures incurred by Ministries/Divisions/Government departments, who received funds from Federal/Provincial consolidated funds. Prior to implementation of TSA, it was much difficult for the governments to govern these accounts as government entities were free to maintain commercial banking accounts in any bank and utilize funds at their discretion. But under TSA scheme, these accounts are being tracked by governments and SBP, while fresh allocations/disbursements are being made through Assignment Accounts (for which NBP is only authorized bank being agent to SBP). Operations Group in year 2021-2022 forestalled the scenario and put in efforts to automate and simplify process of opening of Asaan Assignment Account by the government departments. As a result, now these accounts can be opened in bulk on request of Finance departments of the concern government(s) at any specified branch pan-pakistan of their choices. This ease of doing business has been instrumental for NBP and during year 2022, NBP made record payments through these accounts, which resulted in an increase of 20% commission income from government agency function. This has also brought bottom line commission income of NBP from agency function to record high (i.e. over 10.000 Billion for the period July 2021-June 2022).
2. In year 2022, Operations Group in coordination with Sindh and KPK governments successfully implemented e-stamping projects, whereby NBP Sindh and KPK branches are issuing e-stamps to customers and collecting revenues for the provincial governments. With the implementation of this initiatives both the governments have been able to receive provincial revenues on real time basis without any leakages/delay as compared to legacy stamp document issuance process. The discussion for e-stamp launch for Baluchistan government is underway, which is expected to be implemented soon.
3. Another key achievement of Operations Group for 2022 and feather in NBP's cap is automation and simplification of pensioners' DCS accounts maintenance process. Operations Group through AOS platform designed a process for pensioners' aliveness confirmation through biometric verification and made provision in the system for uploading Life Certificate/Non-marriage Certificate. This facility is extremely helpful in cases, where thumbs are un-readable (old-aged pensioners). Further, visiting pensioners may upload aliveness confirmation certificate duly signed and issued by NBP branch Managers without moving pillar to post for finding out external government officials for attestation as per FTR.

The same facility has also been offered to NBP pensioners for activation of their accounts from dormant to operative. This changed experience has been appreciated by all the pensioners and recognized as one of its type in the entire industry.

SUMMARY OF DCS ACCOUNTS BMV/LIFE/NONMARRAIGE CERTIFICATE UPLOAD THROUGH AOS (FROM 29/09/2022 TO 02/02/2023)		
SUCCESSFUL BMV	NON-MARRIAGE CERTIFICATE	BMV EXEMPTION THROUGH UPLOADING LIFE CERTIFICATE
160,651	102,711	108,578

Operations Group achievements w.r.t. support internal Business Groups:

1. Successful implementation and execution of cash management at branches, especially after enforcement of revised ADR rules by SBP. The challenge of revised ADR for NBP was manifold as compared to other banks, because NBP also facilitate other banks to divert their surplus cash to SBP through its chest operations.
2. Despite increase in no. of operational ATMs throughout NBP network during last few years, OPG team constantly focusing and managing better ATM uptime. This has resulted in reducing branch workload. During year 2022, NBP has also been recognized by 1-link among top 3 banks in ATM financial transactions at industry level (source: 1-link annual report issued in Dec 2022).



## Risk Management

Risk Management Group (RMG) is proactive in identifying, assessing, monitoring, and controlling the risks associated with Banking Business. RMG functions as an independent group reporting directly to the President with dotted line reporting to the Board.

Strategic goal, embedded into our approach to risk management is to maintain a robust framework, identify and escalate risks and to support sustainable business growth. RMG acts as a second line of defense in the overall risk management structure of the Bank, assuming the role of establishing overall risk management framework, development of tools & systems for effective risk management, risk oversight along with review and reporting of deviations from set standards, to Senior Management/BoD.

RMG has achieved several milestones during the year w.r.t capital planning, Market & Liquidity risk, Operation risk etc. with the aim of continuous improvement in its risk management practices through the introduction/development of new methodologies based on sophisticated tools.

- The Bank developed/formulated a comprehensive Enterprise Risk Management (ERM) Framework in-line with enhanced regulatory requirements, streamlining the roles and responsibilities of various groups for each material risk the Bank is exposed to. Additionally, in order to enhance ICAAP methodologies, the Bank has developed strategic risk model using capital asset pricing model and further enhanced scenario analysis for optimistic forecasting of additional capital requirement under stressed market and economic conditions. Furthermore, a decision making tool/model was conceptualized and developed for senior management for addressing major liquidity and capital related issues during the balance-sheet growth of the Bank w.r.t internal and regulatory requirements.
- The Bank also performed a comprehensive review and updated its Market & Liquidity risk policy and procedure manual encompassing enhanced regulatory requirements and rationalized the roles and responsibilities of various stakeholders. Moreover, w.r.t FX risk, criteria/models were developed for out of market FX deals monitoring, currency-wise exposure limits setting and for assessing overseas’ branches liquidity position.
- Operational Risk Management framework and procedures were updated in line with SBP framework and International best practices. Coordinators from all over the bank were appointed and detailed training sessions were conducted to brief them about Operational Risk requirements and their role & responsibilities. Initiated exercise to develop new and revision of existing Risk Control Self-Assessment (RCSAs) documents including Key Risk Indicators (KRIs). Operational Risk Event reporting mechanism was re-designed to make it easier for end user and data can be reported with accuracy and completeness.
- Retail & Program Lending Group was established within RMG to manage risk side of products that operate on Program basis. This group adapts to a Credit Cycle approach and covers different functions including Policy & Portfolio Management, MIS & Analytics, Credit Approvals, Collection Oversight and Process & Control. Group closely interacts with RBG, IDG and AIBG businesses and various other stakeholders. Given the detailed mandate and scope, this Group is headed by dedicated CCO who reports to the Chief Risk Officer of the bank.
- Guidelines of key products like Cash & Gold, Agri Gold, Low Cost Housing, etc. were reviewed and necessary changes were made for improved booking quality and controls. Similarly, products like commercial vehicles, Karandaz for women empowerment were also approved at Risk.
- With strong focus on portfolio oversight, MIS skill set was enhanced and various product level dashboards were created to cover different aspects of the book. This included, Concentration, Vintage, Geographic and Customer demographics, NPL and litigation related details and credit approvals.
- To strengthen controls and enhance efficiencies, Advance Salary (flagship product of RBG) was automated E2E. This resulted in better monitoring, improved turnaround times and strict process controls.
- Process was also reviewed and designed to automate Saibaan and Low Cost Housing products. This is being worked with various stakeholders for quick roll out.
- Various initiatives have been taken to ensure improved controls. This include roll out of a cluster based Hub model for credit approvals. Under the design, credit applications originating from 37 regions have been clustered into 7 hubs for credit approval purposes. This will centralize and standardize the credit process.
- Collection Oversight function has been established at Head Office that overlooks and coordinate with Regions on various collection related activities. This unit not only follows up on early collection but also coordinate with Legal Division of the bank on status and progress of various cases in NPL.
- RCSA’s were being reviewed and updated for different products along with Operational Risk to ensure a structured control on these products.

- Focus has also been put on having a dedicated Retail CAD at the bank. In this regard, a Retail CAD Head was announced and headcount approvals were given to strengthen the team and to enhance the skill set of this unit.
- Restructuring of ISD in 2022 with introduction of new technical roles of wing head level including IS Security Operations & Threat Management, Network & Infrastructure Security, and Application & Database Security; in addition to the management roles of IS Governance & Compliance, IS Program Management, and IS Risk Management. The unit (ISD) works under the supervision of Chief Information Security Officer (CISO).
- Numerous initiatives have been taken by ISD to identify cyber security weaknesses of systems & infrastructure.
- Several controls are in place including but not limited to 24/7 SOC, 2FA authentication of VPN connections, Kaspersky EPP & EDR mandatory deployment on bank’s systems, and vulnerability scanning of complete IT infrastructure of the bank in line with the action plan of Bank’s cyber security management framework.
- Many IS initiatives are in progress to create more impact in 2023 for secure environment of banking in NBP, such as IS Policy revision in line with updated ISO 27001 standard, VA-PT program for vulnerability assessment & penetration testing of bank’s information assets, and KATA XDR implementation etc.
- Implementation of “Credit Risk Concentration Management Framework” that enforces single obligor/economic group/sector limits for prudent credit underwriting/approval.
- Rapid Portfolio Review (RPR) were conducted in-light of the macro economic challenges to assess the credit worthiness of the obligors on the forward looking basis.
- Establishment of “Data Analytics and Business Intelligence Wing”, in order to undertake various initiatives pertaining to automation including development of system based scorecards and development of ORR database/model.
- ORR model has been reviewed and amendments have been incorporated in the Model/Framework/User Guidelines w.r.t. (I) Risk rating of exposure to GoP obligors/PSEs backed by GoP Guarantee. (II) Substitution of Counterparty’s Risk rating in the presence of a Guarantee.

## Compliance

The Compliance Group is an integral part of NBP, dedicated to create value for both internal and external customers, whilst meeting regulatory obligations in every country it operates in. Thus, the Group upholds a strong compliance culture representing the bank’s core values through ongoing development of its personnel and structure, as well as providing effective challenge of its actions.

As a result of the restructuring, that was started in 2021, in 2022, several improvement programs were initiated by the Compliance Group to enhance efficiency and improve the quality of oversight and governance. New Compliance related policies/programs were introduced and some existing ones were made more robust. For instance, to better assess and report the compliance risks, the RCSA (Risk Control Self-Assessment) documents are being prepared, once implemented, it will overhaul the Compliance Risk Management of the bank. Automation of workflows were tested prior to implementation in 2023 to improve the efficiency of internal process. The Financial Crime Risk Assessment (FCRA) was carried out to manage financial crime risks within the bank.

Continuing from 2021, the Group has gone from strength to strength throughout the year and in doing so, improved line of sight of its global operations, thus, enabling it to make structural and strategic changes. This included enhancing documented controls, significantly widening the scope of employee training to include operational risk, information/cyber security, in addition to financial crime and sanctions compliance through awareness drives and structured training. The oversight provided by the Bank’s Board of Directors was through a documented oversight process that included roles and responsibilities, which were adhered to strictly.

As part of its commitment to the highest standards of AML-CFT compliance, the Group reviewed its customer due diligence/enhanced due diligence processes, transaction monitoring and sanctions screening systems, as well as regulatory reporting processes for further improvement/enhancement throughout its network. Work on automation of these and other control systems in its network continues to be a work-in-progress.

Accordingly, NBP’s approach towards the management of compliance risk continues to be strengthened through enhanced oversight by various management and Board level committees. In line with its oversight strategy for the overseas network, the bank strengthened Head Office oversight by providing effective challenge to the overseas units, thus raising their awareness, leading to enhancements to their control environments.

In 2023, the Group plans to introduce further automation and process modernization in coordination with other Groups with the objective of enhancing data quality and others that will improve risk identification, monitoring and reporting.



## Logistic, Communications & Marketing

Logistic, Communications & Marketing Group LCMG has been proactive in providing efficient services to all its internal customers.

Bank Services Group is responsible for providing support for all Bank Services related requests emanating from various Quarters of the bank including Property Management, Security Management, Travel & Fleet Management, Stationery & Store Management and Outsourcing Services. Bank Services Group successfully carried out Annual Sanctions Screening under Know Your Vendor (KYV) process for Outsource Service Providers and vendors during the year 2022 as part of Ongoing Due Diligence. It also successfully engaged companies for Outsourced Miscellaneous Support Services and Janitorial & Cleaning Services after completion of tender process as per PPRA rules. Stores & Stationery Management Wing, BSG, successfully printed and ensured delivery of braille stationery to counters at Disability-Friendly Branches for Visually Impaired Customers and Persons with Disability (PWD) visiting NBP Branches.

Engineering Group has uplifted the image of NBP by delivering high quality standardized infrastructure enabling employees to perform their jobs efficiently and smoothly standardization in accordance with current industry design norms were taken care of. Pursuing operational excellence, mobilizing vendors, negotiations with contractors, Energy efficiency appliances and meeting quality standards as per PPRA requirements were major hallmarks during the year.

Procurement Division during 2022 remained active and efficiently acquired goods and services as per PPRA Rules. Effective procurement helped to streamline processes, reduce raw material prices and costs and identify better sources of supply, thus improving organizational efficiency.

Strategic Marketing Division is an integral part of NBP and has done an exceptional job by giving robust support to various business groups on multiple fronts including creative conception, strategic planning, campaign execution, events & sponsorships. The dedicated team has adopted emerging trends in various digital and promotional activities and crafted an excellent marketing strategy that has increased brand reach and awareness on conventional & social media.

NBP Sports Complex provides healthy sporting activities in the community that it operates in. NBP Sports Complex was built in the year 2008 and since then, we have been providing high quality sporting facilities such as Sports Club, Cricket Academy, and cricket ground of apex standard to our communities.



## Promoting Agriculture

# INCREASING FARM MECHANIZATION

**TRACTOR & FARM EQUIPMENT FINANCING**  
In collaboration with:

**SALIENT FEATURES:**

- Competitive mark-up rate.
- Quick and easy processing.
- Technical guidance to farmers through NBP Agri Officers.
- Repayment in easy installments.

\*Terms and conditions apply.

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National Bank of Pakistan  
نیشنل بینک آف پاکستان



## Inclusive Development

### Business Development during the year

In line with the Board's vision of financial inclusion and lending to priority sectors, IDG focused on expanding its outreach to farmers, women and SMEs across Pakistan. The Group endeavored to create awareness through SME road shows, Kissan Melas and other events. The focus remained on enhancing SME financing, especially to women, agriculture farm & non-farm sectors and micro businesses (through MFIs). However, unprecedented rains and floods, political turmoil and inflation deteriorated the socio-economic conditions thus negatively affecting IDG's expansion strategy and planned progress. Nonetheless, the Group's final numbers were close to the year end targets. This was achieved primarily due to the perseverance and determination of our teams, while maintaining portfolio quality.

To enhance business through a focused approach, the Group reorganized its field structure by increasing the number of business clusters from 2 to 3 – North, Central and South. This enabled improvement in customer service and an upturn in financial inclusion.

### Commercial and SME Business

NBP is fully committed to driving economic growth by providing focused lending solutions to small, medium and commercial entities, allowing these businesses to prosper and grow. Further to increase the competitiveness of entrepreneurs and ensure sustainable development, our forte remained Seasonal Financing for various crop based commodities mainly Rice, Wheat & Cotton. Special emphasis has been given to increase market penetration and growth in priority sectors of the economy by developing value chain from producers to end-users. Despite flood based challenges and crop damages, SME performed well with no material adverse impact on the portfolio. Alongside SME, in Commercial business NBP leads the way with an exceptional growth of 80% on YoY basis.



### Agriculture Finance

#### Agriculture business

Considering the challenging market environment and to remain competitive in product offerings and customer facilitation, Agri Business structure was re-organized along with detailed roles and responsibilities to align with the industry best practices and to bring in efficiencies, inculcate a performance-based culture and enhance productivity. A comprehensive monitoring mechanism of Agri Portfolio including performance monitoring against targets, risk alerts, KPIs and Scorecards of field teams and escalation matrix has been developed and implemented.



Initiatives include but are not limited to Policy & Product revision/innovation, improvement of staff skillset to equip them with the latest marketing tactics & product knowledge, digital solutions for customer onboarding and real-time MIS for portfolio monitoring. The project of real time connectivity with Punjab Land Records Authority (PLRA), pending since long, has now been established through vigorous efforts and coordination with PLRA, Chief Information Security Officer (CISO) and SBP. The System has now become live in 10 Branches.

### Lending to Microfinance Institutions

NBP has been a market leader in commercial banks as far as lending to microfinance institutions is concerned. The Bank not only overachieved its assigned targets and posted healthy growth, but also took new initiatives to expand its relationship with the sector. NBP also added two of the largest microfinance banks to its microfinance portfolio.

### Innovation, Inclusion and Capacity Building

The Group inked partnership agreements with Government as well as private organizations to implement the Bank's developmental strategy and promote financial inclusion. NBP signed MOUs with Sindh Enterprise Development Fund for collaboration on providing subsidized financing to Agri SMEs in Sindh, Sindh Irrigated Agriculture Productivity Enhancement Project (SIAPEP) for high efficiency irrigation systems under the World Bank Project with Sindh Government and Naymat Collateral Management Limited for Electronic Warehouse Receipt financing.

SBP through its Banking on Equality (BOE) Policy 2021 had instructed banks to reduce the gender gap in financial inclusion by implementing strategies to create women-friendly business practices and environment. The activities are categorized under carefully identified pillars. In 2022, IDG Inclusion, Innovation & Capacity Building Division (IICBD) team took various initiatives under Pillar 2 (Women Centric Products & Outreach Target) of the BOE Policy. These include panel discussions with business women in collaboration with Chambers of Commerce Islamabad, Lahore, Faisalabad and Mardan; three-day female entrepreneurship boot camp in collaboration with





National Incubation Center (NIC), Islamabad; financial literacy session with Oxbridge Innovative Solutions for promoting women entrepreneurship; awareness sessions in collaboration with WWF Pakistan for rural women communities at Khanewal and with Connected Women Pakistan for its members in Lahore. Further, IDG field teams also conducted financial literacy sessions at community centers including vocational training institutes at Muzaffarabad, Pattika and Athmuqam; Rangoonwala Community Center and Saeed Village Rural Area Handcraft in Hyderabad; Sanatkar and Women Development Institutes in Rawalpindi; Population Welfare Department, Muzaffarabad; and with TEVTA Timergara, Upper Dir, Swat.

IDG also signed a formal agreement with Karandaaz in March 2022. The collaboration aims at launching a specific product for women-led SME businesses and startups while providing them increased access to NBP financing. In terms of internal capacity building, a series of training programs on Agriculture Financing and Financial Inclusion through Cash Flow based SME Lending were held for IDG staff at the Bank's Staff Colleges in Karachi, Lahore, Islamabad, Peshawar and Multan, in addition to other training workshops in which IDG participated.

## Kamyab Jawan and PMYBL

Although the Prime Minister's Youth Business Loan (PMYBL) Scheme was closed in 2019 and Kamyab Jawan (KJ) Scheme also discontinued w.e.f. July 1, 2022, recovery and collection efforts continued for both the schemes. Thus, the Bank was able to make a cash recovery of more than PKR 2 Bn despite the given economic, political and climatic turmoil.

## Corporate Social Responsibility

CSR practices of NBP aim to build sustainable relationships with organizations, rather than making one time donations. The Bank significantly supports the Sustainable Development Goals (SDGs) towards mitigating many economic and social challenges.



## CSR activities at a glance:

Our CSR activities are in line with the following SDGs:

<b>3</b> GOOD HEALTH AND WELL-BEING 	<b>Donation</b> to the Prime Minister's Flood Relief Fund for supporting the affectees of catastrophic floods in Sindh, Baluchistan and Southern Punjab.	<b>6</b> CLEAN WATER AND SANITATION 	<b>Water purifiers</b> provided to flood affectees to give them access to clean drinking water and improving their well-being on a sustainable basis.
<b>4</b> QUALITY EDUCATION 	<b>New Higher Education Wing</b> set up at the Deaf Reach Campus of Family Educational Services Foundation at Rashidabad, Tando Allahyar, with scholarship of 100 students for one year to support Differently Aabled Persons. It is the only college in Sindh that offers a Bachelor level program for students with hearing impairment.		
<b>4</b> QUALITY EDUCATION 	<b>5</b> GENDER EQUALITY 	<b>Construction of Tech-Enabled Resource Centre for Girls</b> in Sanjan Nagar Public Education Trust, Lahore. The donation also covers furniture, resource materials, training, desktops and laptops.	<b>10</b> REDUCED INEQUALITIES 
		<b>Sponsorship</b> of NBP T-20 (Grade 1 & Grade 2) Blind Cricket Trophy for the Year 2022 at Islamabad, Quetta, Multan and Bahawalpur.	
<b>3</b> GOOD HEALTH AND WELL-BEING 	<b>Donation</b> for cataract surgeries of 900+ underprivileged adult patients.	<b>17</b> PARTNERSHIPS FOR THE GOALS 	<b>Various Sponsorships</b> for Fund raising for charitable causes.





## Sustainability and Corporate Social Responsibility (CSR) Activities and Achievements in 2022



### Adoption of best practices for CSR

Engagement in socially responsible activities offers additional opportunities to distinguish from competitors and to improve the quality of services for the citizens of Pakistan. Likewise, CSR practices of National Bank of Pakistan aim to build sustainable relationships with organizations instead of making one-time donations. The reason is simple: NBP believes in driving a positive change that impacts lives in the long term. We aim to invigorate civil society, champion good governance, promote social and economic development and encourage ethical behavior thus empowering people to create a better world.

CSR is our commitment to facilitate positive environmental and social change not only within the organization but also in the community around us. Our socially responsible journey is in our DNA, which means a great deal to us and those we serve. When CSR works, everyone wins – the community, the environment and the business.

NBP supports the UN SDGs towards mitigating multiple economic and social problems. In the year 2022, NBP CSR activities directly or indirectly achieved the SDGs related to health, reduction of inequalities, education, gender equality and partnerships for the goals.

### The Bank's strategic objectives on ESG/ sustainability reporting

NBP has taken various initiatives that demonstrate its commitment to the implementation of Environmental, social and governance (ESG). The bank has also become a member of ESG Task Force jointly led by the Pakistan Stock Exchange and the Pakistan Institute of Corporate Governance. The Task Force aims to develop and launch a coherent, systematic and realistic framework backed by regulations and tools, instruments and incentives to encourage companies and financial institutions to voluntarily adopt ESG standards and guidelines.

As Pakistan's leading Bank, NBP is committed to sustainable development and the maintenance of high levels of ESG practices in the institution. Some endeavors undertaken include green initiatives like Solar Powered ATMs and Branches across the country and donation of water pumps and solar panels under its CSR activities; green financing facilities to its Corporate, Investment, Islamic, Agri and SME clients for Wind-Powered, Hydro and Solar-Powered Projects under SBP Renewable Energy Finance Scheme and conventional bank financing; and issuance of Sukuk (Islamic Bonds) and TFCs for Hydro Power Projects.

NBP has also developed its Green Banking Policy, which is in line with SBP guidelines and is currently under review with the Board of Directors.

### CSR Policy

National Bank of Pakistan, being a public sector organization and the leading Bank of the country, has always been conscious of its social responsibilities and has undertaken multiple CSR initiatives directed towards promotion of healthcare, education, environment, women's empowerment and improvement in the overall quality of life of Pakistanis. It is a reflection of the above that the Bank has created the CSR and Sustainable Development Division (SDD) within its Inclusive Development Group.

**NBP CSR Policy streamlines its CSR activities and makes CSR a key process for sustainable development. The Policy supplements the role of the Bank in undertaking measures for the underprivileged segments of society, enabling the Bank to contribute in their development.**

## ACTIVITIES AND ACHIEVEMENTS – HIGHLIGHTS

### 1. Initiatives for flood affectees

The unprecedented rains and subsequent floods in Pakistan caused devastation of an enormous magnitude in various parts of the country.

NBP, in collaboration with Thardeep Microfinance Foundation and Rural Community Development Program, stepped up to provide immediate aid to the flood affected communities in Pakistan by providing water purifiers to the flood affected households in order to give them access to clean drinking water. These water purifiers, distributed in the vulnerable communities of Sindh, Baluchistan and Southern Punjab, meet the standards established by the US Environment Protection Agency (EPA), NSF International and World Health Organization and removes 99.9999% of bacteria, parasites, micro plastics and turbidity.







NBP also contributed PKR 50 million in the shape of donation made to the Prime Minister's Flood Relief Fund.

A digital payments platform was also launched by NBP which enabled people across the globe to donate using their preferred payment method i.e. Credit / Debit Card, International bank transfer, local bank Direct Debit, Wallets, ATMs and 1Link.



## 2. Education and technology

The Bank extended its hand towards Family Educational Services Foundation (FESF) for setting up a new Higher Education Wing at its Deaf Reach Campus at Rashidabad, Tando Allah Yar. NBP's donation aims at serving the needs of students with hearing impairment from Grade 9 to Grade 14. The Wing thus meets the need for higher education of these students in lower Sindh where Government schools only go up to Grade 8. It is also the first and only college in interior Sindh that offers BA program for students with hearing impairment.

NBP also provided one-year scholarships for 100 students with hearing impairment to encourage and enable them to continue their studies and aim for higher education.

The Bank also provided assistance to Sanjan Nagar Public Education Trust for construction and equipping of a tech-enabled resource center for girls, located in its High School building in Lahore.



## 3. Cataract surgeries for underprivileged patients

NBP donated funds to Layton Rahmatullah Benevolent Trust for cataract surgeries of over 900 underprivileged adult patients.

Keeping in view the population segment to which the patients belonged, adult patients were focused for this initiative so that they could get well and start earning income, thus benefitting the whole family.



## 4. Blind Cricket tournament

NBP has been sponsoring Pakistan Blind Cricket Council (PBCC) cricket tournaments for over a decade now as a part of its diversity and inclusive initiative for differently abled persons.



In the year under review, the bank provided sponsorship for the 12th and 13th editions of NBP T-20 (Grade 1 & Grade 2) Blind Cricket Trophy for the years 2021-22 and 2022-23.

PBCC, a full member of Pakistan Cricket Board and founder member of the World Blind Cricket Council, aims to promote blind cricket at the national and international level. It arranges cricket tournaments at national and international levels for both men and women and also provides financial aid and counseling to the players for their welfare, education, training and rehabilitation.





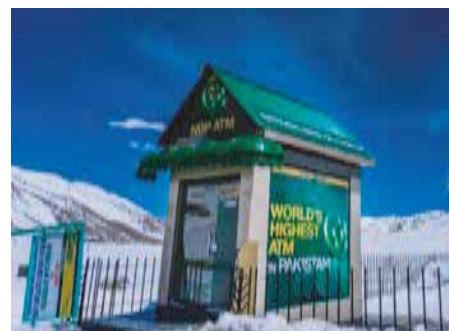
## ENVIRONMENT RELATED OBLIGATIONS AND PROGRESS TOWARDS ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

### Green initiatives:

By the end of the period under review, NBP has almost around 500 solar-powered ATMs / Branches throughout the country.

The Bank had also donated solar-powered water pumps and solar panels under its CSR activities.

NBP Green Banking Policy has also been developed and is under Board's review.



### Green financing:



The Bank provided green financing facilities to its Corporate, Investment, Islamic, Agri and SME clients which include Wind-Power, Hydro and Solar-Powered projects under SBP Renewable Energy Finance Scheme and conventional bank financing.

NBP has also issued Sukuk Facility (Islamic Bonds) and TFCs to Hydro Power Projects through its Aitemaad Islamic Banking and Investment Banking counters.



## Status of adoption / compliance to the CSR guidelines issued by SBP or SECP

S#	Benchmark	Status of adoption and compliance
1	Purpose / Scope	The Purpose / Scope of the Bank's CSR Policy is to lay down guidelines in order to streamline NBP's CSR activities and to make CSR a key process for sustainable development.
2	CSR Governance	The CSR Policy is approved by the Board of Directors (BoD) and reflected in the vision, mission and business strategy of the Bank.
3	Disclosure and Reporting	NBP CSR operations comply with SBP's Prudential Regulations and other instructions.
4	Consultative Committee	The CSR Committee, headed by the Bank's President, monitors CSR activities and budget utilization. Further, regular presentations are also made to the Board Inclusive Development Committee (BIDC).
5	Areas of Interest	The CSR Policy identifies specific areas of focus to make the Bank's CSR initiatives purposeful.
6	CSR Management System	The CSR Policy specifies a process for evaluating different requests. Cases are recommended by the BIDC to the BoD for approval.
7	Allocation of Resources	The CSR Budget is approved by the BoD on an annual basis along with the budget of the bank.

## Certifications acquired for best Sustainability and CSR practices

NBP won accolades for its execution of CSR program in the following categories:

- **Women Welfare, Empowerment & Development**
- **Differently Abled People**

The Bank has also won two **Appreciation Shields** for supporting Women's Day celebration and for sponsoring Deaf Reach Golf Tournament to support education.

The Bank is now a member of **ESG Task Force** jointly led by the Pakistan Stock Exchange and the Pakistan Institute of Corporate Governance.





The collage displays a variety of NBP posters and advertisements. Notable features include:

- Central Posters:** A large poster with the slogan "WHEN THE WHEEL TURNS THE NATION MOVES" featuring a clock and a gear. Another poster below it says "NBP - no bank can match the distance we go!" with a mountain landscape.
- Financial Products:** Posters for "Sona Rakhiyaie... Cash Ley Jaiye", "HAB SAHULAT, AUR BHI BAA-SAHULAT", and "NBP - FASTEST GROWING NETWORK FROM 8 TO 80".
- Social Initiatives:** Posters for "NBP CHANCE" and "NBP - no bank can match the distance we go!" featuring a woman's face.
- Anniversary:** A poster for "69th Anniversary Issue 2018" with the NBP logo.
- Other Themes:** Posters for "REALISING OUR QAUID'S VISION", "CELEBRATING 10 YEARS OF THE NATION'S AITMAAD", and "NBP TAKES HOME THE GOLD".





# STRATEGY & RESOURCE ALLOCATION

فلسفہ  
سلطنت

National Bank of Pakistan recognizes the people, country and state all operate as a unit, specially in the international community, where we have made our mark with digital banking that gives you access to services anytime, anywhere.



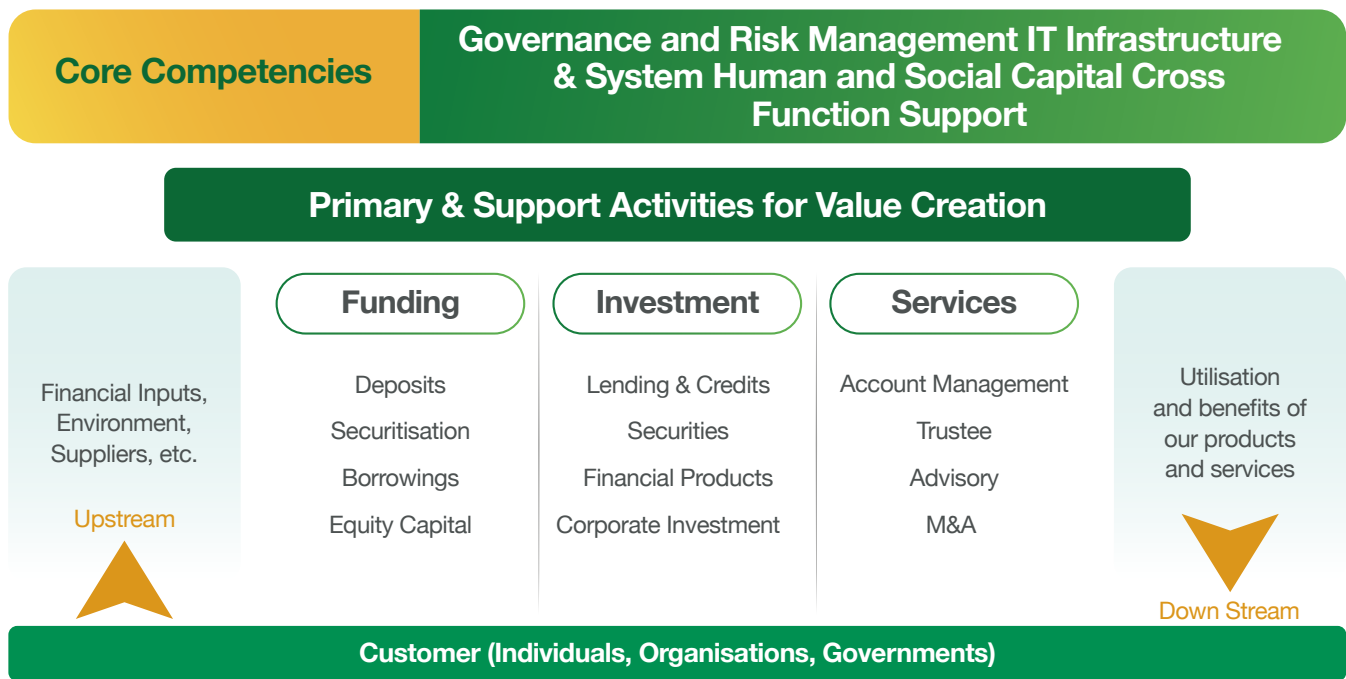
# Value Chain & Operating Model

The Bank’s business model has evolved over 7 decades of unrelenting commitment to the Nation and resilience to a challenging operating environment. We seek to generate and deliver value for inclusive development and growth of all our stakeholders through partnering for their prosperity while balancing our economic, social and environmental priorities.

Our refreshed vision of becoming “the Nation’s leading Bank enabling sustainable growth and inclusive development” leads our focus on strategic planning to address emerging challenges and achieving balanced growth. Our strategic planning processes continue to evolve every year, building on the learnings of each planning cycle and the macro environment trends that shape our operating landscape. Financial Planning, Corporate Governance and Risk Management provide a framework and broader boundaries within which we conduct our business.

Our stakeholders’ engagement processes help us in establishing our stakeholders’ value propositions and maintaining an equitable balance between stakeholders’ interests. Our strategy and KPIs are formulated considering the key inputs and the capitals available to us. Over the period we have developed a customer-focused business strategy to provide financial solutions to individuals, small and medium enterprises, as well as large corporate and public sector entities. We have established a dedicated business function for each category of our customers. Our business functions are primarily responsible for making their respective business strategies and plans while ensuring coherence with the overall strategic goals of the Bank.

For Corporate, Commercial and SME businesses, NBP is there to help entrepreneurs launch a start-up, fund their business growth, manage payments timely and securely, expand internationally, manage their finances effectively and deal with business counterparts globally through our branches and representative offices. Support functions at the Head Office manage adequate logistics and technological support for the business functions in executing their business strategy. Our control functions at Head Office provide a supervisory and governance role through policy making and monitoring. These control functions ensure regulatory compliance as well as adherence to internal policy frameworks.



**Capitals:** Financial, Human, Intellectual, Social, Manufactured and Natural

**Environment:** Economic, Political, Legal, Social, Technological, Natural Environment and Commercial

**Vendors and Suppliers:** Entities offering various supplies and services in order to enable the Bank to optimally offer all of its products and Services

**Others:** Set of regulations within which the Bank operates, brand loyalty, and customers' trust

## Creating Value for our Stakeholders

As the Nation’s Bank, we endeavor to bring more to the society in line with the objectives of the State than just our financial target. Our long-term success is dependent on serving our customers well and generating value for society through our products, services and facilities. At NBP, value is created through our business model, where we transform various inputs or Capitals through business actives & interactions to produce outputs and outcomes that create value over the short, medium or long-term. Our input is across various capitals, i.e. Financial Capital, Manufactured Capital, Human Capital, Intellectual Capital, Customer Capital, Social and Natural Capital. Compared to Corporates in other sectors, the financial institutions generate lower Return on Assets which is below 2% in general, compared to 15% - 20% earned by corporates in other sectors. To make the returns attractive for our shareholders, we resort to the process of a Gearing which enables the Bank to expand its business volumes by generating higher funding through deposit mobilization and borrowings and placing the same at premium in multiple streams of earning assets on the strength of a comparatively fixed and smaller amount of the shareholders’ equity.

Thus, the Bank is currently operating at 17.4 times equity multiplier of net assets. Our business and value creation model is centered to the two basic functions of (i) Financial Intermediation, and (ii) Maturity Transformation. Financial Intermediation entails that the Bank acts as an intermediary between its various customers, e.g. depositors-to-borrowers, importers-to-exporters, remitters-to-beneficiaries by offering both fund based and non-fund based financial solutions. Maturity transformation on the other hand, is an act of borrowing money for short-term and invest or lend out at risk premium. These two functions are the key propellers of value creation and augmenting financial capital of the Bank through key income streams being (i) the fund based mark-up / interest income, and (ii) non-fund fee & commission income. Fund based income being the net interest margin, i.e. delta between the lending rate and the borrowing rate, compensates the Bank for the credit and interest rate risk it takes. Hence, the Bank’s net interest / mark-up income is the residue from the mark-up income generated and the mark-up interest expensed on the deposits, borrowings and other debt obligations.

The Bank also earns non-fund based income by way of fee and commission for the services. This year, the Bank earned 72% of its total revenue by way of mark-up / interest income. Rest of the 38% income was generated through capital gains, dividend income, income from dealing in foreign exchange, etc. These two major categories of income directly lead to augmenting the financial capital of the Bank.

## Integrated Business Model

The Bank's integrated business model is illustrated as per the Integrated Reporting Framework and depicts the relationship of the Bank's CAPITALS under the Integrated Reporting Framework.

## Inputs or CAPITALS

Key inputs for the Bank’s business are its financial, intellectual, human, manufactured, natural, social and relationship capital. They are a source of differentiation for the organisation due to their strengths and capabilities. The organisation largely depends on these capitals to add value and provide outputs for its stakeholders. They play a key role in the robustness and resilience of the business model.

## Stakeholders

The Bank’s stakeholders are categorised into major categories that include shareholders, customers, regulators, rating agencies, suppliers, employees, and the societies where we operate.

## Operating Context

For details on the external environment affecting the Bank, please refer to the Outlook section of this Annual Report.

## Business Activities

- Our business model adapts to continuous changes in the external environment, capital, business activities, and in turn, outputs and outcomes are improved.
- Our differentiating factors are product suite, focused market segmentation, delivery channels, marketing, and cutting-edge technology to provide better services to customers and other stakeholders.
- We target long-term success through process improvements, employee training, relationship management and product innovation.

## Outputs

The Bank’s products and services to its customers serve as the outputs of the business model. Please refer to our products and services on the coming pages within this section of the Annual Report.

## Outcomes

Our internal outcomes (e.g. employee morale, organisational reputation, revenue, cash flows, etc.) and external outcomes (customer satisfaction, tax payments, brand loyalty, social and environmental effects, etc.) are part of our business model, and are an outcome of top-notch services and products offered by the Bank. We focus on improving our services and operating standards to produce positive outcome.



# Value Creation Model

## Key Drivers of Our Business Model

The Macro Environment  
adjusting to and managing through  
the challenging operating environment.

Digital Transformation  
accelerating the shift from physical products, services  
and channels to digital and client-centred solutions.

Transformation of Society  
increasing focus on delivering on  
our purpose and the SDGs.

Competency Rollout  
transforming and enabling our human  
capital for the future.

## OUR CAPITALS ...

## ... PROCESSES

## THAT CREATE VALUE...

## ...FOR OUR STAKEHOLDERS

## INPUTS

### Financial capital

Our strong capital base, as well as diversified sources of deposits and funding from investors and clients that are used to support our clients, including the extension of credit and facilitating payments and transactions.

Equity  
**PKR 300.8 Bn** (2021: PKR 286.2 Bn)  
Deposits  
**PKR 2,666 Bn** (2021: PKR 3,019 Bn)  
Advances  
**PKR 1,439 Bn** (2021: PKR 1,305 Bn)

### Manufactured capital

Our business structure and operational processes, including our fixed assets such as property and equipment, digital assets, including digital products and information technology systems that provide the framework and mechanics of how we do business and create value.

- 1500+ Branches (750+ rural branches)
- 1300+ ATMs
- IT systems and Digital Touch Points which are being modernised as part of our technology journey
- PKR 2 Bn invested in our technology platform

### Human capital

Our culture and our people, our collective knowledge, skills and experience to enable innovative and competitive solutions for our clients and value for all stakeholders.

- Strong Corporate Governance
- An experienced and diverse executive team.
- 15,112 motivated employees who embrace a culture that is:
  - » client-driven and people-centred;
  - » innovative and competitive; and
  - » strong in compliance and governance

### Intellectual capital

Our intangible assets, including brand, reputation and franchise value, research and development capabilities, innovation capacity, knowledge and expertise, as well as strategic partnerships.

- Leading Bank of Pakistan
- A leader across various products and segments, including renewable energy finance, corporate and commercial lending, small business services, digital and asset management

### Social and relationship capital

Stakeholder relationships, including the communities in which we operate, as we recognise the role that banks play in building a strong and thriving society as well as a financial ecosystem.

- 9.5 million customers
- Embracing sustainable-development financing to meet the SDGs as well as responsible ESG practices
- One of country's largest footprint
- Good relationships with our stakeholders

### Natural capital

The direct use and impact on natural resources in our operations, including energy, water and climate, and our influence through our business activities.

- We impact the natural environment directly in our operations and indirectly through Green Banking and renewable-energy financing.

### ACTIVITIES

- Lending to individuals, SMEs, corporates and Governments
- Source funding from customers and fund providers
- Transactional banking trade services
- Group operations
- Invest in diversified portfolios
- Fund and forex management
- Advisory services

### DELIVERED THROUGH BUSINESS CLUSTERS

- Retail and Consumer
- Corporate and Investment
- Treasury and Capital Markets
- Inclusive Development
- Islamic Banking
- Overseas Franchises

ALIGNED TO THE BANK'S STRATEGY

## OUR VISION

To be the Nation's leading bank enabling sustainable growth and inclusive development

National Focus

Digital Excellence

Efficient Portfolio Management

Governance and Sustainable Growth

Building a Human Capital

Building Resilience

## OUTPUTS & OUTCOMES

### Shareholders

Delivering attractive and sustainable shareholder returns on a foundation of strong balance sheet.

- Net Assets PKR 300.8 Bn
- PBT of PKR 62.7 Bn
- PAT of PKR 30.4 Bn
- EPS of 14.29
- CAR 21.59%

### Customers

Supporting financial goals for our customers and clients with suitable products and services.

- Profit/Mark-up on deposits, borrowings, PKR 386 Bn
- PKR 1.4 Trillion of Loans
- PKR 2.7 Trillion of Deposits
- Sustainable Financing

### Employees

Helping our 15000+ colleagues and their families

- PKR 48 Bn as Remuneration
- Retirement Benefits
- Career Development
- Training & Development PKR 52.6 Mn
- Conducive Workplace

### Suppliers

Payments made for the provision of goods and services PKR 26.5 Bn

- Fair Dealings
- Preferred local suppliers from the communities where we operate
- Equal business opportunities
- Timely payments to suppliers in average 7 working days

### Community

Providing support to our communities, and access to social and environmental financing to address societal needs.

- Through CSR initiatives and Investment in Health and Education
- Philanthropy

### Linkage to UN SDGs



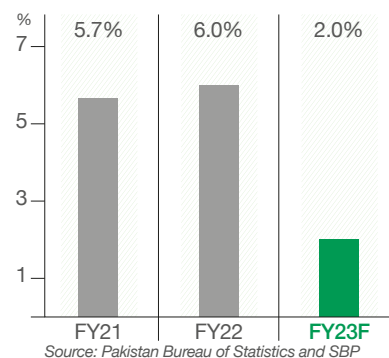
# Operating Context and Outlook

The Bank's financial performance is significantly linked to rapidly changing external environment i.e. the socio, geo-political and economic trends both locally as well as globally. Therefore the Bank's financial performance for the year 2022 is meant to be read & evaluated in the backdrop of operating context.

Pakistan's economy recovered from the pandemic (a 0.94% drop in FY2020) and maintained a V-Shaped recovery by posting real GDP growth of 5.97% in the fiscal year 2022. This high growth, however, seems unsustainable and has resulted in financial and macroeconomic imbalances.

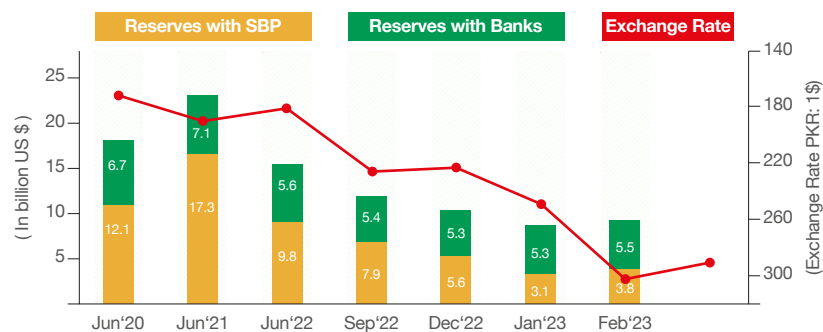
An already precarious economic situation was exacerbated by devastating flooding that damaged infrastructure, one-third of the agricultural production (which accounts for approx. 23% of GDP and 37% of employment) and about 33 million people. The World Bank has estimated economic losses over \$30 Bn and imminent reconstruction needs over \$16 Bn. Due to a plurality of factors including the shrinking fiscal space, political noise, exchange rate pressure, mounting current account deficit, inflation, energy sector bottlenecks, and the absence of a supportive environment for the private sector, Pakistan was faced with a bleak and austere 2022. The Rupee recorded a new low of 285.1 per dollar and Pakistan's sovereign rating was downgraded.

## Pakistan GDP Growth



After recording near 6% GDP growth for the last two years, Pakistan's GDP in FY23 is expected to grow by 2% only. Such a substantial drop in growth is largely attributable to the devastation caused by historic monsoon floods and the moderation coming into effect as a result of monetary tightening, fiscal adjustments as well as import restrictions.

## Forex Reserve and Exchange Rate



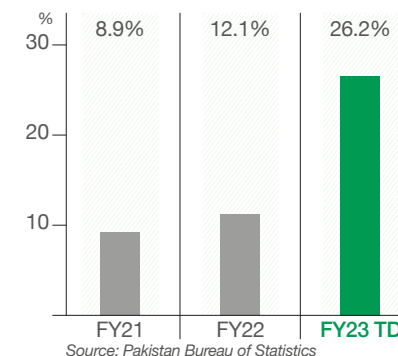
Official liquid reserves fell by USD 12.1 Bn during 2022 on account of foreign debt servicing and surge in imports amid delays in completion of the IMF-EFF reviews which resulted in external funding disruptions. Nevertheless, official reserves currently stand at USD 4.3 Bn i.e. close to a month's import cover, with the completion of the 9th IMF-EFF review in final stages.

External uncertainties including USD smuggling put immense pressure on the Rupee in 2022. Consequently, the Rupee lost 28% of its value against the US dollar in 2022, averaging PKR 204.5/USD during the year according to data published by the SBP. However, the situation has only worsened as the Rupee has depreciated another 24% since the start of 2023.

## Challenges Facing the Banking Industry

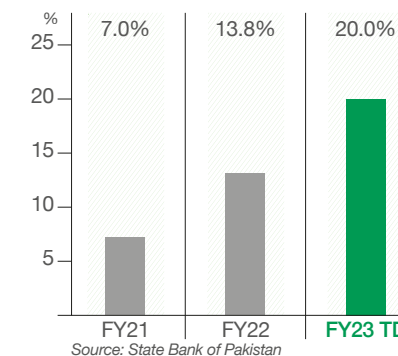
- Regulatory restrictions /Government policy changes
- Downgrading of the country rating.
- Advances growth was affected by increased interest rates, regulatory restrictions on certain imports & capital constraints.
- Higher operational costs due to high inflation, rupee depreciation,
- Changes in tax structure.
- Decline in value of the Government securities leading to impairment cost.
- Growth in deposits in the absence of lending opportunities posed challenges in managing excess liquidity ADR.
- Foreign currency liquidity challenges.

## Headline Inflation



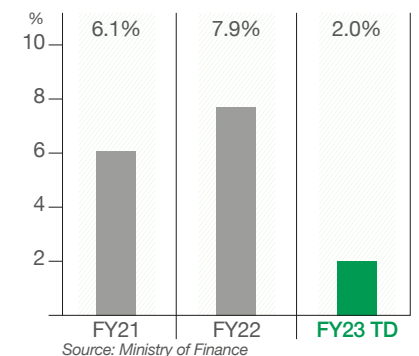
Headline inflation is expected to remain high for the rest of FY23 driven by higher food, fuel and utility prices along with build-up in core inflation as a result of second-round effects. Accordingly, the SBP is now expecting average inflation in FY23 to arrive in the range of 27-29%. Average inflation in FY22 was 12.1%.

## Period End Policy Rate



Interest rates are up 1,025 bps since the beginning of 2022 to date with the benchmark policy rate currently set at 20% after the most recent hike of 300bps in Mar'23. However, higher than expected inflation readings (core segments specially) going forward may make the case for further increase in interest rates during 2023.

## Fiscal Deficit



On the fiscal side, Pakistan's challenges continue with 1HFY23 fiscal deficit clocking in at 2% of GDP. With the ambitious targets set by the IMF for FY23, the Government is squeezed for fiscal space having to cut down expenditure including subsidies and introduce additional revenue measures like hiking GST by 1% and imposing FED on several items.

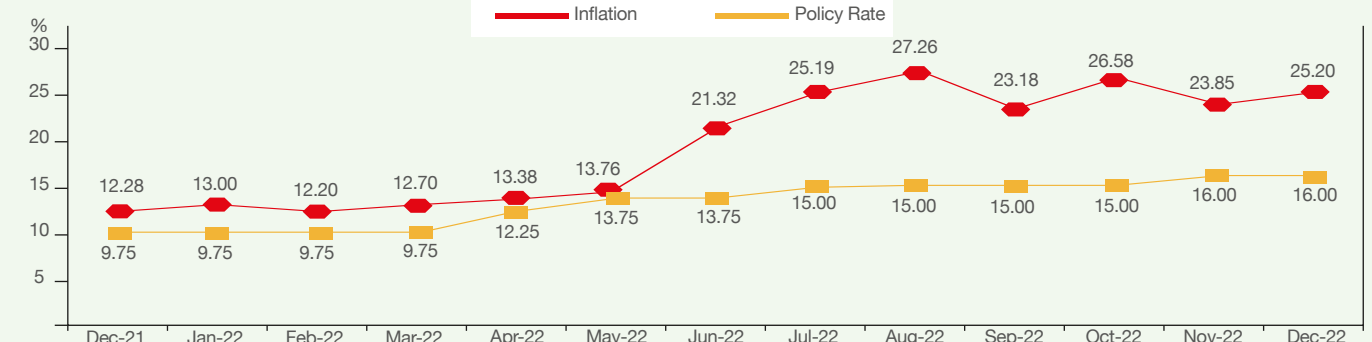
## Impact of Government's Policies on the Bank's Business and Performance

Following are the Government of Pakistan's policies related to banking and financial service industry having a bearing on the Bank's business:

- Reduction in the capital conservation buffer by 100 basis points to 1.5%;
- Implementation of IFRS-9 attracting higher provisions for expected credit loss and capital adjustment
- Increasing the regulatory limit on extension of credit to SMEs and agriculture;
- Introduction of refinancing schemes for payment of wages and salaries.
- Promotion of Riba free banking in the country

The mandated lending programs e.g. Mera Pakistan Mera Ghar, Kamyab Jawan Youth Loan, Prime Minister Business Loan and minimum credit targets for Agricultural loans also have significant impact on the Bank's business. Government's policies for subsidized financing / re-finance e.g. "Temporary Economic Refinance Facility" (TERF) for new industrial projects as well as capacity expansion was another source of impact on the Bank's business. NBP consistently demonstrated its dedication to achieving these development goals and has been recognised time and again for its remarkable performance and contribution towards economic development.

## Policy Rate and Inflation





# Market Positioning and Competitive Landscape

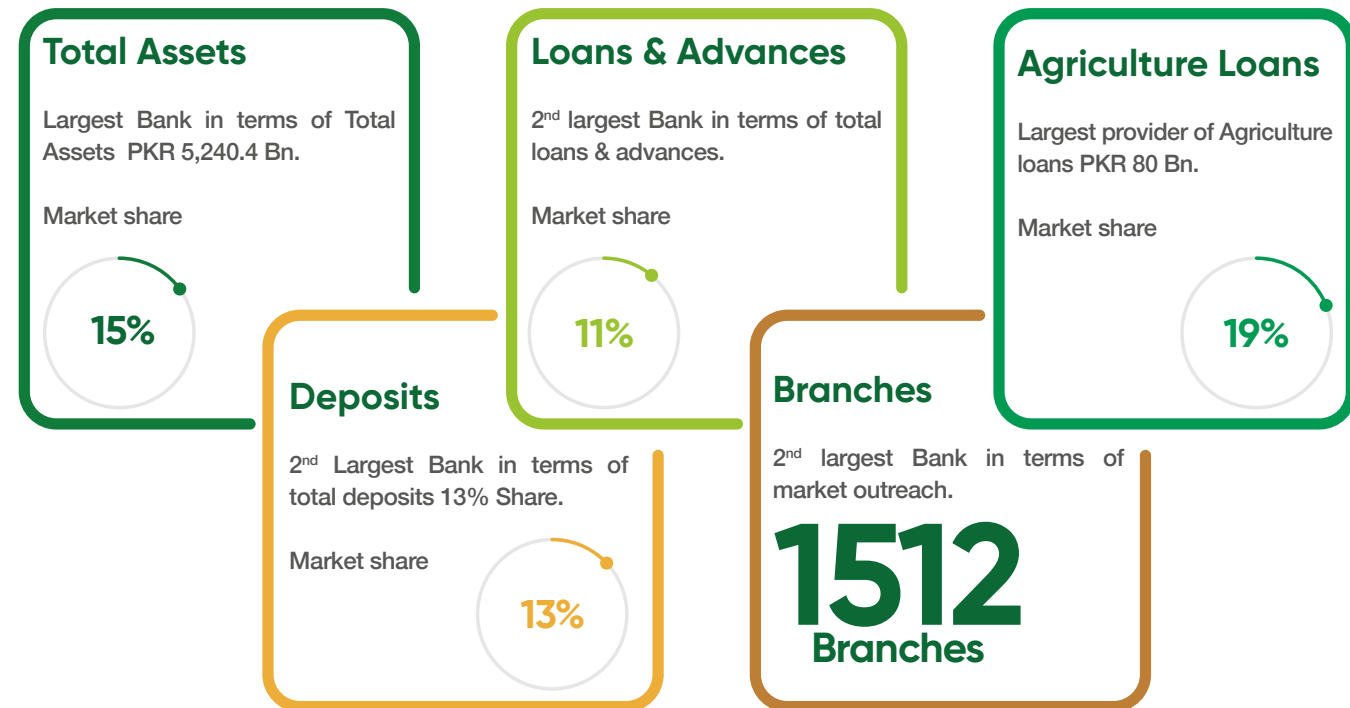
The Bank follows a holistic approach in determining its growth strategy, culminating in the formulation of a Strategic Business Plan. In the process of strategic planning we assess our marketing positioning and the competitive landscape by identifying the issues which could have a material impact on the ability of the Bank to achieve its strategic priorities. Issues material to our strategy are identified through a robust process that includes content gathering from internal and external sources, followed by detailed analysis and curation of the information, and then prioritisation.

The Bank's strategy aims to leverage its competitive advantages to transform the Bank into a future-fit, competitive organisation which is able to respond to the challenges posed by the rapidly changing competitive landscape and operating environment.

## Our Market Positioning & Competitive Advantage:

- Market leader in assets, deposits, loans and advances
- Unparalleled nationwide customer penetration and market outreach
- Trust and confidence created by being a State-owned bank
- Commitment to objectives of the State for the Nation's prosperity
- Commitment to social and environmental sustainability

## Market Share



## Critical Factors and Our Responses

Critical trends in the operating landscape as discussed in the PESTEL (please refer to Page # 184) have direct implications on the Bank's strategy and performance as they present both opportunities and risks to its value creation. Key implications and the Bank's response to each are summarised below:

# SWOT

## STRENGTHS

- Strong brand name "National Bank of Pakistan" with 7+ decades of longevity
- Unparalleled customer outreach with largest rural coverage
- Sovereign ownership & Support, Strong Capital Base, 'AAA' credit rating
- Leading Bank in terms of Balance Sheet Size and Profitability
- Substantial share of GoP transactional business

## WEAKNESSES

- Technology infrastructure and data issues and limited offering of digital banking products
- High portfolio infection rate
- Limited capitalization on cross-sell potential
- Litigation related to HR issues
- Control & compliance challenges in overseas operations
- Risks arising from PESTEL Factors.

## OPPORTUNITIES

- Leverage position as GoP's payment bank
- Growth potential in SME and unserved markets / specially youngsters and women population
- Growth potential in Islamic Banking
- Emerging trends in consumer behaviour with growing market for digital/branchless banking products and delivery channels
- Leveraging retail and corporate relationships for cross-sell initiatives
- Exploiting low credit penetration markets.

## THREATS

- Escalating competitive landscape
- Concentration in government deposits, business and securities
- Contingencies related to pending legal cases
- Technology, Infrastructure investments by the competitors
- Unexpected increase/fluctuations in exchange/policy rates
- Rising compliance and operating costs

اب ہر کسان بڑھائے فصلوں کی شان!  
کم مارک اپ پرستے ترین زرعی قرضے کے ساتھ  
خواتین کے لیے مارک اپ ریٹ میں خصوصی رعایت

نیشنل بینک آف پاکستان کسان بھائیوں کی مختلف زرعی ضروریات کے لیے کم ترین مارک اپ پر زرعی قرضے فراہم کر رہا ہے۔

- ▶ تیز پراسیسنگ ▶ کم از کم آمدنی کی کوئی شرط نہیں ▶ سونے کے زیورات کے عوض فوری قرضے
- ▶ قرض کی مدت دس سال تک ▶ قرض از وقت ادائیگی پر کوئی جرمانہ نہیں

وٹیرینا سولاریٹوب ویل زرعی قرض فزریلے ٹریکٹر زرعی ہیلر بیج تھراور زرعی ادویات

تفصیلات کے لیے قرض یا این بی پی براؤزنگ ٹریف لائیں۔  
یو ایس این نمبر: 021-111-627-627 یا کال کریں یا ویب سائٹ: [www.nbp.com.pk](http://www.nbp.com.pk) وزٹ کریں

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قوم کا بینک

# Material Considerations of a Sustainable NBP

Being a bank with an agenda to play a National role aligned with objectives the State, material matters and considerations in the process of our strategy making are significantly different from those of other commercial banks in the Country.

The emerging trends in product delivery and the mounting financial headwinds in the prevailing economic environment have resulted into newer challenges, trends and developments with multiple influences on our operations prompting the Bank to pursue a multi-layered strategy for meeting varying expectations of its stakeholders in a balanced & sustainable manner.

In these challenging times, the Bank has helped its customers by offering affordable banking & financial products, while fulfilling genuine needs of its employees and safeguarding the shareholders’ value and ensuring compliance to taxonomies of sustainable banking. In particular, the accelerated focus on continuity of uninterrupted delivery of services has prompted the Bank to enhance its digital offering encompassing the entire customer journey.

Amid certain contingencies that may have major impact on our capital base, the Bank’s resilience was second to none. Being agile to the emerging trends in technology, stakeholders’ preferences and the call for playing an extended role for National economic stability, the Bank adapted nimbly to the exterior environment.

In setting its asset growth and risk strategies, the Bank also remains vigilant on emerging global trends, disruptions and novelties that influence our performance and sustainability. In a time of financial crises, rising policy rates and volatile exchange rate environment, we were particularly watchful of our maintaining financial cushions, liquidity and capital buffers by embarking on farsighted provisioning.



In order to help identify material matters and topics, adapt the Bank’s strategy to emerging market trends, and play its significant role in the country’s economic system, the Bank analyses its external environment to identify matters arising from changes that are brought forth by the various developments in the political, economic, social, technological, environmental, and legal/regulatory spheres in the recent past that were relevant to key stakeholder groups, as given below:

### Our approach to managing Material Matters

The Bank pursues a strategy to best protect the interest of all its stakeholders through mutuality and shared value. In the process, the Bank identifies the topics material to its strategic planning. This entails allocating the required resources to each business and control group based on the significance of each material topic towards achieving the strategic imperatives. Delivery of material topics is measured against predefined and budgeted targets that are approved by the Board and communicated to each strategic unit at beginning of the year.

As effective set of policies and procedures has been put in place to guide our people on how to execute their activities in a responsible and ethical manner in managing the material topics. Adherence to the policies & controls to accomplish the objectives of material topics is ensured through periodic internal and external assurance and verifications, findings of which are reported to the Board and/or the relevant Management Committees for information and corrective action, where necessary.

### Significant Factors and NBP’s Response

Factor	Brief Description	Significant Change from last year	NBP’s Response
Political	Political conditions & volatility can significantly affect Bank’s business and its profitability. A major political unrest would cast an adverse impact on functioning of the Bank.	➤ Change of Government.	The Bank is watchful of prevailing political situation in the country including the changes being introduced in the monetary, fiscal & economic policies.
Economic	Economic conditions of the country have a significant impact on our business. Higher interest costs, high inflation and low economic growth impact organization’s performance.	➤ Devaluation of PKR ➤ Increase in Policy rate ➤ Increasing Inflation ➤ Reduced PSDP budget by the Govt. ➤ Lower Forex Reserves	The Bank maintains well diversified deposits and advances portfolio with no single sector having a major impact or control. However, an overall decline in economic conditions may pose adverse effect on the Bank’s financial position & performance.
Social	The Bank has to operate as a socially responsible corporate citizen and has to play its role for socio-economic development of the under-privileged members of the society throughout the Country.	➤ CSR and ESG related guidelines included in the Code of Corporate Governance and SBP directive.	The Bank effectively partakes in social activities for betterment of the society, particularly for the under-privileged communities. For this purpose, the Bank particularly contributes towards financial inclusion, education, health, sports and skill development.
Technological	Technology has opened up new markets, new products, new services and efficient delivery channels for the banking industry and the banking system is slowly shifting from the traditional banking towards IT based relationship banking.	➤ Mobile/ Internet Banking became more common ➤ Data security becomes more critical ➤ Increasing competition from Telecoms	We deployed multiple software and IT Infrastructure Projects to improve our operations, service quality and to ensure security of our IT systems. A major development includes the upgrade of our Core Banking Application.
Legal & Regulatory	The Bank operates in a challenging legal & regulatory environment. Any major changes in regulatory frameworks laid by the SBP, SECP, Government, etc. may impact our business.	➤ Federal Shariat Court Judgment to transition the banks to Islamic mode of Financing ➤ Finance Act-2022 ➤ Enhanced Regulatory Supervision ➤ Implementation of IFRS-9 ➤ Increased Capital Requirements for D-SIBs ➤ Enhanced Regulatory oversight in international operations	The Bank complies with all the laws & regulations enacted by the SBP, SECP, Government and other governing bodies. Our Compliance, Risk, Audit and Legal functions are equipped with adequate resources to keep the Bank compliant with all the regulatory requirements in both domestic and overseas operations.
Environmental	Banks can play an important role for the protection of environment and transforming the economy into a resource efficient and climate resilient one.	➤ Sustainable development ➤ Green Banking Initiatives by the SBP ➤ Environmental & Social Risk Management System introduced by SBP	The Bank has put in place efficient strategies to play its due role for environmental protection. Such initiatives include large scale plantation campaigns, solar powered ATMs and premises lighting, etc. Title page of this Annual Report is in line with Bank’s initiatives for environmental protection.





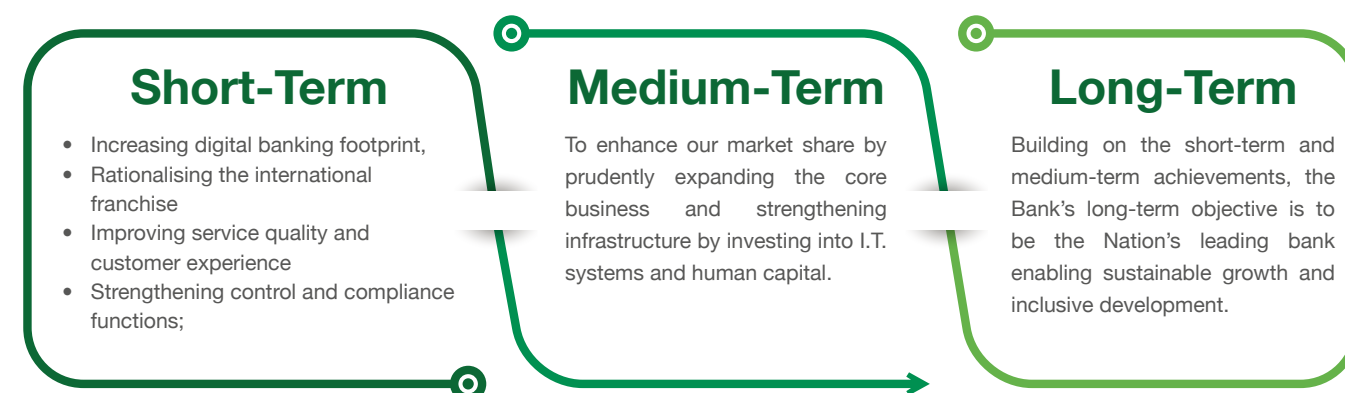
*We pay close attention to the environment in which we operate, scanning the horizon for risks and opportunities, and adapting our strategies accordingly. We also monitor trends in the behaviour of our customers and clients so we can effectively meet their evolving needs.*

	Possible Implication	The Bank's Response
<b>Potential of new Entrant into the Industry</b>	Entry of new rivals may have an impact on the Bank's business and profitability in the long run. However, heavy minimum capital requirements and time taking licensing process to setup a bank serve as strong entry barrier for new entrants. However, the central bank has recently been following accommodative policy allowing entry of microfinance banks and Fintech that are posing a threat in the retail segment by focusing on transactional services through innovative digital solutions.	NBP is responding to such threats by: <ul style="list-style-type: none"> <li>Adopting more customer-centric business strategies and improving service quality and convenience for retaining customer loyalty;</li> <li>Substantially investing into and enhancing its digital banking platforms for improving customer convenience;</li> <li>Launching new products and services that cater to a diversified customer base; and</li> <li>Increasing its Islamic banking product suite and outreach.</li> </ul>
<b>Bargaining power of customers and suppliers</b>	The retail/transactional level customers/suppliers usually enjoy relatively higher bargaining power to switch to other competitors due to the low switching costs involved. Although such customers are primary source of funding to the Bank, their bargaining power is considered 'low' as they individually have a minimal impact on the Bank's bottom line. The bargaining power of larger groups (e.g. moving away of the deposits by Government entities to Treasury Single Account) and corporate customer is comparatively greater as their moving away may have sizeable impact on funding and revenues of the Bank.	NBP follows a cohesive strategy to strengthen its business relations with the providers of funds as well as with the suppliers: <ul style="list-style-type: none"> <li>Identifying alternative sources of funding/supplies</li> <li>Establishing cordial business relations and treating our suppliers as business partners to create a win-win situation.</li> <li>Optimising the concentration risk</li> </ul>
<b>Intensity of competitive rivalry</b>	Pakistan's banking industry that comprises of commercial banks, DFIs, microfinance institutions, Fintech, etc. is quite competitive as the banks have focused on developing a wide range of products to enhance their market share through customer acquisition and loyalty. Product differentiation and the low switching costs give the customers freedom to easily move from one bank to other. Recent development in delivery of services by Fintech through digital channels has further intensified rivalry in the banking industry.	NBP has initiated following measures with a view to consolidating and further improving its market share: <ul style="list-style-type: none"> <li>by distinguishing itself in the marketplace primarily on the basis of its longevity, experience and brand image;</li> <li>launches NBP Digital App for delivery channels</li> <li>offering low-cost banking solutions for customer retention and loyalty</li> <li>leading the G2P payment initiatives</li> </ul>

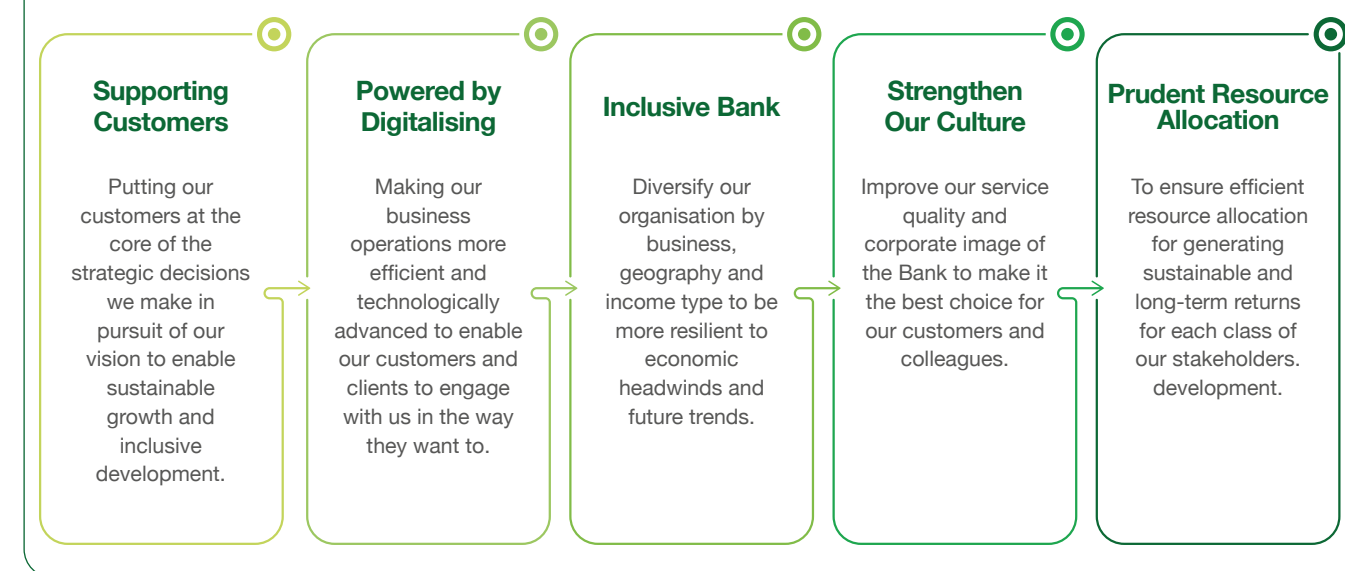
## Strategic Objectives

Our objectives in the short-term, medium-term and long-term are reviewed and aligned every year by the Management and approved by the Bank's Board of Directors.

Broadly, strategic objectives of the Bank are categorised as follows:



Pillars of our strategy are cohesive and complementary, with benefits from improvements in one reinforcing progress across the others. For example, digitising operations and products leads to improved customer experience which in return creates diversified income streams. This makes our Bank more resilient, risk efficient and cost effective.

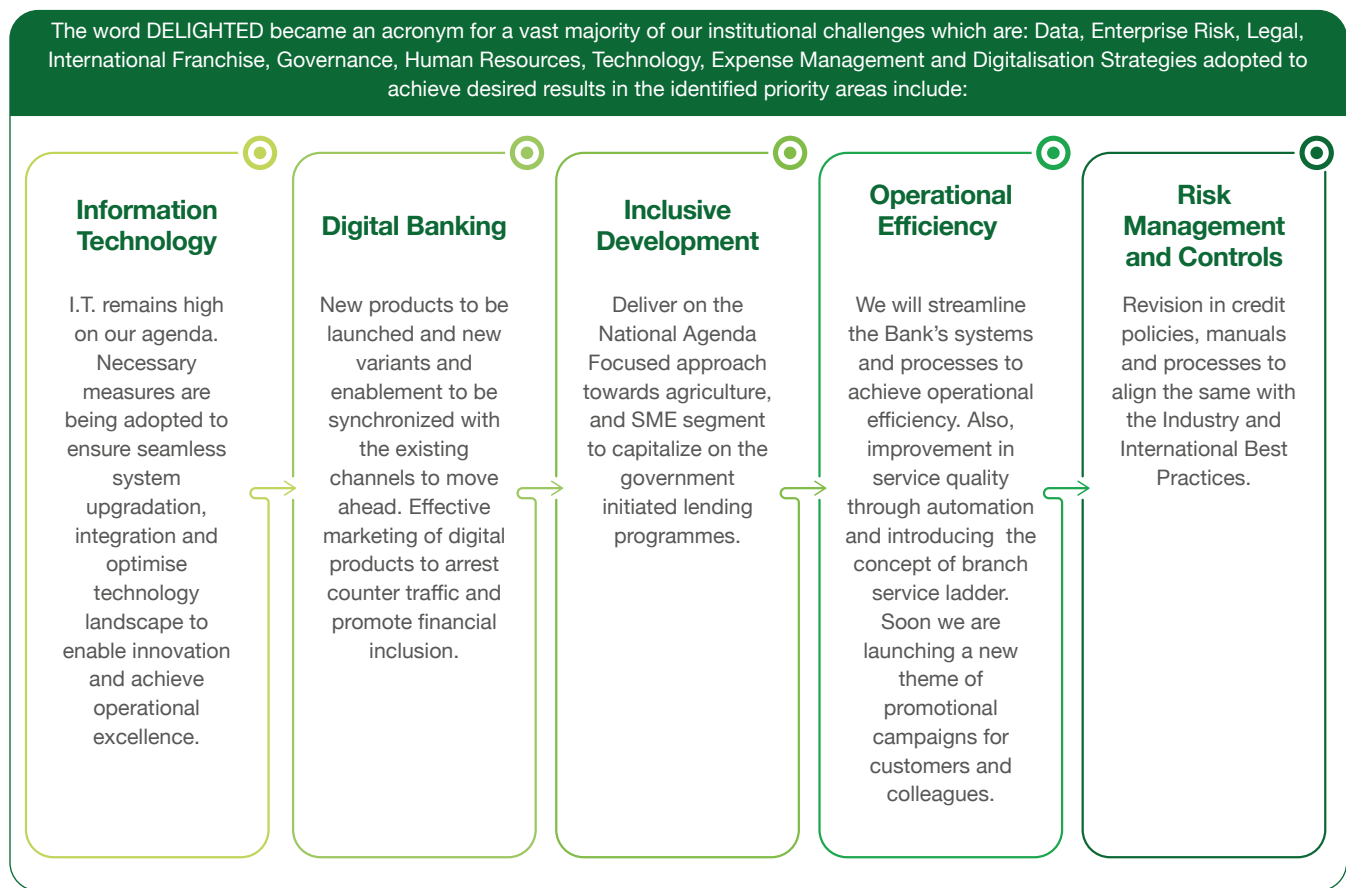


### 2023 Strategic Priorities

Overall, our strategic priorities for 2023 remain unchanged i.e. to be the Nation's leading bank enabling sustainable growth and inclusive development. In pursuit of our goals, we set our business strategy with frequent developments relating to technology, stakeholder preferences, increasing unorthodox competition, greater regulations, etc.

These influences solicit strategic responses for achieving our strategic goals.

Since 2019, the word DELIGHTED has been an acronym for a vast majority of our institutional challenges which are: Data, Enterprise Risk, Legal, International Franchise, Governance, Human Resources, Technology, Expense Management and Digitalisation



## Strategic Delivery-2022

Most of the year 2022 presented tough challenges for our customers, colleagues and the communities that we serve. We provided exceptional levels of support to those who needed it, demonstrating that we truly put our customer at the heart of our business which is fundamental to building sustainable value in our business.

During 2022, we made material progress towards achieving our goals as defined at the start of the year. Major achievements in 2022 include:

- Organisational Excellence

We further streamlined organisation for improved service delivery, internal controls and rationalise activities.

Customer Service

169,818 customer complaints handled with 99% resolution rate. On a comparative node the average complaint response time reduced from 8 in 2021 to 5.5 working days in 2022.

Value for Stakeholders

This year the Bank generated a gross value of PKR 540 billion for its stakeholders.

Prudent Capital Allocation

While RWA increased by 9.5%, the CET-1 and Total Capital improved to 16.30% and 21.59%, respectively. This increases our capacity to capitalize on earning opportunities.

# KPIs against strategic objectives and their relevance in the future

Strategic Objectives	Achievement Area	Achievement Indicator	Achievement Area
Prudent Balance Sheet Growth	Deposits Mobilisation	As of December 31, 2022, the Bank achieved <b>PKR 5 TRILLION</b> milestone in its balance sheet that grew by 36.2% to reach PKR 5,240.4 Bn from PKR 3,846.7 Bn at the end of 2021.	This will remain critically relevant in future.
	Advances	Total deposits with the Bank amounted to PKR 2,666.2 Bn in line with our focused strategy to deliver a higher after-tax profit to our shareholders. Major share of the Bank's funding comes from sticky customer deposits that contribute 98.1% of the total deposits. The Bank maintained its CASA ratio high at 79.4%.  Gross loans & advances stood at PKR 1,438.6 Bn depicting an increase of 10.2% YoY. Whereas, net advances stood at PKR 1,230.3 Bn i.e. 10.5% up YoY. Risk prudent growth in advances was achieved in most of our products including corporate, commodity and Islamic. The Bank's advances-to-deposits ratio has improved to 54.0% from 43.2% at the end 2022.	
Sustained Profitability	Highest ever revenue in the history of the Bank	For the year 2022, the Bank earned total revenue of PKR 153.5 billion. This is 14.1% higher against PKR 134.6 billion earned for corresponding year. Profit before-tax for the year amounted to PKR 62.7 billion. There is a rise of PKR 9.9 billion or 18.7% compared to prior year's profit before-tax of PKR 52.9 billion.	This will remain critically relevant in future.
Capital Adequacy & Strength	CAR	The Bank's eligible Tier-I capital has increased from PKR 199.8 billion as at December 31, 2021 to PKR 231.2 billion as of December 31, 2022. Also, our eligible Tier-II capital increased by PKR 10.7 billion due to increase in surplus on revaluation of fixed assets.  Capital Adequacy Ratio as at December 31, 2022 stood at 21.59% (2021: 20.39%) with Tier-1 capital adequacy ratio at 16.30% (2021: 15.42%).	This will remain critically relevant in future.
Business Development & Operational Efficiencies	Launch of new products  Deployment of IT systems	We have upgraded our risk & credit architecture to enhance resilience. Progress was also made in addressing various legacy issues in the area of operations, risk and compliance. We have started the upgradation of our Core Banking Application. This all will streamline the operating efficiencies, greater regulatory compliance, as well as improving the customer service quality and product/service deployment.	This will remain critically relevant in future.



# Resource Allocation

In pursuit of our commitment to enhancing stakeholders’ value and serving the Nation, we have deployed adequate resources to ensure efficient strategy execution. Our resources fall under 6 major categories, each one is briefly discussed below:

## Financial Capital

The Banks’ financial capital comprises of the funds injected by the equity shareholders and it helps the Bank in acquiring, developing and maintaining other types of capitals to perpetuate its business. Financial capital also acts as a buner to absorb unanticipated losses and serves as a regulatory restraint on imprudent asset growth. Therefore, the regulators have prescribed minimum capital requirements, both in terms of quality and quantity.

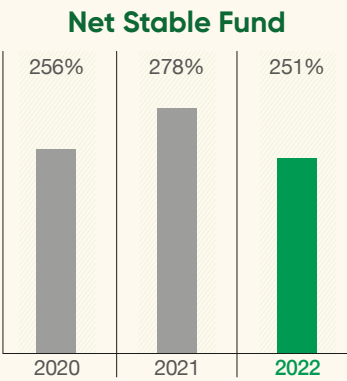
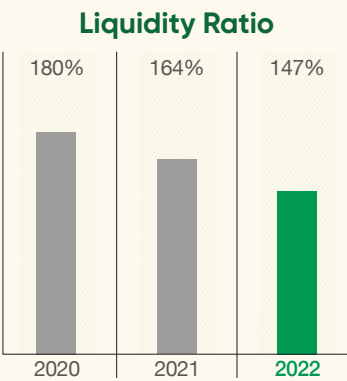
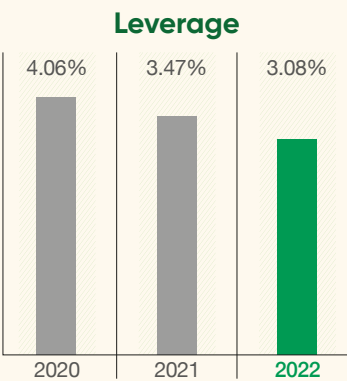
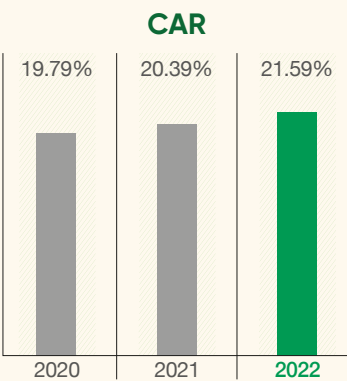
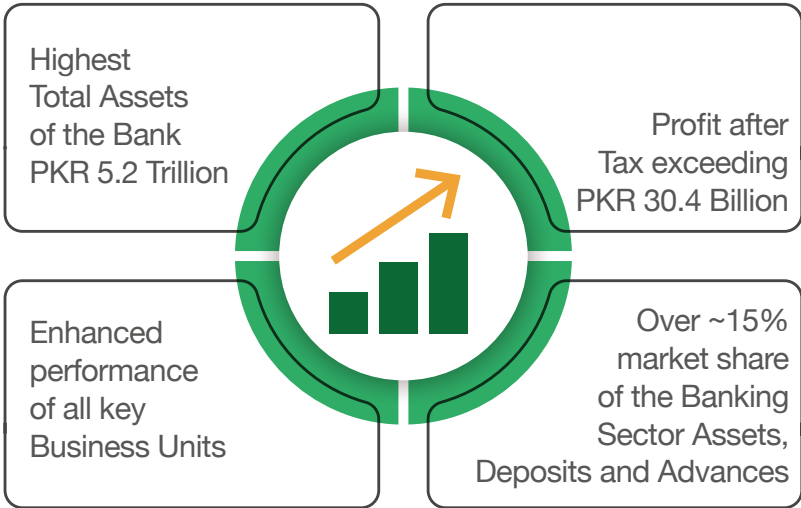
The Bank’s policy is to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain development of the business. Adequacy of the Bank’s financial capital is monitored using, inter alia, the rules and ratios established by the SBP. The Bank has devised effective stress testing scenarios to assess the strength of its financial capital under the Internal Capital Adequacy and Assessment Process (ICAAP). Other tools deployed include prudent capital allocation, balancing risk-weighted assets, efficient maturity profiling interest bearing assets & liabilities, etc.

## Key objectives of our Capital Management & Adequacy Strategy include:

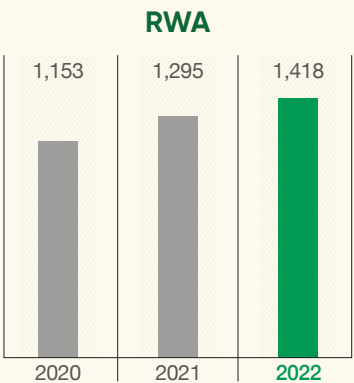
- Regulatory Compliance
- Meeting internal capital targets which are more stringent than the regulatory requirements
- Maintaining optimum Risk Weighted Assets for profit maximisation
- Achieving Corporate Sustainability
- Securing the highest credit rating for the Bank.

The Bank has devised effective stress testing scenarios to assess the impact on the financial capital of the Bank under the Internal Capital Adequacy and Assessment Process (ICAAP).

Other tools deployed include prudent capital allocation, balancing risk-weighted assets, timely asset repricing, dividend policy and earning asset portfolio mix.



At end 2022, the total Risk Weighted Assets Credit Risk and Market Risk amounted to PKR 1,066 Bn (2021: PKR 984 Bn) and PKR 94 bn (2021: PKR 82 Bn), respectively. Whereas, RWA under Operation Risk amounted to PKR 259 Bn (2021: PKR 229 Bn). Overall, the RWAs were increased by 9.5% YoY to PKR 1,418 Bn.



Through efficient strategy execution, the Bank generated healthy operating profit during 2022, further strengthening Capital Adequacy of the Bank. As of December 31, 2022, the Bank’s total eligible Capital amounted to PKR 306.2 billion (2021: PKR 264.1 billion), of which Eligible Tier-I Capital amounted to PKR 231.2 billion (2021: 199.75 billion). At end 2022, CET-1 ratio stood at 16.30% (2021:15.42%), whereas the Total Capital Adequacy Ratio stood at 21.59% (2021:20.39%).

Moreover, NBP is the only Bank in Pakistan with credit rating of ‘AAA’ by both the approved credit rating agencies in Pakistan. In June 2022, M/s JCR-VIS Credit Rating Company again reaffirmed the Bank’s standalone rating of “AAA”, one of the highest credit ratings accorded by the company for any bank in Pakistan. PACRA has also assigned a long-term entity rating of 'AAA' (Triple AAA) and short-term rating of 'A1+' (A-one Plus). This strong credit rating capacitates the Bank to access additional capital in case a requirement arises.

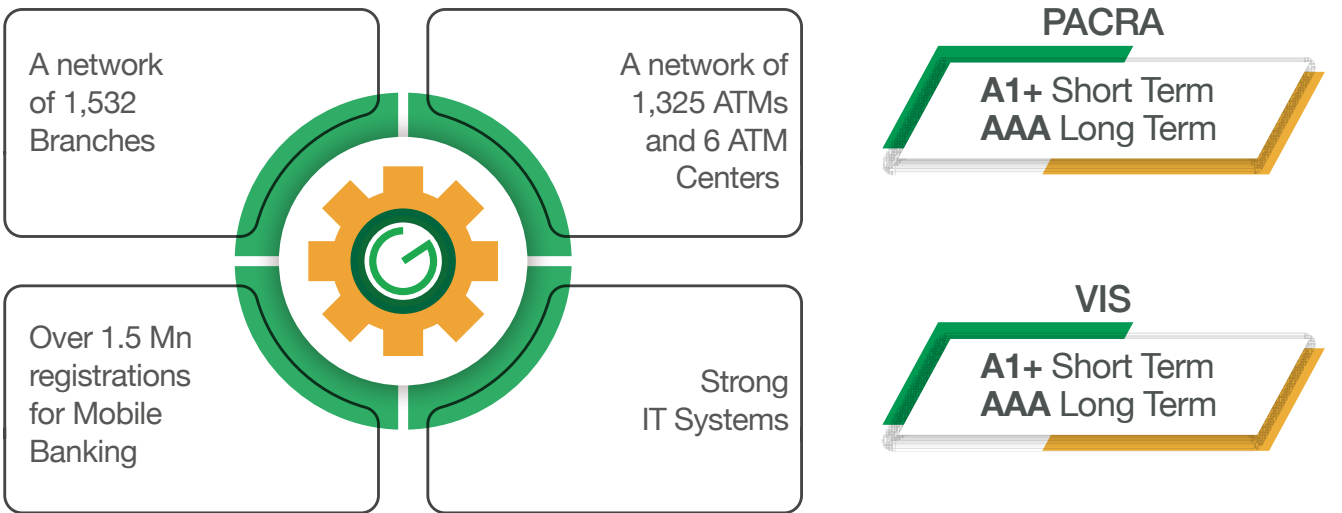
For further details, please refer to Note 46 to the Financial Statements.

## Manufactured Capital

This refers to Capital goods, i.e. Buildings, I.T. infrastructure, ATMs, Vehicles, Equipment, etc. built or acquired by the Bank. Given the extreme importance of the manufactured capital in smooth execution of its operations, value creation and to meet future challenges, the Bank focuses on maintaining adequate manufactured capital. The Bank is, and will continue to, invest in its I.T. infrastructure with the objective of digitising its products and services. A major project initiated this year is the up gradating of core Banking Application.

The Bank is maintaining an optimal balance between owned and rented business premises. Further, the Bank is also mindful of the requirement to maintain a healthy work environment within the Bank premises and is continuously investing for modernisation of the business premises. We have started a plan to standardise our workplace ambiance and quality.

Total value of our manufactured capital stood at PKR 57.1 billion (2021: PKR 54.2 billion) at the end of 2022. For further details, please refer to Note 12 to the Financial Statements.



## Human Capital

We consider our human capital as the Bank's most important asset. The Bank's most important asset is its human capital. At 31 December 2022 the Bank had 15,112 (2021 : 15,409) people as its full time employees. In addition, the Bank also engages 1,218 (2021 : 1,273) outsourced personnel of services companies for delivering certain non-critical functions. Our human capital pool functions to achieve common goals with dignity, dedication, and mutual respect.

This year too, we took effective measures to dampen the effects of Covid-19 crisis through constant liaison with the hospitals and staff in need of treatment for Covid-19, and enlistment of reputed hospitals on the Bank's approved panel.

Our teams remained available 24/7 to execute the hospitalisation claims and to arrange new panel hospitals with Covid related hospitalisation/isolation facilities for staff and their dependents. Entire costs for Covid-19 pathological tests, injections/medications and antibodies test for staff (and their dependent family members) are being fully covered by the Bank. Further, the Bank is compensating with additional amount of PKR 1.5 million to the families of those NBP team members who expired during Covid-19 pandemic.

## Social & Relationship Capital

We strongly believe the Bank's viability greatly depends on its sustainable relationship with each stakeholder group, e.g. customers, suppliers and business partners, and the wider community, are built on mutual trust, loyalty, and shared values. This Relationship Capital creates opportunities for the Bank in the process of value creation for our shareholders. To establish and develop our relationship capital, the Bank interacts with its customers and other stakeholders in a number of ways. We also invest into and contribute towards the growth of our communities through various charity and support activities, particularly in the areas of Education, Healthcare, Environment, Sports and Promotion of Culture. During the year 2022, the Bank invested considerable amounts into CSR initiatives.

## Intellectual Capital

Intellectual Capital, being an intangible asset, has zero value on the Bank's balance sheet but positively impacts the performance and success of the Bank. Our intellectual capital includes the brand synonymous values and conduct, human capital knowledge and skills, systems and processes, software and corporate governance. Over the period, the Bank has strengthened and enriched its Intellectual Capital through continued measures including deployment of I.T. of Credit, Compliance, Investment, Human Resource Management and Risk Management, etc.

## Natural Capital

This includes natural resources like soil, earth, water and oil, etc. Unlike manufactured resources, most natural resources are finite and cannot be replenished. Internally, the Bank has put in place policy guidelines for economical consumption of materials, water and energy in a sustainable manner which also helps the Bank in improving its cost-to-income ratio. While paper continues to be a major component of the Bank's consumptions of materials, we are encouraging a 'less-paper' environment through promoting Digital Banking, ATMs, E-statements, and distribution of the Annual / Quarterly reports in digital form. As another measure, we have made it mandatory that only energy-efficient lights, e.g., LED's are installed at all our premises. In line with directives of the State Bank of Pakistan, the Bank is developing credit policies to promote Green Banking in Pakistan.



# Listening to our Stakeholders

The Board and the Management engages directly and indirectly with stakeholders to built an understanding of the impact of the Bank's operations on key stakeholders, This engagement, both directly and through regular communiques ensures the Board and the Management is well-versed on key issues of our stakeholders and their legitimate requirements. These are considered in strategic decision making by allocating adequate resources and inputs to meet stakeholders' requirements. In doing so, we follow a balanced approach by allocating required CAPITALS to ensure sustained growth and value creation.

## Stakeholder Relevance

Stakeholder	Customers	Employees	Regulators	Investors	Business Partners	Societies
Relevance	They are the centre of everything the Bank does and the key enablers for the Bank to operate as a Sustainable Organisation	They act as the intermediary between the Bank and the customers and other stakeholders	They are critical to us as the Bank operates in a highly regulated environment and is a Domestic Systemically Important Bank	They provide the Bank with necessary funding to help the Bank maintain minimum regulatory capital and financial soundness	They are enablers for the Bank in smoothly executing its operations through delivery of goods, services and systems.	As a responsible corporate citizen it is our inherent duty to contribute towards wellbeing of the societies where we operate
Priority	High ●			High to moderate ● → ●		
Frequency	Proactively Engaged			Keep Satisfied	Keep Informed	

## Regulators

### Why they are important to us?

They develop legislation and policies that are crucial for our sustainability and keep us on a right path to create and deliver value for all our stakeholder in a balanced way.

### How we engage and what are they telling us?

We engage with our Regulators through one-on-one meetings, various modes and forums. In the increasingly challenging operating environment, our regulators want us to:

- Enhance risk management
- Compliance with all legal and regulatory requirements and corporate governance
- Adopt sustainable business practices.
- Develop SMEs thru participation in Govt. subsidised lending schemes
- Stability of the financial system
- Migrate to Islamic Banking

### How well we responded?

- Remained compliant with regulatory requirements by maintaining internal capital targets
- Comply with all the applicable laws and regulations in all territories of our operations
- Timely submission of applicable statutory returns and timely communication of all material information
- Responding / enquiring various queries / information
- Timely payment of taxes and furnishing of tax returns.



*We extend assurance to our Regulators in Pakistan and in the overseas markets where we have presence that we continue to prioritize and build good Governance and operational discipline to meet their expectations.*



## Customers and Clients

### Why they are important to us?

Engaging with our customers and clients helps us in:

- Maintaining customer loyalty and our market leadership position
- Devised better solution for our customers' financial requirements
- Integrating achievement of strategic objectives

### How we engage and what are their expectations?

We engage with our customer in a wide variety of ways, including running regular meetings, analysing customer complaints, holding Khullii-kachehri, drawing on the market data and insights and personal customer interactions.

- In the rising interest rate environment and inflationary cost pressures, they want better advice and affordable lending.
- Our customers are looking for better and all-inclusive digital offering
- They want improved service quality and convenient business environment.
- They want their data and deposits to be safe
- Grievance handling mechanism
- Financial education and literacy
- Financial support for revival of business
- Need of Financial support for women entrepreneurs

### How well we responded?

We have continued to support our customers through enhanced market visibility and product suite. We strengthened Complaint Management System to facilitate the customer proficiently. Service Quality Committee exists to foresee customer issues and advise fixes that could result into satisfied customers. Robust Service Quality and Complaint Management Function are in place. Complaint resolution rate improved to 99%, and our ATM uptime has improved to 95%. Our Digital App and Internet Banking services are more efficient. In the challenging time, we are offering convenient loans to all the sectors in the economy, with particular focus on SME, Agriculture and Retail.

Parallel to increased investments in the Bank's digital infrastructure, measures have also been taken to strengthen the IT Security Framework through policy revisions, regular vulnerability testing and alignment to leading IT/Cyber Security Standards and frameworks.



*As the Nation's Bank, we are committed to serving our customers' interests, and engage with them regularly so we can understand how best to adapt our products and services to their evolving needs.*

PKR  
**386.5 Bn**  
to Providers of  
Funds

PKR  
**1.4 Tr**  
of Advances to  
Customers

PKR  
**2.7 Tr**  
of deposits

**99%**  
of customer complaints  
resolved

**50**  
Islamic Banking Windows  
opened in 2022

## Our Colleagues

### Why they are important to us?

Our people are Integral to deliver the strategic goal of serving the Nation for inclusive development & growth.

### How we engage and what are they telling us?

We have an established engagement programme through dedicated HR business partners and Career Ambassadors. They provide us with insight that keeps us attuned to the different perspectives of our colleagues and respond accordingly.

In the challenging economic environment amidst inflationary pressures:

- As colleagues embrace challenging working conditions as aftershocks of the Pandemic, they required healthy work conditions and health safety arrangements
- Our colleagues told us that with rising costs, they needed financial support
- Our colleagues wanted support to be able to develop their own careers

### How well we responded?

We brought forward healthy pay increase, awarding 15,000+ colleagues a considerable ad hoc allowance. To inculcate a culture of developing skills, a Competency Framework has been rolled out for grade SVP and above. The targeted outcome of this initiative is to identify employee strengths and development needs and align these to the Banks Development Needs Analysis by providing a clear and transparent framework and mechanism for developing their skills. Subsequently, this framework shall be linked to Learning & Development, Talent Management and various other functions of HRMG. We supported colleagues with their next career move within the Bank, helping to retain our diverse and inclusive workforce and mitigate redundancies.

In the year 2022, we have taken unprecedented steps not only in terms of enlistment of well-reputed hospitals on Bank's approved panel, providing our people with greater control over their health requirements.

PKR  
**48.9 Bn**  
of Remuneration

PKR  
**52.6 Mn**  
in Training and  
Development

**2,800**  
Training sessions



*Our diversified human capital and culture is our greatest assets. Together, our people make a critical impact to our success, and our investment in our colleagues strengthens and protects our culture.*



*We are committed towards career development of our colleagues and I am proud to be a part of this great initiative way to go NBP !*

Further details are available in Human Resource Management Section at Page # 151.

## Investors

### Why they are important to us?

Engaging with our shareholders, particularly the minority shareholders, and other market participants helps us in having understand their priorities and drive balanced outcomes.

### How we engage and what are they telling us?

We continue to benefit from productive engagement with the shareholders, investors, rating agencies and the analysts. In 2022, we were able to interact more frequently, enabling deeper engagement with such stakeholders irrespective of their individual location. Key takeaways from our dialogue have been:

- Continued financial performance and resilience to adverse economic environment
- Return to the shareholders
- Financial soundness and resilience to ensure safety of investors' value
- Transparency and disclosure
- Risk management and governance
- Dividend payments and restrictions imposed by the regulator

### How well we responded?

- We provided improved details on our financial performance & position with greater insights into operating context, interest rate sensitivity, etc.
- We delivered strong growth to shareholder's value through higher retained earnings of PKR 30.4 Bn and PKR 12.6 Bn set aside as provision to buttress our Balance Sheet.
- Shareholders' Net Assets increased to PKR 300.8 Bn with break-up value per share increasing to PKR 141.
- Investor Relations helped establish engagement with the analysts, credit rating agencies and financial journalist for building trust and gaining greater market visibility for the Bank.
- We continued to enhance transparency in our disclosures. Our efforts were recognised through NBP achieving the 3rd consecutive Certificate of Merit Award under the Best Corporate Report Awards.

### Strategic Performance

**PKR 540 Bn**  
Total Value Generation  
2021 : PKR 134.6

**PKR 62.7 Bn**  
Profit Before Tax  
2021 : PKR 52.9 Bn

**PKR 5,204 Bn**  
Total Assets  
2021 : PKR 3,847 Bn

**21.59%**  
Capital Adequacy  
2021 : 20.39%

**PKR 208 Bn**  
Held as Provisions

A detailed review of our financial delivery to investors is presented elsewhere in this Report and more specifically on Page # 115 – Page # 142.



*We are maintaining a strong & resilient balance sheet to deliver performance to our shareholders. Engaging with our shareholders has helped us to understand their priorities and drive better outcomes.*

## Suppliers

### Why they are important to us?

For smooth running of its business operations and uninterrupted delivery of services to its customers, the Bank's supply chain comprises of large number of vendors from various locations, both local and international. through whom it procures IT equipment, stationery and other materials as well as service providers who provide a variety of services required for the smooth continuity of operations.

### How we engage and what are they telling us?

- They want long-term work relationship
- Adherence to contractual terms and conditions
- Prompt payments
- Transparency & confidentiality

### How well we responded?

- Adhere to proper procurement regulations while maintaining good business relationships with the service providers
- Improving turnaround time for payments
- Fair dealing



*We offer equal business opportunities to our vendors and business partners and prefer to promote local vendors for the areas where we operate.*

**PKR 26.5 Bn**  
to Suppliers

## Society

### Why they are important to us?

They are important to us for having best collaboration with our community for delivering our social responsibilities. This also helps us in obtaining inputs from communities which are necessary for smooth running of our operations.

### How we engage and what are they telling us?

In 2022, we engaged with a wide range of organisations, including non-governmental organisations (NGOs) and others where appropriate. We participated in various sustainability forums. Major themes we heard from them included:

- Wanting to see continued progress related to social and environmental governance
- Support for communities facing hardship
- An increased focus on nature and biodiversity

### How we responded?

We engaged with NGOs, by participating in various CSR initiatives. We have worked to promote diversity, equity and inclusion. In support of the communities in which we operate, through our CSR programme we have reached thousands of individuals to help them in the area of e.g. health, education, safe water & sanitation, gender equality and women empowerment.

A detailed report on CSR initiatives is given on Page # 163.



*As a responsible corporate citizen, we maintain deep and thoughtful engagement with the numerous organisations and interest groups that represent our wider society and help us to shape our approach and ultimately contribute to the wellbeing of societies where we operate in.*

**PKR 107 Mn**



# FINANCIAL STATEMENTS (UNCONSOLIDATED)

رہبر  
سہولتیں

Whether national companies or small and medium enterprises, NBP has a suite of products that cater to each and every need, featuring consumer banking solutions designed to make business, and life, a blessing.



**Yousuf Adil**  
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Cavish Court, KCHSU  
Shahrah-e-Faisal  
Karachi, Pakistan

**A.F. Ferguson & Co.**  
Chartered Accountants  
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Karachi - 74000

# Independent Auditors' Report

To the members of National Bank of Pakistan

Report on the Audit of the Unconsolidated Financial Statements

## Opinion

We have audited the annexed unconsolidated financial statements of **National Bank of Pakistan** (the Bank), which comprise the unconsolidated statement of financial position as at December 31, 2022, and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement for the year then ended, along with unaudited certified returns received from the branches except for 98 branches which have been audited by us and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2022 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

## Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Emphasis of Matter

We draw attention to note 25.3.4.1 to the unconsolidated financial statements which explains the contingency in relation to the pension obligation of the Bank. The Bank, based on the opinion of its legal counsel, is confident about a favorable outcome on this matter and hence, no provision has been made in these unconsolidated financial statements. Our opinion is not modified in respect of this matter.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Correspondent Firm to  
Deloitte Touche Tohmatsu Limited

Member firm of PwC network



**Yousuf Adil**  
Chartered Accountants

**A.F. Ferguson & Co.**  
Chartered Accountants

Following are the Key Audit Matters:

S.No.	Key Audit Matter	How the matter was addressed in our audit
1	<p><b>Provision against advances</b> (Refer notes 5.6 and 11.4 to the unconsolidated financial statements)</p> <p>The Bank makes provision against advances extended in Pakistan on a time-based criteria that involves ensuring that all non-performing advances are classified in accordance with the ageing criteria specified in the Prudential Regulations (PRs) issued by the State Bank of Pakistan (SBP).</p> <p>In addition to the above time-based criteria, the PRs require a subjective evaluation of the credit worthiness of borrowers to determine the classification of advances.</p> <p>The PRs also require the creation of general provision for certain categories of advances.</p> <p>Provision against advances of overseas locations is made as per the requirements of the respective regulatory regimes.</p> <p>The Bank has recognized a net provision against advances amounting to Rs. 8,060 million in the unconsolidated profit and loss account in the current year. As at December 31, 2022, the Bank holds a provision of Rs. 208,059 million against advances. This includes a general provision against the underperforming portfolio on a prudent basis.</p> <p>The determination of provision against advances based on the above criteria remains a significant area of judgement and estimation. Because of the significance of the impact of these judgements / estimations and the materiality of advances relative to the overall unconsolidated financial statements of the Bank, we considered the area of provision against advances as a key audit matter.</p>	<p>Our audit procedures to verify provision against domestic advances included, amongst others, the following:</p> <ul style="list-style-type: none"> <li>Obtained an understanding of the management process to record provision and ensure that it is consistent with the requirements of PRs;</li> <li>Evaluated the design and tested the operating effectiveness of the relevant controls established by the Bank to identify loss events and for determining the extent of provisioning required against non-performing advances; and</li> <li>Selected a sample of loan accounts and performed the following substantive procedures to evaluate the appropriateness of specific and general provision: <ul style="list-style-type: none"> <li>i) Checked credit documentation, repayments of loan / mark-up instalments, tested classification of non-performing advances based on the number of days overdue;</li> <li>ii) Evaluated the management's assessment for classification of a customer's loan facilities as performing or non-performing based on review of repayment pattern, inspection of credit documentation and thorough discussions with the management;</li> <li>iii) In case of restructured loans, we reviewed the detailed documentation of restructuring including approvals, legal opinions, terms of restructuring, payment records and any other relevant documents to ensure that restructuring was made in accordance with the PRs;</li> <li>iv) We also reviewed minutes of the meeting of credit, risk and compliance and audit committees to identify risky exposures; and</li> <li>v) We had discussions with management to challenge assumptions and judgements used in performing portfolio review and recording provisions.</li> </ul> </li> </ul> <p>We issued instructions to auditors of those overseas branches which were selected for audit, highlighting 'Provision against advances' as a significant risk. The auditors of those branches performed audit procedures to check compliance with regulatory requirements and reported the results thereof to us. We, as auditors of the Bank, evaluated the work performed by the component auditors and the results thereof.</p>

Independent Correspondent Firm to  
Deloitte Touche Tohmatsu Limited

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S.No.	Key Audit Matter	How the matter was addressed in our audit
2	<p><b>Valuation of listed equity shares, units of mutual funds and term finance certificates classified as available-for-sale</b></p> <p>(Refer notes 5.2 and 10.1 to the unconsolidated financial statements)</p>	
	<p>The Bank has significant investments in equity shares, units of mutual funds and term finance certificates (TFCs) classified as Available for Sale (AFS). As per the Bank's policy, listed equity shares and units of mutual funds are required to be considered for impairment when there is a significant or prolonged decline in the fair value of investments. Further, TFCs are required to be assessed for impairment as per the SBP's Prudential Regulations which involves subjective criteria.</p> <p>The significance of the investment amount, subjectivity involved, and assumptions used in impairment make it significant to the unconsolidated financial statements. Therefore, we have considered this as a key audit matter.</p>	<p>On a sample basis, we have performed the following procedures:</p> <ul style="list-style-type: none"> <li>Each investment's cost was compared to its market value wherever available to determine decline / surplus in valuation;</li> <li>Checked whether, in case of listed equity shares and units of mutual funds classified as available for sale, impact of significant or prolonged decline was recognized consistently as per the policy of the Bank as disclosed in note 5.25(c); and</li> <li>For TFCs, checked that listed TFCs were valued as per the quoted prices and unlisted TFCs were valued at cost less provision. Further, TFCs were also evaluated based on evidence of deterioration in the financial health of the investee and repayment pattern.</li> </ul>

#### Information Other than the Unconsolidated and Consolidated Financial Statements and Auditors' Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the unconsolidated and consolidated financial statements and our auditors' reports thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



**Yousuf Adil**  
Chartered Accountants

**A.F. Ferguson & Co.**  
Chartered Accountants

## **Responsibilities of Management and the Board of Directors for the Unconsolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of directors is responsible for overseeing the Bank's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability

Independent Correspondent Firm to  
Deloitte Touche Tohmatsu Limited

Member firm of PwC network



to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on Other Legal and Regulatory Requirements**

1. Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;
- b) the unconsolidated statement of financial position, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and



**Yousuf Adil**  
Chartered Accountants

**A.F. Ferguson & Co.**  
Chartered Accountants

d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

2. We confirm that for the purpose of our audit we have covered more than sixty per cent of the total loans and advances of the Bank.

The engagement partners on the audit resulting in this independent auditors' report are Nadeem Yousuf Adil and Shahbaz Akbar on behalf of Yousuf Adil and A. F. Ferguson & Co. respectively.

**Yousuf Adil**  
**Chartered Accountants**  
Karachi  
Dated: March 6, 2023  
UDIN: AR2022100918F4Ga1TJ5

**A. F. Ferguson & Co.**  
**Chartered Accountants**  
Karachi  
Dated: March 6, 2023  
UDIN: AR202210068sOvnUz1bH

# Unconsolidated Statement of Financial Position

As at December 31, 2022

2021 ------(US Dollars in '000)-----	2022		Note	2022 ------(Rupees in '000)-----	2021
<b>ASSETS</b>					
1,231,047	<b>1,015,369</b>	Cash and balances with treasury banks	7	<b>229,910,949</b>	278,747,059
78,024	<b>82,117</b>	Balances with other banks	8	<b>18,593,800</b>	17,667,067
1,481,541	<b>138,110</b>	Lendings to financial institutions	9	<b>31,272,467</b>	335,466,675
8,559,656	<b>15,357,241</b>	Investments	10	<b>3,477,353,874</b>	1,938,170,642
4,917,140	<b>5,434,425</b>	Advances	11	<b>1,230,521,804</b>	1,113,392,485
238,953	<b>252,200</b>	Fixed assets	12	<b>57,105,842</b>	54,106,376
2,862	<b>6,134</b>	Intangible assets	13	<b>1,388,947</b>	647,970
29,172	<b>29,627</b>	Right of use assets	14	<b>6,708,404</b>	6,605,400
7,179	<b>98,482</b>	Deferred tax assets	15	<b>22,299,403</b>	1,625,647
442,765	<b>729,887</b>	Other assets	16	<b>165,269,056</b>	100,255,148
16,988,339	<b>23,143,592</b>			<b>5,240,424,546</b>	3,846,684,469
<b>LIABILITIES</b>					
96,490	<b>244,083</b>	Bills payable	17	<b>55,268,019</b>	21,848,270
1,381,989	<b>8,569,881</b>	Borrowings	18	<b>1,940,485,787</b>	312,925,106
13,333,671	<b>11,774,826</b>	Deposits and other accounts	19	<b>2,666,184,360</b>	3,019,155,045
34,863	<b>36,514</b>	Lease liability against right of use assets	20	<b>8,267,949</b>	7,893,960
877,352	<b>1,189,636</b>	Other liabilities	21	<b>269,370,672</b>	198,659,523
15,724,365	<b>21,814,940</b>			<b>4,939,576,787</b>	3,560,481,904
1,263,974	<b>1,328,652</b>	<b>NET ASSETS</b>		<b>300,847,759</b>	286,202,565
<b>REPRESENTED BY</b>					
93,959	<b>93,959</b>	Share capital	22	<b>21,275,131</b>	21,275,131
266,622	<b>283,283</b>	Reserves	23	<b>64,144,050</b>	60,371,495
284,776	<b>189,536</b>	Surplus on revaluation of assets	24	<b>42,916,902</b>	64,482,122
618,617	<b>761,874</b>	Unappropriated profit		<b>172,511,676</b>	140,073,817
1,263,974	<b>1,328,652</b>			<b>300,847,759</b>	286,202,565
<b>CONTINGENCIES AND COMMITMENTS</b>					
			25		

The annexed notes 1 to 51 and annexures I and II form an integral part of these unconsolidated financial statements.

**Ashraf Mahmood Wathra**  
Chairman

**Rehmat Ali Hasnie**  
President & CEO (A)

**Abdul Wahid Sethi**  
Chief Financial Officer

**Asif Jooma**  
Director

**Ahsan Ali Chughtai**  
Director



## Unconsolidated Profit and Loss Account

For the year ended December 31, 2022

2021	2022			2022	2021
------(US Dollars in '000)-----			Note	------(Rupees in '000)-----	
1,024,077	2,222,799	Mark-up / return / interest earned	26	503,310,285	231,882,702
592,962	1,706,851	Mark-up / return / interest expensed	27	386,483,771	134,264,896
431,115	515,948	Net mark-up / interest income		116,826,514	97,617,806
		<b>NON MARK-UP / INTEREST INCOME</b>			
78,628	93,415	Fee and commission income	28	21,152,110	17,803,801
20,291	22,995	Dividend income		5,206,811	4,594,593
28,753	32,900	Foreign exchange income		7,449,563	6,510,668
27,330	5,026	Gain on securities - net	29	1,137,947	6,188,319
8,145	7,673	Other income	30	1,737,445	1,844,236
163,147	162,009	Total non-mark-up / interest income		36,683,876	36,941,617
594,262	677,957	Total income		153,510,390	134,559,423
		<b>NON MARK-UP / INTEREST EXPENSES</b>			
263,468	344,918	Operating expenses	31	78,099,994	59,657,321
1,530	321	Other charges	32	72,626	346,463
264,998	345,239	Total non-markup / interest expenses		78,172,620	60,003,784
329,264	332,718	Profit before provisions		75,337,770	74,555,639
52,627	55,649	Provisions and write offs - net	33	12,600,607	11,916,383
43,187	-	Extra ordinary item	25.5	-	9,778,848
233,450	277,069	<b>PROFIT BEFORE TAXATION</b>		62,737,163	52,860,408
109,757	142,767	Taxation	34	32,326,863	24,852,420
123,693	134,302	<b>PROFIT AFTER TAXATION</b>		30,410,300	28,007,988
------(US Dollars)-----				------(Rupees)-----	
0.06	0.06	Basic earnings per share	35	14.29	13.16
0.06	0.06	Diluted earnings per share	36	14.29	13.16

The annexed notes 1 to 51 and annexures I and II form an integral part of these unconsolidated financial statements.

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**Asif Jooma**  
Director

**Ahsan Ali Chughtai**  
Director

# Unconsolidated Statement of Comprehensive Income

For the year ended December 31, 2022

2021 ------(US Dollars in '000)-----	2022		2022 ------(Rupees in '000)-----	2021
123,693	134,302	Profit after taxation for the year	30,410,300	28,007,988
		Other comprehensive income / (loss)		
		Items that may be reclassified to profit and loss account in subsequent periods:		
4,451	38,474	Effect of translation of net investments in foreign branches	8,711,721	1,007,763
(38,038)	(106,619)	Movement in deficit on revaluation of investments - net of tax	(24,141,899)	(8,613,053)
(33,587)	(68,145)		(15,430,178)	(7,605,290)
		Items that will not be reclassified to profit and loss account in subsequent periods:		
(6,019)	(13,819)	Remeasurement loss on defined benefit obligations - net of tax	(3,129,095)	(1,362,794)
(2,185)	13,634	Movement in surplus / (deficit) on revaluation of fixed assets - net of tax	3,087,269	(494,741)
436	(1,382)	Movement in (deficit) / surplus on revaluation of non-banking assets - net of tax	(312,906)	98,660
(7,768)	(1,567)		(354,732)	(1,758,875)
82,338	64,590	Total comprehensive income	14,625,390	18,643,823

The annexed notes 1 to 51 and annexures I and II form an integral part of these unconsolidated financial statements.

Ashraf Mahmood Wathra  
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Director



# Unconsolidated Statement of Changes in Equity

For the year ended December 31, 2022

	Share capital	Reserves					Surplus / (deficit) on revaluation of assets			Unappropriated profit	Total	
		Exchange translation	Statutory reserve	Merger reserve	General loan loss reserve	Revenue general reserve	Total	Investments	Fixed / Non-Banking Assets			Total
(Rupees in '000)												
Balances as at January 01, 2021	21,275,131	11,570,091	36,127,702	343,802	8,000,000	521,338	56,562,933	28,501,270	45,198,074	73,699,344	116,021,334	267,558,742
Profit after taxation for the year ended December 31, 2021	-	-	-	-	-	-	-	-	-	-	28,007,988	28,007,988
Other comprehensive income - net of tax	-	1,007,763	-	-	-	-	1,007,763	(8,613,053)	(396,081)	(9,009,134)	(1,362,794)	(9,364,165)
Transfer to statutory reserve	-	-	2,800,799	-	-	-	2,800,799	-	-	-	(2,800,799)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(208,088)	(208,088)	208,088	-
Transactions with owners, recorded directly in equity												
Cash dividend paid (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2021	21,275,131	12,577,854	38,928,501	343,802	8,000,000	521,338	60,371,495	19,888,217	44,593,905	64,482,122	140,073,817	286,202,565
Profit after taxation for the year ended December 31, 2022	-	-	-	-	-	-	-	-	-	-	30,410,300	30,410,300
Other comprehensive income - net of tax	-	8,711,721	-	-	-	-	8,711,721	(24,141,899)	2,774,363	(21,367,536)	(3,129,095)	(15,784,910)
Transfer to statutory reserve	-	-	3,041,030	-	-	-	3,041,030	-	-	-	(3,041,030)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(197,684)	(197,684)	197,684	-
Transfer to unappropriated profit	-	-	-	-	(8,000,000)	-	(8,000,000)	-	-	-	8,000,000	-
Adjustment of merger reserve	-	-	-	19,804	-	-	19,804	-	-	-	-	19,804
Transactions with owners, recorded directly in equity												
Cash dividend paid (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2022	21,275,131	21,289,575	41,969,531	363,606	-	521,338	64,144,050	(4,253,682)	47,170,584	42,916,902	172,511,676	300,847,759

The annexed notes 1 to 51 and annexures I and II form an integral part of these unconsolidated financial statements.

**Ashraf Mahmood Wathra**  
Chairman

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**Abdul Wahid Sethi**  
Chief Financial Officer

**Asif Joorna**  
Director

**Ahsan Ali Chughtai**  
Director

# Unconsolidated Cash Flow Statement

For the year ended December 31, 2022

2021	2022		2022	2021
------(US Dollars in '000)-----			Note -----(Rupees in '000)-----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
233,450	277,069	Profit before taxation	62,737,163	52,860,408
(20,291)	(22,995)	Less: Dividend income	(5,206,811)	(4,594,593)
213,159	254,074		57,530,352	48,265,815
		Adjustments:		
19,519	19,749	Depreciation	4,471,704	4,419,746
1,499	1,427	Amortization	323,149	339,382
52,627	55,649	Provision and write-offs	12,600,607	11,916,383
-	(190)	Gain on disposal of subsidiary and branch	(42,933)	-
(278)	(20)	Gain on sale of fixed assets	(4,441)	(62,945)
3,590	4,031	Finance charges on leased assets	912,754	812,964
533	2,705	Unrealized loss on revaluation of investments classified as held-for-trading	612,481	120,675
32,710	36,895	Charge for defined benefit plans - net	8,354,267	7,406,457
110,200	120,246		27,227,588	24,952,662
323,359	374,320		84,757,940	73,218,477
		(Increase) / decrease in operating assets		
(837,753)	1,250,687	Lendings to financial institutions	283,194,208	(189,693,077)
(101,936)	155,551	Held-for-trading securities	35,221,594	(23,081,441)
(642,956)	(590,185)	Advances	(133,636,179)	(145,585,209)
26,523	(296,820)	Other assets (excluding advance taxation)	(67,209,195)	6,005,588
(1,556,122)	519,233		117,570,428	(352,354,139)
		Increase / (decrease) in operating liabilities		
22,316	147,594	Bills payable	33,419,749	5,053,084
581,337	7,277,222	Borrowings from financial institutions	1,647,788,025	131,632,640
2,650,648	(1,558,845)	Deposits and other accounts	(352,970,685)	600,188,566
170,168	301,380	Other liabilities	68,241,777	38,531,195
3,424,469	6,167,351		1,396,478,866	775,405,485
(99,524)	(147,899)	Income tax adjusted / paid	(33,488,980)	(22,535,380)
(13,391)	(16,054)	Payments on account of staff retirement benefits	(3,635,107)	(3,032,126)
2,078,791	6,896,951	Net cash flow generated from operating activities	1,561,683,147	470,702,317
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
(1,353,335)	(6,773,806)	Net investments in available-for-sale securities	(1,533,799,090)	(306,436,769)
(694,084)	(385,407)	Net investments in held-to-maturity securities	(87,267,953)	(157,162,049)
20,291	22,995	Dividends received	5,206,811	4,594,593
(8,340)	(11,638)	Investments in fixed assets and intangibles	(2,635,099)	(1,888,345)
438	247	Proceeds from sale of fixed assets	55,915	99,147
7,452	41,783	Effect of translation of net investment in foreign branches	9,461,011	1,687,352
-	6,726	Proceed from closure of subsidiary and branch	1,041,531	-
(2,027,578)	(7,099,100)	Net cash flow used in investing activities	(1,607,936,874)	(459,106,071)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
(10,820)	(10,724)	Payments of lease obligations	(2,428,160)	(2,450,084)
(16)	(1)	Dividend paid	(146)	(3,519)
(10,836)	(10,725)	Net cash flow used in financing activities	(2,428,306)	(2,453,603)
40,377	(212,874)	(Decrease) / increase in cash and cash equivalents	(48,682,033)	9,142,643
1,158,162	1,198,539	Cash and cash equivalents at beginning of the year	271,386,360	262,243,717
1,198,539	985,665	Cash and cash equivalents at end of the year	222,704,327	271,386,360

The annexed notes 1 to 51 and annexures I and II form an integral part of these unconsolidated financial statements.

Ashraf Mahmood Wathra  
Chairman

Rehmat Ali Hasnie  
President & CEO (A)

Abdul Wahid Sethi  
Chief Financial Officer

Asif Jooma  
Director

Ahsan Ali Chughtai  
Director



# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

## 1. STATUS AND NATURE OF BUSINESS

National Bank of Pakistan (the Bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on the Pakistan Stock Exchange (PSX). Its registered and head office is situated at I.I. Chundrigar Road, Karachi. The Federal Government through State Bank of Pakistan (SBP) holds controlling interest (75.6% shareholding) in the Bank. 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 SBP. The Bank operates 1,512 (2021: 1,513) branches in Pakistan including 188 (2021: 189) Islamic Banking branches and 18 (2021: 19) overseas branches (including the Export Processing Zone branch, Karachi). The Bank also provides services in respect of Endowment Fund for students loan scheme and IPS accounts.

## 2. BASIS OF PRESENTATION

2.1 In accordance with the directives of the Federal Government of Pakistan regarding the shifting of the banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible forms of trade related mode of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

Key financial figures of the Islamic banking branches of the Bank have been disclosed in annexure II to these unconsolidated financial statements.

2.2 These are the unconsolidated financial statements of the Bank in which the investments in subsidiaries, associates and joint ventures are stated at cost and have not been accounted for on the basis of reported results and net assets of the investees which are done in the consolidated financial statements.

2.3 The US Dollar amounts shown on the statement of financial position, profit and loss account, statement of comprehensive income and cash flow statement are stated as additional information solely for the convenience of readers. For the purpose of conversion to US Dollars, the rate of Rs. 226.4309 to 1 US Dollar has been used for 2022 and 2021 as it was the prevalent rate as on December 31, 2022.

## 3. STATEMENT OF COMPLIANCE

3.1 These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS), issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Where the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017, or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

3.2 SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. Moreover, SBP vide BPRD circular no. 4, dated February 25, 2015, has deferred the applicability of Islamic Financial Accounting Standards (IFAS) 3, Profit and Loss Sharing on Deposits. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks.



# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

**3.3** The SECP vide SRO 56 (1) / 2016 dated January 28, 2016, has notified that the requirements of IFRS 10 (Consolidated Financial Statements) and section 228 of the Companies Act, 2017 will not be applicable with respect to the investment in mutual funds established under trust structure.

## **3.4 Application of new and revised International Financial Reporting Standards (IFRSs)**

### **3.4.1 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year.**

The following standards, amendments and interpretations are effective for the year ended December 31, 2022. These standards, amendments and interpretations are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's unconsolidated financial statements other than certain additional disclosures:

- Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021
- Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework
- Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract
- Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)

Certain annual improvements have also been made to a number of IFRSs.

### **3.4.2 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective.**

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's unconsolidated financial statements other than certain additional disclosures:

	Effective from accounting period beginning on or after
- Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
- Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023
- Amendments to IFRS 16 'Leases' - Clarification on how seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
- Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
- Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely



## Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

There are certain new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2022 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these unconsolidated financial statements.

**3.4.3** The SBP vide its BPRD Circular No. 02 of 2023 dated February 9, 2023 has specified the new reporting format for financial statements of Banking Companies. The new format has revised the disclosure requirements and will become applicable for the financial statements of the Bank for the quarter ending March 31, 2023.

**3.4.4** Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

**3.4.5** The management anticipates that these new standards, interpretations and amendments will be adopted in the Bank's unconsolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on these unconsolidated financial statements of the Bank in the period of initial application.

### **3.4.6 IFRS 9 Financial Instruments:**

As directed by SBP via BPRD Circular no 3 of 2022, IFRS 9 Financial Instruments is effective for periods beginning on or after 1 January 2023 for banks having asset base of more than Rs. 500 billion as at 31 December 2021. SBP via same circular has finalized the instructions on IFRS 9 (Application Instructions) for ensuring smooth and consistent implementation of the standard in the banks.

During the 2022, the management of the Bank has performed an impact assessment of IFRS 9 taking into account the SBP's IFRS 9 application instructions. The assessment is based on available information and may be subject to changes arising from further reasonable and supportable information being made available to the Bank at the time of finalizing the impact for initial application of IFRS 9. In addition, the Bank will implement changes in classification of certain financial instruments. These changes and impacts are discussed below:

An overview of the IFRS 9 requirements that are expected to have significant impact are discussed below along with the additional requirements introduced by the SBP:

#### **Governance, ownership and responsibilities**

The Bank has adopted a governance framework requiring the Risk, Finance, Operations, Internal Audit and IT functions to effectively work together to ensure input from all business lines. IFRS 9 requires robust credit risk models that can predict Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

Risk Management Division has develop Models/ methodologies for PD, LGD and Credit Conversion Factor (CCF). These models shall be validated on annual basis considering the following aspects:

- Quantitative Validation: Expected credit loss (ECL) model design validation, data quality validation and benchmarking with external best practices.
- Quantitative Validation: Calibration testing which ensures the accuracy of the observed Pds.

Finance Division will ensure preparation of disclosures and incorporation of the impacts on the financial statements of the Bank. The function shall identify, prepare and extract the data required for the risk parameters modelling and ECL calculations. Finance Division shall ensure that all disclosures as required by the accounting standard and the SBP formats and guidelines are made.

# Notes to and forming part of the Unconsolidated Financial Statements

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The risk management division will perform the back testing of ECL at least on yearly basis and will be responsible for the independent validation of the risk parameters / risk models; including PD, LGD and CCF etc., that are used to compute the ECL which would be carried out as per the policy.

Internal Audit will carry out periodic review of IFRS 9 methodology and impacts calculated by the Management.

## Classification and measurement

The classification and measurement of financial assets will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. Financial assets that do not meet the SPPI criteria are measured at FVTPL regardless of the business model in which they are held. The Bank's business model in which financial assets are held will determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL'). The classification of equity instruments is generally measured as Fair Value through Profit & Loss (FVTPL) unless the Bank elects for Fair Value through Other Comprehensive Income (FVTOCI) at initial recognition. The Bank has analyzed the impact of initial application of IFRS 9 on its financial assets as follows:

## Equity Securities

The Bank expects to continue measuring at fair value all financial assets currently held at fair value.

For certain listed equity securities currently classified as available-for-sale (AFS) with gains and losses recorded in OCI, the Bank will apply the option to classify them as FVOCI. Therefore, the application of IFRS 9 will not have an impact on initial adoption. However, in accordance with the requirements of the standard, gains and losses recognized in OCI will not be recycled through the profit and loss account on derecognition of these securities.

The remaining listed equity securities will be measured at FVTPL. The AFS reserve related to those securities is currently part of Surplus on Revaluation of Assets and will be reclassified to retained earnings hence, there will be no impact on overall equity.

Unquoted equity securities are required to be measured at fair value under IFRS 9. However, the SBP has allowed banks to carry these investments under the current Prudential Regulations, i.e. at the lower of cost and break-up value, till accounting periods beginning on or after January 1, 2024.

## Debt securities and Loans and advances

Debt securities currently classified as AFS and those passes SPPI test, are expected to be measured at fair value through OCI under IFRS 9 as the Bank's business model is to hold the assets to collect contractual cash flows, but also to sell those investment. Debt securities currently classified as HTM and those passes SPPI test are expected to be measured at amortized costs under IFRS 9 as the Group business model is to hold the assets to collect contractual cash flows.

Cashflows of certain debt instruments classified in AFS or / and HTM categories, do not expect to give risk to cash flows representing solely payments of principal and interest and accordingly, these would be measured at fair value through profit and loss.

## Impairment

The impairment requirements apply to financial assets measured at amortised cost and FVOCI (other than equity instruments), lease receivables, and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are in 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment, so are considered to be in default or otherwise credit impaired, are in 'stage 3'.



## Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

Based on the requirement of IFRS 9 and SBP's IFRS 9 application instructions, the Bank has performed an ECL assessment taking into account the key elements such as assessment of SICR, Probability of Default, Loss Given Default and Exposure at Default. These elements are described below:

- PD: The probability that a counterparty will default, calibrated over the 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2) and incorporating forward looking information.
- LGD: An estimate of the loss incurred on a facility upon default by a customer. LGD is calculated as the difference between contractual cash flows due and those that the Bank expects to receive, including from the liquidation of any form of collateral. It is expressed as a percentage of the exposure outstanding on the date of classification of an obligor.
- EAD: the expected balance sheet exposure at the time of default, incorporating expectations on drawdowns, amortisation, pre-payments and forward-looking information where relevant.

For the purpose of calculation of ECL, the Bank has used 5 years data till 31 December 2022 and going forward, one more year's data shall be included until the Bank has at least 10 years data. For calculating ECL, the Bank shall classify its financial assets under three following categories:

- a) Stage 1: Performing Assets: Financial assets where there has not been a SICR since initial recognition, the Bank shall recognize an allowance based on the 12-month ECL.
- b) Stage 2: Under-Performing Assets: For financial assets where there has been a SICR since initial recognition, but which are not credit impaired, the Bank shall recognize an allowance based on lifetime ECL for all exposures categorized in this stage based on the actual maturity profile.
- c) Stage 3: Non-Performing Assets: For financial assets which have objective evidence of impairment at the reporting date, the Bank shall recognize ECL on these financial assets using the higher off approach, which means that lifetime ECL computed under IFRS 9 is compared with regulatory provision required as per Prudential regulations.

As required by the Application Instructions, financial assets may be reclassified out of stage 3 if they meet the requirements of Prudential Regulations (PR) issued by SBP. Financial assets in stage 2 may be reclassified to stage 1 if the conditions that led to a SICR no longer apply.

### Significant increase in credit risk (SICR)

A SICR is assessed in the context of an increase in the risk of a default occurring over the life of the financial instrument when compared to that expected at the time of initial recognition. It is not assessed in the context of an increase in the ECL. The Bank uses a number of qualitative and quantitative measures in assessing SICR. Quantitative measures relate to deterioration of Obligor Risk Ratings (ORR) or where principal and / or interest payments are 60 days or more past due. Qualitative factors include unavailability of financial information and pending litigations.

Based on the level of increase in credit risk, the Bank shall calculate 12 month ECL for assets which did not have a SICR i.e., Stage 1 or a lifetime expected loss for the life of the asset (for assets which demonstrated a SICR) i.e., Stage 2.

At every reporting date, the Bank shall assess whether there has been a SICR since the initial recognition of the asset. If there is a SICR, the asset must be assigned to the appropriate stage of credit impairment (Stage 2 or 3).

Under the SBP's instructions, credit exposure (in local currency) guaranteed by the Government and Government Securities are exempted from the application of ECL Framework. Moreover, until implementation of IFRS 9 has stabilized, Stage 1 and

# Notes to and forming part of the Unconsolidated Financial Statements

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stage 2 provisions would be made as per IFRS 9 ECL and stage 3 provision would be made considering higher of IFRS 9 ECL or provision computed under existing PRs' requirements.

## Presentation and disclosure

IFRS 9 also introduces expanded disclosure requirements and changes in presentation which will be incorporated as per the SBP's revised format.

## Loan / financing related fee

Loan origination / commitment fees that are regarded as compensation to the lender for an ongoing involvement with the acquisition of a financial instrument would be recognized over the life of the related loan. However, if the commitment expires without the lender making the loan, the fee would be recognised as revenue as earned.

## Impact of adoption of IFRS 9

The actual impact of adopting IFRS 9 on the Bank's financial statements in the year 2023 may not be accurately estimated because it will be dependent on the financial instruments that the Bank would hold during 2023 and economic conditions at that time as well as accounting elections and judgements that it will make in future. Nevertheless, the Bank has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its statement of financial position as at December 31, 2022.

## Classification and measurement

Based on the bank's assessment, the IFRS 9 requirements are expected to have the following impact on the classification and measurement of its financial assets and financial liabilities:

1. Debt instruments amounting to Rs. 12,805 million have been reclassified from Available for Sale to Fair Value through Profit or Loss.
2. Equity instruments amounting to Rs. 20,024 million have been reclassified from Available for Sale to Fair Value through Profit or Loss.

## Impairment

The total estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Bank's equity at 1 January 2023 is reduction in equity of approximately Rs. 10,555 million, representing corresponding impact related to impairment requirements;

## Impact on regulatory capital

The implementation of IFRS 9 is expected to result in reduced regulatory capital of the Bank, which is likely to reduce their lending capacity and ability to support their clients. In order to mitigate the impact of expected credit loss (ECL) models on capital, SBP has determined that it may be appropriate for the Financial Institutions (FIs) to follow a transitional arrangement for the impact on regulatory capital from the application of ECL accounting. Annexure B of the 'Application Instructions' issued by SBP vide BPRD Circular No.3 of 2022 dated July 05, 2022, have detailed the transitional arrangement.

The transitional arrangement must apply only to provisions for stage 1 and 2 financial assets. The transitional arrangement must only adjust CET1 capital. Where there is a reduction in CET1 capital due to new provisions, net of tax effect, upon adoption of an ECL accounting model, the decline in CET1 capital (the "transitional adjustment amount") must be partially included (i.e. added back) to CET1 capital over the "transition period" of five years.



# Notes to and forming part of the Unconsolidated Financial Statements

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The impact of adoption of IFRS 9 on the capital ratios of the Bank are as follows:

	As per adopted IFRS 9	As per current ARS
Common Equity Tier 1 Capital Adequacy ratio	16.26%	16.30%
Tier 1 Capital Adequacy Ratio	16.26%	16.30%
Total Capital Adequacy Ratio	21.55%	21.59%
CET1 available to meet buffers (as a percentage of risk weighted assets)	7.26%	7.30%

## 4. BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost convention except for revaluation of land and buildings and non-banking assets acquired in satisfaction of claims which are stated at revalued amount and certain investments and derivative financial instruments that are carried at fair value. In addition, obligations in respect of defined benefit plan are carried at the present values.

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policy adopted in preparation of these unconsolidated financial statements are consistent with those of the previous financial year.

### 5.1 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks, balances with other banks and call money lendings, less call borrowings and overdrawn nostro accounts.

### 5.2 Investments

Investments other than those categorised as held-for-trading are initially recognised at fair value which includes transaction costs associated with the investments. Investments classified as held-for-trading are initially recognised at fair value, and transaction costs are expensed in the profit and loss account.

All regular way purchases / sales of investments are recognised on the trade date, i.e., the date the Bank commits to purchase / sell the investments. Regular way purchases or sales of investments require delivery of securities within the time frame generally established by regulation or convention in the market place.

The Bank has classified its investment portfolio, except for investments in subsidiaries, associates and joint ventures into 'held-for-trading', 'held-to-maturity' and 'available-for-sale' as follows:

- Held-for-trading – These are securities which are acquired with the intention to trade by taking advantage of short-term market / interest rate movements and are to be sold within ninety (90) days. These are carried at market value, with the related unrealised gain / (loss) on revaluation being taken to profit and loss account.
- Held-to-maturity – These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortised cost.
- Available-for-sale – These are investments that do not fall under the held-for-trading or held-to-maturity categories. These are carried at market value except in case of unquoted securities where market value is not available, which are carried at cost less provision for diminution in value, if any. Surplus / (deficit) on revaluation is taken to 'surplus / (deficit) on revaluation of assets' account shown in equity. Provision for diminution in value of investments in respect of

# Notes to and forming part of the Unconsolidated Financial Statements

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unquoted shares is calculated with reference to break-up value of the same. On derecognition or impairment in quoted available-for-sale investments, the cumulative gain or loss previously reported as 'surplus / (deficit) on revaluation of assets' in equity is included in the profit and loss account for the year.

- Provision for diminution in value of investments in unquoted debt securities is calculated as per the SBP's Prudential Regulations.
- Held-for-trading and quoted available-for-sale securities are marked to market with reference to ready quotes on Reuters page or MUFAP (PKRV / PKISRV / PKFRV) or the Stock Exchanges, as the case may be.
- Investments in subsidiaries, associates and joint venture companies are stated at cost. Provision is made for impairment in value, if any.

## 5.3 Repurchase and resale agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of financial position and are measured in accordance with accounting policies for investment securities. The counterparty liability for amounts received under these agreements is included in borrowings. The difference between sale and repurchase price is treated as mark-up / return / interest expense and accrued over the life of the repo agreement using effective yield method.

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the statement of financial position, as the Bank does not obtain control over the securities. Amounts paid under these agreements are included in lendings to financial institutions. The difference between purchase and resale price is treated as mark-up / return / interest income and accrued over the life of the reverse repo agreement using effective yield method.

## 5.4 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the dates on which the derivative contracts are entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative instruments during the year is taken to the profit and loss account.

## 5.5 Financial instruments

All financial assets and financial liabilities are recognised at the time when the Bank becomes a party to the contractual provisions of the instrument. A financial asset is derecognised where (a) the rights to receive cash flows from the asset have expired; or (b) the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (i) the Bank has transferred substantially all the risks and rewards of the asset, or (ii) the Bank has neither transferred nor retained substantially all the risk and rewards of the asset, but has transferred control of the asset. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account.

## 5.6 Advances

Advances are stated net of specific and general provisions. Provisions are made in accordance with the requirements of Prudential Regulations issued by the SBP and charged to the profit and loss account. These regulations prescribe a time based criteria (as supplemented by subjective evaluation of advances by the banks) for classification of non-performing loans and advances and computing provision there against. Such regulations also require the Bank to maintain general provision against consumer and Small and Medium Enterprises (SME) advances at specified percentage of such portfolio. General provision for loan losses of overseas branches is made as per the requirements of the respective central banks. Advances are written off where there are no realistic prospects of recovery. The amounts so written off is a book entry and does not necessarily prejudice the Bank's right of recovery against the customers. The Bank determines write-offs in



# Notes to and forming part of the Unconsolidated Financial Statements

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accordance with the criteria as prescribed by SBP vide BPRD circular no. 06 dated June 05, 2007.

## 5.6.1 Islamic financing and related assets

Under Murabaha financing, funds disbursed for the purchase of goods are recorded as advance against Murabaha finance and the financing is recorded at the deferred sale price. Goods purchased but remaining unsold at the statement of financial position date are recorded as inventories.

Assets given on Ijarah are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Ijarah assets are depreciated on a reducing balance basis over the term of the Ijarah after taking into account the estimated residual value. Impairment of Ijarah assets is recognised in line with the Prudential Regulations or upon the occurrence of an impairment event which indicates that the carrying value of the Ijarah asset may exceed its recoverable amount.

In Running Musharakah, the Bank and the customer enter into a Musharakah agreement where the Bank agrees to finance the operating activities of the customer's business and share in the profit or loss in proportion to an agreed ratio at an agreed frequency.

Under Diminishing Musharakah financing, the Bank creates joint ownership with the customer over the tangible assets to fulfill capital expenditure / project requirements. The Bank receives periodic payments from the customer against the gradual transfer of its share of ownership to the customer.

In Istisna transactions, the Bank finances the cost of goods manufactured by the customer. Once the goods are manufactured, these are sold by the customer as an agent of the Bank to recover the cost plus the agreed profit.

Under Tijarah, the Bank purchases the finished goods from the customer against payment, takes possession and appoint customer as an agent to sell these goods to ultimate buyer on deferred payment basis. Profit is recognized on accrual basis over the period of transaction.

Wakalah is an agency contract in which Bank provides funds to the customer who invests it in a Shariah compliant manner.

In Musawamah financing, the Bank purchases the goods and after taking the possession, sells them to the customer either in spot or credit transaction, without disclosing the cost.

## 5.7 Fixed assets and depreciation

### 5.7.1 Property and equipment

#### 5.7.1.1 Owned assets

Property and equipment, except land and buildings, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Land is stated at revalued amount. Buildings are stated at revalued amount less accumulated depreciation and impairment, if any. The cost and the accumulated depreciation of property and equipment of foreign branches include exchange differences arising on currency translation at the year-end rates. Depreciation is charged to profit and loss account applying the straight line method except buildings, which are depreciated on diminishing balance method at the rates stated in note 12.2. Depreciation on addition is charged from the month in which the assets are available for use and no depreciation is charged in the month the assets are disposed off.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

Assets are derecognised when disposed off or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property and equipment are included in profit and loss account.

# Notes to and forming part of the Unconsolidated Financial Statements

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The assets' residual values and useful lives are reviewed annually, and adjusted if appropriate, at statement of financial position date.

Land and buildings' valuations are carried out by professionally qualified valuers with sufficient regularity to ensure that their carrying amounts do not differ materially from their fair value.

- Any revaluation increase arising on the revaluation of such assets is recognised in the statement of comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit and loss account, in which case the increase is credited to profit and loss account to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such assets is recognised in profit and loss account to the extent that it exceeds the balance, if any, held in "Surplus on Revaluation of Fixed Assets" relating to a previous revaluation of that asset.
- Depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account.
- An amount equal to incremental depreciation for the year net of associated deferred tax is transferred from "Surplus on Revaluation of Fixed Assets" to unappropriated profit through statement of changes in equity to record realization of surplus to the extent of the incremental depreciation charge for the year.
- On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to unappropriated profit.

## 5.7.2 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. These are transferred to specific assets as and when assets are available for use.

## 5.7.3 Impairment

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, fixed assets are written down to their recoverable amounts.

The resulting impairment loss is taken to profit and loss account except for impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of assets. Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognised as income in profit and loss account.

## 5.8 Lease liability and right-of-use assets

The lease liabilities are initially measured at the present value of lease payments that includes:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees, if any;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are to be discounted using the incremental borrowing rate being the rate that the Bank would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.



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On initial recognition, right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs incurred; and
- an estimate of restoration costs.

The Bank leases various offices / branches for the purpose of its operational activities. Rental contracts are typically made for fixed periods of 3 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

## 5.9 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. The cost and the accumulated amortisation of intangible assets of foreign branches include exchange differences arising on currency translation at the year-end rates. Amortisation is charged to profit and loss account applying the straight-line method at the rates stated in note 13. Amortisation on addition is charged from the month in which the assets are available for use and no amortisation is charged in the month the intangible assets are disposed off. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

## 5.10 Non-banking assets acquired in satisfaction of claims

In accordance with the requirements of the 'Regulations for Debt Property Swap' (the regulations) issued by SBP vide its BPRD Circular No. 1 of 2016, dated January 1, 2016, the non-banking assets acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation is credited to the 'surplus on revaluation of assets' account and any deficit arising on revaluation is taken to the profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property is charged to profit and loss account and not capitalized. Depreciation on non-banking assets acquired in satisfaction of claims is charged to the profit and loss account on the same basis as depreciation charged on the Bank's owned fixed assets.

## 5.11 Deposits and their cost

Deposits are recorded at the fair value of proceeds received.

Deposit costs are recognised as an expense in the period in which these are incurred using effective yield method.

## 5.12 Taxation

### 5.12.1 Current

Provision of current taxation is based on taxable income for the year determined in accordance with the prevailing laws of taxation on income earned for local as well as foreign operations, as applicable to the respective jurisdictions. The charge for the current tax also includes adjustments wherever considered necessary relating to prior years, arising from assessments framed during the year.

### 5.12.2 Deferred

Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

# Notes to and forming part of the Unconsolidated Financial Statements

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Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilized. Deferred tax is not recognised on differences relating to investment in subsidiaries and branches to the extent the deductible temporary difference probably will not reverse in the foreseeable future.

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit or deductible temporary differences will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to gain / loss recognised on surplus on revaluation of assets is charged / credited to such account.

## 5.13 Employee benefits

### 5.13.1 Defined benefit plans

The Bank operates an approved funded pension scheme, an un-funded post retirement medical benefits scheme and an un-funded benevolent scheme for its eligible employees. The Bank also operates an un-funded gratuity scheme for its eligible contractual employees. An actuarial valuation of all defined benefit schemes is conducted every year. The valuation uses the Projected Unit Credit method. Remeasurements of the net defined benefit liability / assets which comprise actuarial gains and losses, return on plan assets (excluding interest) and the effect of asset ceiling (if any, excluding interest) are recognised immediately in other comprehensive income. Past-service costs are recognised immediately in profit and loss account when the plan amendment occurs.

### 5.13.2 Other employee benefits

#### Employees' compensated absences

The Bank also makes provision in the financial statements for its liability towards compensated absences. This liability is estimated on the basis of actuarial advice under the Projected Unit Credit method.

## 5.14 Revenue recognition

Income on loans and advances and debt security investments are recognised on a time proportion basis that takes into account effective yield on the asset. In case of advances and investments classified under the Prudential Regulations, interest / mark-up is recognised on receipt basis.

Interest / mark-up on rescheduled / restructured advances and investments is recognized in accordance with the Prudential Regulations issued by SBP.

Fee, brokerage and commission income other than commission on letter of credit and guarantees is recognised upon performance of services.

Commission on letters of credit and guarantees is recognized on time proportion basis.

Dividend income on equity investments and mutual funds is recognised when right to receive is established.

Premium or discount on debt securities classified as held-for-trading, available-for-sale and held-to-maturity securities is amortised using the effective interest method and taken to profit and loss account.

Gains and losses on disposal of investments and fixed assets are dealt with through the profit and loss account in the year in which they arise.



## Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

Income from lease financing is accounted for using the financing method. Under this method, the unearned lease income (defined as the sum of total lease rentals and estimated residual value less the cost of the leased assets) is deferred and taken to income over the term of the lease so as to produce a constant periodic rate of return on the outstanding net investment in the lease. Gains or losses on termination of lease contracts are recognised through the profit and loss account when these are realised. Unrealised lease income and other fees on classified leases are recognised on a receipt basis.

### 5.15 Net investment in finance lease

Leases where the bank transfers substantially all the risk and rewards incidental to ownership of the assets to the lessee are classified as finance leases. Net investment in finance lease is recognised at an amount equal to the aggregate of present value of minimum lease payment including any guaranteed residual value and excluding unearned finance income, write-offs and provision for doubtful lease finances, if any.

### 5.16 Foreign currencies translation

The Bank's financial statements are presented in Pak Rupees (Rs.) which is the Bank's functional and presentation currency.

Foreign currency transactions are converted into Rupees applying the exchange rate at the date of the respective transactions. Monetary assets and liabilities in foreign currencies and assets / liabilities of foreign branches are translated into Rupees at the rates of exchange prevailing at the statement of financial position date. Forward foreign exchange contracts are valued at the rates applicable to their respective maturities. All gains or losses on dealing in foreign currencies are taken to the profit and loss account.

Profit and loss account balances of foreign branches are translated at average exchange rate prevailing during the year. Gains and losses on translation are included in the profit and loss account except gains / losses arising on translation of net assets of foreign branches, which is credited to the statement of comprehensive income.

Statement of financial position balances of foreign branches are translated at exchange rate prevailing at statement of financial position date. Gains and losses on translation are included in the profit and loss account except gains / losses arising on translation of net assets of foreign branches, which is credited to the statement of comprehensive income.

Commitments for outstanding forward foreign exchange contracts are disclosed in these unconsolidated financial statements at committed amounts. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the statement of financial position date.

### 5.17 Provision for off balance sheet obligations

Provision for guarantees, claims and other off balance sheet obligations is made when the Bank has legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of amount can be made. Charge to profit and loss account is stated net of expected recoveries.

### 5.18 Off setting

Financial assets and financial liabilities are only set off and the net amount is reported in the unconsolidated financial statements when there is a legally enforceable right to set off and the Bank intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

### 5.19 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Bank in the statement of financial position.

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

## 5.20 Dividend and other appropriations

Dividend and other appropriation to reserves, except appropriations which are required by the law, are recognised in the Bank's unconsolidated financial statements in the year in which these are approved.

## 5.21 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no dilutive potential ordinary shares in issue at December 31, 2022.

## 5.22 Bai Muajjal

Bai Muajjal transactions represent sales of Sukuks on a deferred payment basis and are shown in lendings to financial institutions except for transactions undertaken directly with the Government of Pakistan which are disclosed as investments.

The difference between the deferred payment amount receivable and the carrying value at the time of sale is accrued and recorded as income over the life of the transaction.

## 5.23 Acceptances

Acceptances comprise undertakings by the Bank to pay bill of exchange drawn on customers. Acceptances are recognised as financial liability in the statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as on balance sheet financial assets and financial liabilities.

## 5.24 Segment reporting

A segment is a distinguishable component of the Bank that is subject to risks and rewards that are different from those of other segments. A business segment is one that is engaged either in providing certain products or services, where as a geographical segment is one engaged in providing certain products or services within a particular economic environment. Segment information is presented as per the Bank's functional and management reporting structure.

### Business segments

The Bank's primary segment reporting is based on the following business segments:

- I. **Retail Banking Group** includes retail lending and deposits, banking services, cards and branchless banking.
- II. **Inclusive Development Group** consists of loans to individuals, agriculture, SME, commodity and commercial customers.
- III. **Corporate and Investment Banking Group** offers a wide range of financial services to medium and large sized public and private sector entities. These services include, providing and arranging tenured financing, corporate advisory, underwriting, cash management, trade products, corporate finance products and customer services.
- IV. **Treasury** includes fixed income, equity, foreign exchange, credit, funding, own position securities, lendings and borrowings and derivatives for hedging and market making.
- V. **International Financial Institution and Remittance Group** includes the results of all international branches, correspondent banking business and global remittances. This represents Bank's operations in 13 countries including Pakistan and 18 branches including one branch in export processing zone in Pakistan.



# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

- VI. **Aitemaad and Islamic Banking Group** provides shariah compliant services to customers including loans, deposits and other transactions.
- VII. **Head Office / Others** includes the head office related activities and other functions which cannot be classified in any of the above segments.

## Geographical segments

The Bank is managed along the following geographic lines for monitoring and reporting purposes:

- I. Pakistan (including branch in Export Processing Zone)
- II. Asia Pacific (including South Asia)
- III. Europe
- IV. United States of America
- V. Middle East

## 5.25 Accounting estimates and judgments

The preparation of the unconsolidated financial statements in conformity with the approved accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting policies. The estimates, judgments and associated assumptions used in the preparation of the unconsolidated financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas of estimates and judgments in relation to these unconsolidated financial statements are as follows:

### a) Provision against non-performing loans and advances

The Bank reviews its loan portfolio to assess amount of non-performing loans and determine provision required there against on a quarterly basis. While assessing this requirement, various factors including the past dues, delinquency in the account, financial position and future business / financial plan of the borrower, value of collateral held and requirements of Prudential Regulations are considered. The Bank also considers the effect of Forced Sale Value (FSV) of collaterals in determining the amount of provision, however, no benefit of FSV of collateral has been taken during the year in determining provisioning amount.

General provision for loan losses of overseas branches is made as per the requirements of the respective central banks.

The amount of general provision against domestic consumer and SME advances is determined in accordance with the relevant Prudential Regulations and SBP directives.

In addition, the Bank has also made general provision in respect of its corporate portfolio on prudent basis. This general provision is in addition to the requirements of Prudential Regulations.

### b) Fair value of derivatives

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant interest and exchange rates over the term of the contract.

### c) Impairment of available-for-sale investments

The Bank considers that available-for-sale equity investments and mutual funds are impaired when there has been a significant or prolonged decline in the fair value below its cost except for investments where relaxation has been

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

allowed by SBP. This determination of what is significant or prolonged requires judgment. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

Further the Bank has developed internal criteria according to which a decline of 30% in the market value of any scrip below its cost shall constitute as a significant decline and where market value remains below the cost for a period of one year shall constitute as a prolonged decline.

## d) Held-to-maturity investments

The Bank follows the guidance provided in the SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investments till maturity.

## e) Income taxes

In making the estimates for current and deferred taxes, the management looks at the income tax law and the decisions of appellate authorities on certain issues in the past. There are certain matters where the Bank's view differs with the view taken by the income tax department and such amounts are shown as contingent liabilities.

## f) Fixed assets and intangible assets, revaluation, depreciation and amortisation

In making estimates of the depreciation / amortisation method, the management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the change in pattern.

The Bank also revalues its properties on a periodic basis. Such revaluations are carried out by independent valuer and involves estimates / assumptions and various market factors and conditions.

## g) Employees' benefit plans

The liabilities for employees' benefits plans are determined using actuarial valuations. The actuarial valuations involve assumptions about discount rates, expected rates of return on assets, future salary increases, future inflation rates and future pension increases as disclosed in note 39. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

## h) Provision against contingencies

Provision against contingencies is determined based on the management judgement regarding the probability of future outflows of resources embodying economic benefits to settle an obligation arising from past events.

## 6. CLOSURE OF FOREIGN SUBSIDIARIES AND OPERATIONS

In line with SBP Governance Framework 2018, the Board of Directors (BoD) in its 302nd meeting held on January 20 & 21, 2020 has accorded the approval of International Strategy. As per approved Strategy, the BoD allowed closure of six (06) Central Asian (CA) locations i.e. Azerbaijan (Baku), Kyrgyzstan (Bishkek); Kazakhstan (Almaty); Tajikistan (Dushanbe); Uzbekistan (Tashkent); Turkmenistan (Ashgabat) and Afghanistan (Jalalabad). The Board of Directors in its 316th meeting held on January 6 & 11, 2021 has accorded its approval to scale down Bangladesh operations by closing Sylhet, Chittagong and Gulshan branches.

The BoD in its 317th meeting held on February 24, 2021 has also given its recommendation to the shareholders to approve voluntary closure and delegation of powers to President / CEO. Further, the shareholders in their 72nd meeting held on March 29, 2021 also accorded their concurrence for closure of operations at above locations.



## Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

While processing the Bank's request of capital injection of Euro 3.08 Million to Paris Branch, SBP directed the Bank to close its operations at Paris Branch. On the basis of SBP's directive, the BoD in its 327th meeting held on January 17, 2022 accorded their approval. Subsequently, SBP per their letter dated April 20, 2022 also approved the capital injection of Euro 3.08 Million to Paris Branch.

On the basis of the aforementioned framework and after completing all the requirements of SBP and as well as the requirement of host countries' regulators, operations at following international locations have been closed on the dates mentioned there against.

S.No.	Name of International Locations	Date of Closure
1	Toronto Representative Office, Canada	31.12.2020
2	Jalalabad Branch, Afghanistan	15.08.2021
3	Tashkent Representative Office, Uzbekistan	31.08.2021
4	Sylhet Branch, Bangladesh	30.09.2021
5	CJSC Subsidiary Bank of NBP in Dushanbe, Tajikistan	28.09.2022
6	Ashgabat Branch, Turkmenistan	07.11.2022

Closure process at Central Asian locations have been delayed due to settlement of NPLs portfolio. Operations at the following locations are under the process of closure. Tentative closure dates are also mentioned there against.

S.No.	Name of International Locations	Tentative Date of Closure
1	CJSC Subsidiary Bank of NBP in Almaty, Kazakhstan	31.12.2023
2	Bishkek Branch, Kyrgyzstan	30.09.2023
3	Baku Branch, Azerbaijan	31.12.2023
4	Paris Branch, France	31.03.2023
5	Chittagong Branch, Bangladesh	31.12.2023

	As at December 31, 2022					
Particulars	CJSC Subsidiary Bank of NBP in Almaty (Kazakhstan) (Subsidiary)	Chittagong Branch, (Bangladesh)	Baku (Azerbaijan)	Bishkek (Kyrgyzstan)	Paris (France)	Total
	----- (Branches) ----- ----- (Rupees in '000) -----					
Cost of investment - net	1,003,778	-	-	-	-	1,003,778
Total Assets	-	749,876	1,182,751	2,223,156	1,645,595	5,801,378
Total Liabilities	-	839,113	30,452	15,539	598,472	1,483,576
Profit / (Loss) for the year	-	(89,672)	(40,606)	84,920	(517,193)	(562,551)

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

		2022	2021
Note		------(Rupees in '000)-----	
<b>7. CASH AND BALANCES WITH TREASURY BANKS</b>			
In hand:			
Local currency		52,704,335	55,956,579
Foreign currency		7,192,805	6,885,815
		<b>59,897,140</b>	62,842,394
With State Bank of Pakistan in:			
Local currency current accounts	7.1	106,909,308	133,688,664
Foreign currency current accounts	7.2	15,661,453	11,738,428
Foreign currency deposit accounts	7.2	15,623,732	24,098,591
Foreign currency collection accounts		1,135,059	1,226,824
		<b>139,329,552</b>	170,752,507
With other central banks in:			
Foreign currency current accounts	7.3	26,631,693	40,265,103
Foreign currency deposit accounts	7.3	3,725,602	2,920,706
		<b>30,357,295</b>	43,185,809
Prize bonds		326,962	1,966,349
		<b>229,910,949</b>	278,747,059
<b>7.1</b>	This includes statutory liquidity reserves maintained with the SBP under Section 22 of the Banking Companies Ordinance, 1962.		
<b>7.2</b>	These represent mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.		
<b>7.3</b>	These balances pertain to the foreign branches and are held with central banks of respective countries. These include balances to meet the statutory and regulatory requirements in respect of liquidity and capital requirements of respective countries. The deposit accounts carry interest at the rate of 0% to 4.5% per annum (2021: 0% to 6.3% per annum).		

		2022	2021
Note		------(Rupees in '000)-----	
<b>8. BALANCES WITH OTHER BANKS</b>			
In Pakistan:			
In deposit accounts	8.1	13,766	12,531
		<b>13,766</b>	12,531
Outside Pakistan:			
In current accounts		12,391,006	12,008,146
In deposit accounts	8.2	6,189,028	5,646,390
		<b>18,580,034</b>	17,654,536
		<b>18,593,800</b>	17,667,067



## Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

- 8.1** These include various deposits with banks and carry interest at the rates ranging from 3.5% to 9.5% per annum (2021: 2.5% to 8% per annum).
- 8.2** These include various deposits with correspondent banks outside Pakistan and carry interest at the rates ranging from 0% to 4% per annum (2021: 0% to 1.5% per annum).

	Note	2022 ------(Rupees in '000)-----	2021 ------(Rupees in '000)-----
<b>9. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call / clean money lendings	9.1	9,723	21,009,723
Repurchase agreement lendings (reverse repo)	9.2 & 9.8	31,262,744	282,051,308
Musharaka Lending	9.3	-	30,000,000
Placements with State Bank of Pakistan	9.4	-	2,405,644
Letters of placement	9.5	174,150	174,150
	9.6	31,446,617	335,640,825
Less: provision held against lendings to financial institutions	9.7 & 9.9	(174,150)	(174,150)
Lendings to financial institutions - net of provision		31,272,467	335,466,675

- 9.1** This includes zero rate lending to a financial institution amounting to Rs. 9.7 million (2021: Rs. 9.7 million) which is guaranteed by the SBP.
- 9.2** These carry mark-up at rates ranging from 16% to 16.5% per annum (2021: 8.7% to 10.7% per annum) with maturities ranging from January 3, 2023 to January 12, 2023.
- 9.3** This represents Musharaka agreements entered into with Meezan Bank Limited and carrying profit at the rate of Nil (2021: 10.65%) per annum.
- 9.4** These represent placements made with the SBP as a result of shortfall in respect of time-based mandatory targets of disbursements under Government's scheme "Mera Pakistan Mera Ghar". However, the government has ceased the low-cost housing scheme in July 2022 and announced through the State Bank of Pakistan to continue it for the customers after necessary amendments and revisions of its features.
- 9.5** These are overdue placements and full provision has been made against these placements as at December 31, 2022.

	2022 ------(Rupees in '000)-----	2021 ------(Rupees in '000)-----
<b>9.6 Particulars of lending</b>		
In local currency	31,446,617	335,640,825
In foreign currencies	-	-
	31,446,617	335,640,825
<b>9.7 Movement in provision held against lendings is as follows:</b>		
Opening balance	174,150	176,150
Reversal for the year	-	(2,000)
Closing balance	174,150	174,150

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

## 9.8 Securities held as collateral against lendings to financial institutions

	2022			2021		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
----- (Rupees in '000) -----						
Market Treasury Bills	18,699,589	-	18,699,589	163,594,180	-	163,594,180
Pakistan Investment Bonds	12,563,155	-	12,563,155	118,457,128	-	118,457,128
Total	31,262,744	-	31,262,744	282,051,308	-	282,051,308

9.8.1 Market value of the securities under repurchase agreement lendings amounts to Rs. 31,027 million (2021: Rs. 279,633 million).

## 9.9 Category of classification

	2022		2021	
	Classified lending	Provision held	Classified lending	Provision held
----- (Rupees in '000) -----				
Domestic				
Loss	174,150	174,150	174,150	174,150
Total	174,150	174,150	174,150	174,150



# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

10. INVESTMENTS	Investments by type:	2022				2021				
		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	
------(Rupees in '000)-----										
Note										
Held-for-trading securities										
10.1	Market treasury bills	22,269,343	-	(2,665)	22,266,678	90,744,281	-	(55,659)	90,688,622	
	Pakistan investment bonds	61,942,656	-	(1,031,197)	60,911,459	29,114,020	-	(65,016)	29,049,004	
	Ordinary shares of listed companies	424,708	-	(20,939)	403,769	-	-	-	-	
84,636,707 - (1,054,801) 83,581,906 119,858,301 - (120,675) 119,737,626										
Available-for-sale securities										
10.12 / 10.13	Pakistan investment bonds	1,972,276,787	-	(27,509,276)	1,944,767,511	571,528,321	-	(8,147,316)	563,381,005	
	Market treasury bills	828,851,708	-	(2,354,400)	826,497,308	721,635,763	-	(430,492)	721,205,271	
	ijarah sukuk	20,518,238	-	(339,589)	20,178,649	14,000,979	-	(31,279)	13,969,700	
	Ordinary shares of listed companies	41,601,347	(10,159,936)	4,813,864	36,255,275	34,146,109	(6,110,939)	11,749,467	39,784,637	
	Ordinary shares of unlisted companies	1,882,198	(427,951)	-	1,454,247	1,882,198	(410,893)	-	1,471,305	
	Preference shares	2,006,756	(845,730)	209,451	1,370,477	1,706,823	(539,708)	98,614	1,265,729	
	Investments in mutual funds	2,219,646	(41,167)	941,952	3,120,431	619,646	(41,167)	1,289,705	1,868,184	
	Ordinary shares of a bank outside Pakistan	463,294	-	34,380,951	34,844,245	463,294	-	27,060,912	27,524,206	
	Term finance certificates / Musharaka and Sukuk bonds	52,125,171	(5,990,161)	1,047,326	47,182,336	55,463,127	(5,200,180)	961,220	51,224,167	
	GoP foreign currency bonds	33,045,353	-	(18,622,514)	14,422,839	20,778,528	-	26,435	20,804,963	
Foreign Government securities	1,914,312	-	(30,359)	1,883,953	880,932	-	26,372	907,304		
2,956,904,810 (17,464,945) (7,462,594) 2,931,977,271 1,423,105,720 (12,302,887) 32,603,638 1,443,406,471										
Held-to-maturity securities										
10.5.1	Pakistan investment bonds	375,236,903	-	-	375,236,903	324,556,862	-	-	324,556,862	
	Market treasury bills	29,376,461	-	-	29,376,461	-	-	-	-	
	ijarah sukuk	13,130,709	-	-	13,130,709	-	-	-	-	
	Debentures, bonds, sukuk, participation term certificates and term finance certificates	404,585	(404,585)	-	-	407,164	(407,134)	-	30	
	Bai muajjal with Government of Pakistan	-	-	-	-	10,914,185	-	-	10,914,185	
	GoP foreign currency bonds	2,992,408	-	-	2,992,408	-	-	-	-	
	Foreign Government securities	36,096,507	-	-	36,096,507	34,091,600	-	-	34,091,600	
	Foreign currency debt securities	871	-	-	871	680	-	-	680	
	457,238,444 (404,585) - 456,833,859 369,970,491 (407,134) - 369,563,357									

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	2022			2021				
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Note	----- (Rupees in '000) -----							
10.8/10.14	4,926,048	(3,942,498)	-	983,550	4,970,863	(3,938,595)	-	1,032,268
10.11	2,362,433	-	-	2,362,433	2,362,433	-	-	2,362,433
10.2.4	2,952,967	(1,338,112)	-	1,614,855	3,906,750	(1,838,263)	-	2,068,487
Total investments	3,509,021,409	(23,150,140)	(8,517,395)	3,477,353,874	1,924,174,558	(18,486,879)	32,482,963	1,938,170,642
Investments by segments:								
Federal Government Securities								
Market Treasury Bills	880,497,512	-	(2,357,065)	878,140,447	812,380,044	-	(486,151)	811,893,893
Pakistan Investment Bonds	2,409,456,346	-	(28,540,473)	2,380,915,873	925,199,203	-	(8,212,332)	916,986,871
Bai Muajjal with Government of Pakistan	-	-	-	-	10,914,185	-	-	10,914,185
Ijarah Sukuks	33,648,948	-	(339,589)	33,309,359	14,000,979	-	(31,279)	13,969,700
Shares	3,323,602,806	-	(31,237,127)	3,292,365,679	1,762,494,411	-	(8,729,762)	1,753,764,649
10.12 / 10.13 / 10.14	42,026,055	(10,159,936)	4,792,925	36,659,044	34,146,109	(6,110,939)	11,749,467	39,784,637
Unlisted Companies	1,882,198	(427,951)	-	1,454,247	1,882,198	(410,893)	-	1,471,305
43,908,253	(10,587,887)	4,792,925	38,113,291	36,028,307	(6,521,832)	11,749,467	41,255,942	
Non Government Debt Securities								
Term Finance Certificates / Musharaka / Bonds / Debentures and Sukuk Bonds								
Listed	14,940,898	(130,027)	335,083	15,145,954	15,629,231	(130,027)	517,227	16,016,431
Unlisted	37,588,859	(6,264,720)	712,243	32,036,382	40,241,060	(5,477,287)	443,993	35,207,766
52,529,757	(6,394,747)	1,047,326	47,182,336	55,870,291	(5,607,314)	961,220	51,224,197	
Foreign Securities								
Government securities								
GoP Foreign Currency Bonds	36,037,761	-	(18,622,514)	17,415,247	20,778,528	-	26,435	20,804,963
Foreign Government Securities	38,010,819	-	(30,359)	37,980,460	34,972,532	-	26,372	34,998,904
Non Government Debt securities								
Foreign Currency Debt Securities	871	-	-	871	680	-	-	680
74,049,451	-	(18,652,873)	55,396,578	55,751,740	-	52,807	55,804,547	
Preference shares	2,006,756	(845,730)	209,451	1,370,477	1,706,823	(539,708)	98,614	1,265,729



# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	2022			2021				
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
Note	(Rupees in '000)							
Investments in mutual funds	2,219,646	(41,167)	941,952	3,120,431	619,646	(41,167)	1,289,705	1,868,184
Ordinary shares of a bank outside Pakistan	463,294	-	34,380,951	34,844,245	463,294	-	27,060,912	27,524,206
Associates								
- Listed								
10.14	157,429	(47,429)	-	110,000	157,429	(17,229)	-	140,200
First Credit and Investment Bank Limited	39,710	(39,710)	-	-	39,710	(39,710)	-	-
Land Mark Spinning Mills Limited	218,535	(218,535)	-	-	218,535	(218,535)	-	-
S.G. Allied Business Limited	49,060	(49,060)	-	-	49,060	(49,060)	-	-
Nina Industries Limited	600,000	(191,856)	-	408,144	600,000	(109,728)	-	490,272
NBP Stock Fund	3,665,605	(3,200,201)	-	465,404	3,665,605	(3,263,810)	-	401,795
Agritech Limited								
10.7	4,730,339	(3,746,791)	-	983,548	4,730,339	(3,698,072)	-	1,032,267
10.8								
- Unlisted								
Pakistan Emerging Venture Limited	50,563	(50,563)	-	-	50,563	(50,563)	-	-
National Fructose Company Limited	6,500	(6,500)	-	-	6,500	(6,500)	-	-
National Assets Insurance Company Limited	-	-	-	-	44,817	(44,817)	-	-
Dadabhoj Energy Supply Company Limited	32,105	(32,105)	-	-	32,105	(32,105)	-	-
Pakistan Mercantile Exchange Limited	106,539	(106,539)	-	-	106,539	(106,539)	-	-
10.10	195,707	(195,707)	-	-	240,524	(240,524)	-	-
	4,926,046	(3,942,498)	-	983,548	4,970,863	(3,938,596)	-	1,032,267
Joint Venture								
United National Bank Limited	2,362,433	-	-	2,362,433	2,362,433	-	-	2,362,433
10.11								
Subsidiaries								
CJSC Subsidiary Bank of NBP in Kazakhstan	2,185,644	(1,181,866)	-	1,003,778	2,185,644	(1,181,866)	-	1,003,778
CJSC Subsidiary Bank of NBP in Tajikistan	-	-	-	-	953,783	(500,151)	-	453,632
NBP Exchange Company Limited	300,000	-	-	300,000	300,000	-	-	300,000
NBP Modaraba Management Company Limited	105,000	(105,000)	-	-	105,000	(105,000)	-	-
Taurus Securities Limited	24,725	-	-	24,725	24,725	-	-	24,725
Cast-N-Link Products Limited	1,245	(1,245)	-	-	1,245	(1,245)	-	-
NBP Funds Management Limited	336,353	(50,000)	-	286,353	336,353	(50,000)	-	286,353
	2,952,967	(1,338,111)	-	1,614,856	3,906,750	(1,838,262)	-	2,068,488
Total investments	3,509,021,409	(23,150,140)	(8,517,395)	3,477,353,874	1,924,174,558	(18,486,879)	32,482,963	1,938,170,642

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

10.2.1	Investments given as collateral	2022		2021	
		----- (Rupees in '000) -----		----- (Rupees in '000) -----	
	Pakistan Investment Bonds		1,136,497,472		30,682,290
	Market Treasury Bills		689,709,291		96,128,050
			<b>1,826,206,763</b>		<b>126,810,340</b>

10.2.2	Associates	----- (Rupees in '000) -----						
		Number of shares	Percentage of holding	Country of incorporation	Based on the financial statements as at	Assets	Liabilities	Revenue
	<b>Listed</b>							
	First Credit and Investment Bank Limited	20,000,000	30.77	Pakistan	June 30, 2022	2,052,274	1,330,436	134,082
	National Fibres Limited	17,030,231	20.19	Pakistan	N/A	-	-	8,189
	Land Mark Spinning Mills Limited	3,970,859	32.79	Pakistan	June 30, 2022	144,598	254,888	-
	SG Allied Businesses Limited	3,754,900	25.03	Pakistan	June 30, 2022	1,233,803	552,420	(14,291)
	Nina Industries Limited	4,906,000	20.27	Pakistan	N/A	-	-	(10,794)
								(9,407)
	AgriTech Limited	106,014,565	27.01	Pakistan	December 31, 2021	67,216,574	63,460,781	(2,684,871)
	NBP Stock Fund	31,347,444	3.16	Pakistan	June 30, 2022	13,817,269	149,653	(2,370,780)
	<b>Unlisted</b>							
	Pakistan Emerging Venture Limited	12,500,000	33.33	Pakistan	June 30, 2022	478	404	56
	National Fructose Company Limited	1,300,000	39.50	Pakistan	N/A	-	-	(385)
	Venture Capital Fund Management	33,333	33.33	Pakistan	N/A	-	-	-
	Kamal Enterprises Limited	11,000	20.37	Pakistan	N/A	-	-	-
	Mehran Industries Limited	37,500	32.05	Pakistan	N/A	-	-	-
	Tharparkar Sugar Mills Limited	2,500,000	21.52	Pakistan	N/A	-	-	-
	Youth Investment Promotion Society	644,508	25.00	Pakistan	N/A	-	-	-
	Dadabhai Energy Supply Company Limited	9,900,000	23.11	Pakistan	N/A	-	-	-
	K-Agricole Limited	5,000	20.00	Pakistan	N/A	-	-	-
	New Pak Limited	200,000	20.00	Pakistan	N/A	-	-	-



# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	Number of shares	Percentage of holding	Country of incorporation	Based on the financial statements as at	Assets	Liabilities	Revenue	Profit / (loss) after taxation	Total comprehensive income / (loss)
(Rupees in '000)									
10.2.3	Pakistan Mercantile Exchange Limited	33.98	Pakistan	June 30, 2022	3,019,257	2,912,866	373,107	56,725	56,725
	Prudential Fund Management Limited	20.00	Pakistan	N/A	-	-	-	-	-
<b>Joint Venture</b>									
10.2.4	United National Bank Limited	45.00	United Kingdom	December 31, 2021	159,345,751	140,263,527	3,617,398	657,400	894,233
	<b>Subsidiaries</b>								
10.3	CJSC Subsidiary Bank of NBP in Kazakhstan	100.00	Kazakhstan	December 31, 2021	1,700,218	1,566	103,760	(57,131)	(57,131)
	NBP Exchange Company Limited	100.00	Pakistan	December 31, 2021	1,497,043	133,401	375,415	141,719	141,719
10.3.1	NBP Modaraba Management Company Limited	100.00	Pakistan	December 31, 2021	105,325	99,139	8,828	(13,317)	(13,317)
	Taurus Securities Limited	58.32	Pakistan	December 31, 2021	1,329,436	1,015,638	155,636	11,018	11,270
10.3.1	Cast-N-Link Products Limited	76.51	Pakistan	N/A	-	-	-	-	-
	NBP Fund Management Limited	54.00	Pakistan	June 30, 2022	2,897,230	1,535,503	1,210,137	238,221	235,015
<b>N/A: Not available</b>									
<b>Provision for diminution in value of investments</b>									
10.3	Opening balance						18,486,879	17,823,660	
	Charge / (reversals)						4,662,589	1,382,192	
10.3.1	Charge for the year						(850,070)	(718,973)	
	Reversals for the year						3,812,519	663,219	
10.3.1	Transfers-net						850,742	-	
	Closing balance						23,150,140	18,486,879	
<b>Particulars of provision against debt securities</b>									
<b>Category of classification</b>									
10.3.1	Domestic								
	Loss								
10.3.1	Total								

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

2022                      2021  
------(Rupees in '000)-----

## 10.4 Quality of available for sale securities

Details regarding quality of available for sale securities are as follows:

### Federal government securities - government guaranteed

Market treasury bills	828,851,708	721,635,763
Pakistan investment bonds	1,972,276,787	571,528,321
Ijarah sukuks	20,518,238	14,000,979
<b>Cost</b>	<b>2,821,646,733</b>	<b>1,307,165,063</b>

### Shares

#### Listed companies sector - wise

Automobile Assembler	1,775,528	614,233
Automobile Parts and Accessories	1,115,685	1,113,967
Cable and Electrical Goods	384,069	295,523
Cement	4,249,593	2,919,974
Chemical	627,704	788,003
Commercial Banks	6,575,004	3,648,181
Engineering	1,422,047	1,096,335
Fertilizer	2,985,056	1,929,148
Food and Personal Care	1,208,649	1,218,036
Glass and Ceramics	64,314	72,522
Insurance	1,642,671	1,642,720
Investment Banks / Investment companies / Securities companies	508,688	508,688
Leasing Companies	12,594	13,738
Leather and Tanneries	214,868	297,568
Oil and Gas Exploration Companies	2,686,730	2,702,776
Oil and Gas Marketing Companies	5,719,991	6,117,686
Paper and Board	718,972	675,319
Pharmaceuticals	1,000,104	995,798
Power Generation and Distribution	3,046,397	3,000,787
Real Estate Investment Trust	305,972	305,972
Refinery	756,715	447,422
Sugar and Allied Industries	259,483	260,476
Synthetic and Rayon	15,499	32,622
Technology and Communication	1,040,079	754,027
Textile Composite	1,918,908	1,552,549
Textile Spinning	655,195	655,364
Transport	236,225	32,068
Miscellaneous	454,607	454,607
<b>Cost</b>	<b>41,601,347</b>	<b>34,146,109</b>



## Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

Unlisted companies entity-wise	2022		2021	
	Cost	Breakup value	Cost	Breakup value
----- (Rupees in '000) -----				
Digri Sugar Mills Limited	4,063	135,585	4,063	135,585
Gelcaps Pakistan Limited	4,665	2,961	4,665	8,842
Pakistan Agriculture Storage Service Corporation	5,500	3,551,928	5,500	3,557,522
Al Ameen Textile	328	N/A	328	N/A
Professional Management Modaraba (Formerly Al Zamin Modarba Management (Private) Limited)	1,000	2,134	1,000	2,134
AMZ Venture Limited Class A	123	N/A	123	N/A
Arabian Sea Country Club	6,500	(7,664)	6,500	(6,810)
Atlas Power Limited	375,000	1,282,850	375,000	1,544,905
Attock Textile Mills Limited	200	N/A	200	N/A
Pakistan Mortgage Refinance Company Limited	600,000	1,510,050	600,000	1,006,700
F.T.C. Management Company Private Limited	250	42,759	250	40,094
Fauji Akbar Portia Marines Terminal Limited	321,076	593,184	321,076	570,681
Fauji Oil Terminals and Distribution Limited	10,886	130,687	10,886	119,741
First Women Bank Limited	21,100	79,733	21,100	79,733
Fortune Securities Limited	5,000	8,804	5,000	11,411
Frontier Textile Mills Limited	500	272	500	272
Gulistan Power Generation Limited	2,200	8,096	2,200	8,096
Hazara Woolen Mills Limited	200	N/A	200	N/A
Industrial Development Bank of Pakistan	107	N/A	107	N/A
Inter Asia Leasing Company Limited	500	N/A	500	N/A
ISE Towers REIT Management Company Limited	30,346	52,988	30,346	50,902
Junaid Cotton Mills Limited	327	N/A	327	N/A
Kaisar Arts and Krafts Limited	8,395	N/A	8,395	N/A
Kaytex Mills Limited	3,778	N/A	3,778	N/A
Mian Mohammad Sugar Mills Limited	15	N/A	15	N/A
Muslim Ghee Mills Limited	1,810	N/A	1,810	N/A
Myfip Video Industries Limited	5,373	N/A	5,373	N/A
National Asset Leasing Corporation Limited	14	N/A	14	N/A
National Construction Limited	250	597	250	597
National Institution of Facilitation Technology (Private) Limited	1,526	64,687	1,526	35,899
National Investment Trust Limited	100	910,231	100	1,003,283
National Woolen Mills Limited	183	N/A	183	N/A
Natover Lease and Refinance	2,602	N/A	2,602	N/A
Nowshehra Engineering Works Limited	41	N/A	41	N/A
Pakistan Export Finance Guarantee Agency Limited	11,529	1,152	11,529	1,152
Pakistan Paper Corporation Limited	373	N/A	373	N/A
Pakistan Telephone Cables	143	N/A	143	N/A
Pakistan Textile City	100,000	12,410	100,000	12,410

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

Unlisted companies entity-wise	2022		2021	
	Cost	Breakup value	Cost	Breakup value
	------(Rupees in '000)-----			
Pakistan Tourism Development Corporation	100	138	100	83
People Steel Mills Limited	3,276	N/A	3,276	N/A
Qadri Textile Mills Limited	500	N/A	500	N/A
Rehman Cotton Mills Limited	16,958	107,895	16,958	107,895
Refrigerator Manufacturing Company Limited	4,589	N/A	4,589	N/A
Rousch Power Pakistan Limited	132,888	1,089,730	132,888	1,503,561
Ruby Rice and General Mills Limited	750	N/A	750	N/A
Sahrish Textile Mills	21	N/A	21	N/A
Shoaib Capital	272	544	272	544
SME Bank Limited	26,950	(318)	26,950	(318)
South Asia Regional Fund	287	N/A	287	N/A
Star Salica Industries Limited	267	N/A	267	N/A
Syed Match Industries	2	N/A	2	N/A
Union Insurance Company of Pakistan	4	N/A	4	N/A
Unity Modaraba	28	N/A	28	N/A
Zafar Textiles Mills Limited	257	N/A	257	N/A
Zulsham Engineering Works Limited	330	N/A	330	N/A
Information System Associates Limited	1,719	N/A	1,719	N/A
1 Link (Pvt) Limited	50,000	428,290	50,000	267,895
Pakistan Corporate Restructuring Company Limited	96,000	N/A	96,000	N/A
Pakvitae (Private) Limited	21,000	N/A	21,000	N/A
	<b>1,882,198</b>		<b>1,882,198</b>	

N/A: Not available

Non Government Debt Securities	2022	2021
	------(Rupees in '000)-----	
<b>Listed</b>		
- AA+, AA, AA-	8,010,870	8,665,870
- A+, A, A-	800,000	833,334
- Unrated	6,130,027	6,130,027
<b>Cost</b>	<b>14,940,897</b>	<b>15,629,231</b>
<b>Unlisted</b>		
- AAA	18,927,154	22,132,940
- AA+, AA, AA-	5,151,626	4,609,273
- A+, A, A-	2,147,091	2,745,811
- BBB+, BBB, BBB-	299,760	299,760
- Unrated	10,658,643	10,046,112
<b>Cost</b>	<b>37,184,274</b>	<b>39,833,896</b>



## Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

### Foreign Securities

Government Securities	2022		2021	
	Cost	Rating	Cost	Rating
	(Rupees in '000)		(Rupees in '000)	
USA	1,914,312	AA+	880,932	AA+

2022                      2021  
----- (Rupees in '000) -----

### 10.5 Particulars relating to Held to Maturity securities are as follows:

#### Federal Government Securities - Government guaranteed

Market Treasury Bills	29,376,461	-
Pakistan Investment Bonds	375,236,903	324,556,862
Ijarah sukuks	13,130,709	-
Bai muajjal with Government of Pakistan	-	10,914,185
<b>Cost</b>	<b>417,744,073</b>	<b>335,471,047</b>

#### Non Government Debt Securities

##### Unlisted

- Unrated

<b>Cost</b>	<b>404,585</b>	<b>407,164</b>
-------------	----------------	----------------

### Foreign Securities

Government Securities	2022		2021	
	Cost	Rating	Cost	Rating
	(Rupees in '000)		(Rupees in '000)	
Azerbaijan	826,514	BB+	204,494	BB+
Bangladesh	31,087,653	BB-	29,672,064	Ba3
Kyrgyzstan	814,349	B3	841,944	B2
Kingdom of Saudi Arabia	3,367,991	A+	2,631,097	A
Korea	-	-	742,001	AA
	<b>36,096,507</b>		<b>34,091,600</b>	

2022                      2021  
----- (Rupees in '000) -----

#### Non Government Debt Securities

##### Listed

- Unrated - Cost

<b>871</b>	<b>680</b>
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10.5.1 The market value of securities classified as held-to-maturity as at December 31, 2022 amounted to Rs. 436,150 million (2021: Rs. 366,869 million).

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

## 10.6 Investment in shares of a bank incorporated outside Pakistan - Bank Al-Jazira

The Bank holds 30,333,333 (2021: 30,333,333) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 3.7% (2021: 3.7%) holding in total equity of BAJ. The investment has been marked to market using closing price as quoted on the Saudi Stock Exchange in accordance with SBP concurrence vide letter No. BSD/SU-13/331/685/2006 dated February 17, 2006. BAJ's Viability Rating is bb+ with short term and long term IDR at F2 and BBB+ respectively by Fitch Rating Agency.

**10.7** Out of 106,014,565 shares, 94,273,510 shares of Agritech Limited were acquired from Azgard Nine Limited as part of multiple agreements including the Master Restructuring Agreement (MRA). These shares were acquired at an agreed price of Rs. 35 per share. The market value of the shares at December 31, 2022 amounted to Rs. 4.39 per share resulting in an impairment of Rs. 3,200 million (2021: Rs. 3,264 million) which has been fully recorded in these unconsolidated financial statements.

**10.8** Aggregate market value of investment in associates (quoted) on the basis of quoted prices amounts to Rs. 1,742 million (2021: Rs. 1,880 million).

**10.9** Associates with zero carrying amount, represent the investments acquired from former National Development Finance Corporation (NDFC) which have negative equity or whose operations were closed at the time of amalgamation.

**10.10** The details of break-up value based on latest available financial statements of unlisted investments in associates are as follows:

	Year / Period ended	Break-up value Rupees in '000
Pakistan Emerging Venture Limited	June 30, 2022	25
Mehran Industries Limited	June 30, 2001	5,681
Tharparkar Sugar Mills Limited	September 30, 2001	(83,140)
Prudential Fund Management	June 30, 2007	(2,482)
Dadabhoy Energy Supply Company Limited	June 30, 2007	103,952
Pakistan Mercantile Exchange Limited	June 30, 2022	36,149

	Note	2022 ------(Rupees in '000)-----	2021
<b>10.11 Investments in joint venture</b>			
United National Bank Limited (UNBL) (Incorporated in United Kingdom)	10.1 / 10.2 / 10.11.1	<u>2,362,433</u>	<u>2,362,433</u>

**10.11.1** Under a joint venture agreement, the Bank holds 20.25 million ordinary shares (45%) and United Bank Limited (UBL) holds 23.25 million ordinary shares (55%) in UNBL. In addition to ordinary shares, four preference shares categories as "A", "B", "C" and "D" have been issued and allotted. The "B" and "D" category shares are held by the Bank and category "A" and "C" are held by UBL. Dividends payable on "A" and "B" shares are related to the ability of the venture to utilize tax losses that have been surrendered to it on transfer of business from the Bank or UBL as appropriate. Dividends payable on "C" and "D" shares are related to loans transferred to the venture by the Bank or UBL that have been written-off or provided for at the point of transfer and the ability of the venture to realize in excess of such loan value.



## Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

- 10.12** The investments also include shares acquired under tri-partite consent agreement dated June 29, 2011. These strategic investments comprise of the shares of Pakistan State Oil (38,055,247 shares), shares of Sui Northern Gas Pipeline Limited (18,805,318 shares) and Pakistan Engineering Company (135,242 shares). The cost of these shares amounts to Rs. 4,603 million and market value as at December 31, 2022 amounts to Rs. 6,224 million. These shares have been frozen by the Government of Pakistan for sale in the equity market due to their proposed privatization and can not be sold without concurrence of privatization commission.
- 10.13** The investments also include 31,665,000 shares of Pakistan Reinsurance. The cost of these shares amounts to Rs. 220 million and market value as at December 31, 2022 amounts to Rs. 217 million. These shares can not be sold without concurrence of privatization commission.
- 10.14** The investment also include 20,000,000 shares of First Credit and Investment Bank. The cost of these shares amounts to Rs. 157 million and market value as at December 31, 2022 amounts to Rs. 110 million. These shares can not be disinvested without prior consultation with Ministry of Finance.

### 11. ADVANCES

		Performing		Non Performing		Total	
		2022	2021	2022	2021	2022	2021
Note		----- (Rupees in '000) -----					
	Loans, cash credits, running finances, etc.	1,168,258,464	1,045,675,022	190,545,941	183,077,586	1,358,804,405	1,228,752,608
	Islamic financing and related assets	46,381,315	42,316,269	654,980	712,762	47,036,295	43,029,031
11.1	Net investment in finance lease	35,384	47,548	-	-	35,384	47,548
	Bills discounted and purchased	18,598,616	19,199,730	14,106,504	14,147,881	32,705,120	33,347,611
11.2	Advances - gross	1,233,273,779	1,107,238,569	205,307,425	197,938,229	1,438,581,204	1,305,176,798
	Provision against advances						
	- Specific	-	-	190,710,861	179,311,722	190,710,861	179,311,722
	- General	17,348,539	12,472,591	-	-	17,348,539	12,472,591
11.4		17,348,539	12,472,591	190,710,861	179,311,722	208,059,400	191,784,313
	Advances - net of provision	1,215,925,240	1,094,765,978	14,596,564	18,626,507	1,230,521,804	1,113,392,485

#### 11.1 Net investment in finance lease

	2022				2021			
	Not later than one year	Later than one and upto five years	Over five years	Total	Not later than one year	Later than one and upto five years	Over five years	Total
----- (Rupees in '000) -----								
Lease rentals receivable	1,312	-	-	1,312	955	64	-	1,020
Residual value	34,237	-	-	34,237	46,536	185	-	46,721
Minimum lease payments	35,549	-	-	35,549	47,491	249	-	47,740
Less: Financial charges for future periods	165	-	-	165	191	1	-	192
Present value of minimum lease payments	35,384	-	-	35,384	47,300	248	-	47,548

The leases executed are for a term of 1 to 5 years. Security deposit is generally obtained upto 10% of the cost of leased assets at the time of disbursement. The Bank requires the lessee to insure the leased assets in favor of the Bank. Additional surcharge is charged on delayed rentals. The average return implicit ranges from 10.19% to 14.85% (2021: 10.19% to 14.85%) per annum.

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	2022	2021
	------(Rupees in '000)-----	
<b>11.2 Particulars of advances (Gross)</b>		
In local currency	1,315,938,249	1,178,151,941
In foreign currencies	122,642,955	127,024,857
	<b>1,438,581,204</b>	<b>1,305,176,798</b>

**11.3** Advances include Rs. 205,307 million (2021: Rs.197,938 million) which have been placed under non-performing status as detailed below.

	2022		2021	
Category of Classification	Non Performing Loans	Provision	Non Performing Loans	Provision
	------(Rupees in '000)-----			
<b>Domestic</b>				
Other Assets Especially Mentioned	1,780,995	73,114	1,941,221	94,550
Substandard	5,888,114	1,439,916	5,245,094	1,230,458
Doubtful	8,834,066	4,645,364	16,998,929	8,453,057
Loss	135,077,580	132,802,811	127,459,837	124,795,990
	<b>151,580,755</b>	<b>138,961,205</b>	<b>151,645,081</b>	<b>134,574,055</b>
<b>Overseas</b>				
Not past due but impaired				
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	331,133	165,566	286,746	143,373
>365 days	53,395,537	51,584,090	46,006,402	44,594,294
	<b>53,726,670</b>	<b>51,749,656</b>	<b>46,293,148</b>	<b>44,737,667</b>
<b>Total</b>	<b>205,307,425</b>	<b>190,710,861</b>	<b>197,938,229</b>	<b>179,311,722</b>

## 11.4 Particulars of provision against advances

		2022			2021		
		Specific	General	Total	Specific	General	Total
	Note	------(Rupees in '000)-----					
Opening balance		179,311,722	12,472,591	191,784,313	154,145,472	22,473,748	176,619,220
Exchange adjustments		8,339,198	107,952	8,447,150	4,277,260	50,984	4,328,244
Charge for the year		5,227,343	9,553,101	14,780,444	15,655,578	513,602	16,169,180
Reversals		(4,963,631)	(1,757,105)	(6,720,736)	(4,097,388)	(952,785)	(5,050,173)
		<b>263,712</b>	<b>7,795,996</b>	<b>8,059,708</b>	<b>11,558,190</b>	<b>(439,183)</b>	<b>11,119,007</b>
Amounts written off	11.5.2	(175,513)	-	(175,513)	(171,425)	-	(171,425)
Amounts charged off-agriculture financing	11.4.1.3	(56,258)	-	(56,258)	(110,733)	-	(110,733)
Transfer from general to specific provision		3,028,000	(3,028,000)	-	9,612,958	(9,612,958)	-
Closing balance		<b>190,710,861</b>	<b>17,348,539</b>	<b>208,059,400</b>	<b>179,311,722</b>	<b>12,472,591</b>	<b>191,784,313</b>



# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

## 11.4.1 Particulars of provision against advances

	2022			2021		
	Specific	General	Total	Specific	General	Total
	----- (Rupees in '000) -----					
In local currency	138,961,205	16,741,242	155,702,447	134,574,055	12,220,748	146,794,803
In foreign currencies	51,749,656	607,297	52,356,953	44,737,667	251,843	44,989,510
	190,710,861	17,348,539	208,059,400	179,311,722	12,472,591	191,784,313

**11.4.1.1** General provision includes provision amounting to Rs. 5,211 million (2021: Rs. 5,618) against consumer & SME finance portfolio as required by the Prudential Regulations issued by the SBP. General provision also includes Rs. 607 million (2021: Rs. 252 million) pertaining to overseas advances to meet the requirements of regulatory authorities of the respective countries in which the Bank operates.

Keeping in view the portfolio assessment and the estimated impact of adoption of IFRS 9, the Bank has also maintained a general provision of Rs. 11,530 million (2021: Rs. 6,603 million) against underperforming portfolio on prudent basis, in view of prevailing economic conditions. This general provision is in addition to the requirements of Prudential Regulations.

**11.4.1.2** The SBP has allowed specific relaxation to the Bank for non-classification of overdue loans of certain Public Sector Entities (PSEs) which are guaranteed by Government of Pakistan as non-performing loans up till December 31, 2022. No provision is required against these loans; however, mark-up is being suspended as required by the Prudential Regulations.

**11.4.1.3** These represent non-performing advances for agriculture finance which have been classified as loss and fully provided for more than 3 years. These non-performing advances have been charged off by extinguishing them against the provision held in accordance with Prudential Regulations for Agriculture Financing issued by the SBP. This charge off does not, in any way, prejudice the Bank's right of recovery from these customers.

	Note	2022 ----- (Rupees in '000) -----	2021 ----- (Rupees in '000) -----
<b>11.5 Particulars of write-offs</b>			
<b>11.5.1</b> Against provisions	11.5.2	169,175	171,425
<b>11.5.2</b> Write-offs of Rs. 500,000 and above			
- Domestic		128,797	44,536
- Overseas		-	81,364
	11.6	128,797	125,900
Write-offs of below Rs. 500,000		40,378	45,525
Total Write offs		169,175	171,425
Total Reversals		6,338	-

## 11.6 Details of loan write-off of Rs. 500,000/- and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962, the statement in respect of written-off loans or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended December 31, 2022 is given in Annexure-I to the unconsolidated financial statements (except where such disclosure is restricted by overseas regulatory authorities).

**11.7** Information related to Islamic financing and related assets is given in note 2 of Annexure II and is an integral part of these unconsolidated financial statements.

## 12. FIXED ASSETS

	Note	2022 ----- (Rupees in '000) -----	2021 ----- (Rupees in '000) -----
Capital work-in-progress	12.1	1,080,087	1,405,161
Property and equipment	12.2	56,025,755	52,701,215
		57,105,842	54,106,376

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

## 12.1 Capital work-in-progress

Civil works  
Equipment  
Advances to suppliers and contractors

	2022	2021
	----- (Rupees in '000) -----	
	1,010,529	1,335,603
	10,825	10,825
	58,733	58,733
	1,080,087	1,405,161

## 12.2 Property and equipment

2022									
Freehold land	Leasehold land	Building on freehold land	Building on leasehold land	Furniture and fixture	Computer and peripheral equipment	Electrical, office equipment	Vehicles	Assets held under finance lease - vehicles	Total

At January 1, 2022

Cost / revalued amount	20,370,445	19,465,743	6,524,947	5,131,378	6,820,804	4,979,128	7,596,952	1,963,459	165,253	73,018,109
Accumulated depreciation	-	-	(1,522,702)	(1,230,090)	(5,263,350)	(4,536,294)	(6,505,609)	(1,093,597)	(165,252)	(20,316,894)
Net book value	20,370,445	19,465,743	5,002,245	3,901,288	1,557,454	442,834	1,091,343	869,862	1	52,701,215

Year ended December 2022

Opening net book value	20,370,445	19,465,743	5,002,245	3,901,288	1,557,454	442,834	1,091,343	869,862	1	52,701,215
Additions	-	-	192,827	333,935	635,155	258,220	311,633	235,796	-	1,967,566
Movement in surplus on assets revalued	1,110,306	1,622,180	791,946	167,353	-	-	-	-	-	3,691,785
Disposals	-	-	-	-	(18,664)	(7,205)	(7,952)	(173,354)	-	(207,175)
Depreciation charge	-	-	(262,282)	(194,731)	(626,948)	(356,687)	(516,449)	(309,890)	-	(2,266,987)
Depreciation adjustment - disposal	-	-	-	-	15,425	7,205	7,899	125,172	-	155,701
Exchange rate adjustments	-	-	-	(11,024)	3,651	-	3,611	2,644	-	(1,118)
Other adjustments / transfers	(7,995)	-	(44,223)	(20,925)	-	-	57,911	-	-	(15,232)
Closing net book value	21,472,756	21,087,923	5,680,513	4,175,896	1,566,073	344,367	947,996	750,230	1	56,025,755

At December 31, 2022

Cost / revalued amount	21,472,756	21,087,923	7,465,497	5,600,717	7,440,946	5,230,143	7,962,155	2,028,545	165,253	78,453,935
Accumulated depreciation	-	-	(1,784,985)	(1,424,821)	(5,874,872)	(4,885,776)	(7,014,159)	(1,278,315)	(165,252)	(22,428,180)
Net book value	21,472,756	21,087,923	5,680,512	4,175,896	1,566,074	344,367	947,996	750,230	1	56,025,755

Rate of depreciation (percentage)

Nil	Nil	5% on book value	5% on book value	20% on cost	20% - 50% on cost	20% on cost	20% on cost
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## For the year ended December 31, 2022

### 12.2.1

The properties of the Bank have been revalued by the independent professional valuer as at December 31, 2022. The revaluation was carried out by an independent professional valuer, RBS Associates (Private) Limited (PBA registered valuer) on the basis of professional assessment of present market values. The total surplus against revaluation of fixed assets as at December 31, 2022, amounts to Rs. 47,734 million. Had there been no revaluation, the carrying amount of the revalued assets at December 31, 2022, would have been as follows:

12.2.2

12.2.3

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

## 12.3 Details of disposals of fixed assets to related parties

The particulars of disposal of fixed assets to related parties (Employees/Ex-Employees) are given below:

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Buyers name
------(Rupees in '000)-----							
Vehicles	1,969	394	394	-	As per Entitlement	Employee	Mr.Khawaja Amin Ul Azam
Vehicles	1,658	166	166	-	As per Entitlement	Employee	Mr.Ghulam Hussain Azhar
Vehicles	5,857	2,928	2,928	-	As per Entitlement	Ex-Employee	Mr.Muhammad Faraz Haider
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Imran Fayyaz
Vehicles	1,764	353	353	-	As per Entitlement	Employee	Mr.Saad Salman Dar
Vehicles	1,664	333	333	-	As per Entitlement	Ex-Employee	Mr.Sohail Hassan Butt
Vehicles	2,525	1,641	1,641	-	As per Entitlement	Ex-Employee	Mr.Manzur Ahmad
Vehicles	1,824	486	486	-	As per Entitlement	Ex-Employee	Mr.Jamil Ahmed
Vehicles	2,380	1,309	1,309	-	As per Entitlement	Ex-Employee	Ms.Rizwana Ammar
Vehicles	1,673	84	335	251	As per Entitlement	Employee	Muhammad Tariq Khattak
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Maj Shabbir Ahmed
Vehicles	1,764	353	353	-	As per Entitlement	Employee	Mr.Asir Hassan
Vehicles	18,450	1,845	1,845	-	As per Entitlement	Ex-President	Mr.Arif Usmani
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.M.Masood Rizwan
Vehicles	5,857	1,171	1,171	-	As per Entitlement	Employee	Mr.Fouad Farrukh
Vehicles	5,857	1,171	1,171	-	As per Entitlement	Employee	Mr.Faisal Ahmed Topra
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Arshad Zia
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Asim Nizam Siddiqui
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Aurangzeb Ahmed Shaikh
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Jalil Ahmed Tariq
Vehicles	1,664	-	166	166	As per Entitlement	Ex-Employee	Mr.Muhammad Sultan Jaffer
Vehicles	2,229	743	743	-	As per Entitlement	Ex-Employee	Mr.Amin Qazi,
Vehicles	2,723	2,133	2,133	-	As per Entitlement	Employee	Mr.Muhammad Amjad
Vehicles	2,875	1,725	1,725	-	As per Entitlement	Ex-Employee	Mr.Hidayat Ali Shar
Vehicles	2,525	1,431	1,431	-	As per Entitlement	Employee	Mr.Muhammad Akram Khan
Vehicles	2,380	1,190	1,190	-	As per Entitlement	Employee	Mr.Muhammad Saleem Tahir
Vehicles	2,525	1,263	1,263	-	As per Entitlement	Employee	Mr.Syed Waseem Akhtar
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Rana Muhammad Asif Wakeel
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Nasir Mahmood
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Parkash
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Ghazanfar Abbas Khan
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Muhammad Shafqat Fateen
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Munir Khan
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Syed M.Shahid
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Nafees Ahmed
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Rasheed Ahmed
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Ibrahim M.Sadiq
Vehicles	2,380	1,150	1,150	-	As per Entitlement	Ex-Employee	Mr.Abdul Wajid
Vehicles	1,658	-	166	166	As per Entitlement	Ex-Employee	Mr.Wajid Ali
Vehicles	2,695	1,976	1,976	-	As per Entitlement	Employee	Mr.Kaleemullah Shaikh
Vehicles	2,525	1,305	1,305	-	As per Entitlement	Employee	Mr.Naveed Asghar
Vehicles	1,824	304	365	61	As per Entitlement	Employee	Mr.Abid Sharif
Vehicles	1,824	304	365	61	As per Entitlement	Employee	Mr.Syed Zamin Raza
Vehicles	1,824	304	365	61	As per Entitlement	Employee	Mr.Tariq Mehmood Rashid
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Muhammad Farooq
Vehicles	1,824	334	365	30	As per Entitlement	Employee	Mr.Amir Faraz
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Zia Ul Haq
Vehicles	2,695	2,066	2,066	-	As per Entitlement	Ex-Employee	Mr.Muhammad Saifuddin
Vehicles	1,673	-	167	167	As per Entitlement	Employee	Mr.Faisal Haq Khan



## Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Buyers name
------(Rupees in '000)-----							
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Ms.Fauzia Mumtaz
Vehicles	1,949	357	390	32	As per Entitlement	Employee	Mr.Khalid Pervaiz
Vehicles	1,899	348	380	32	As per Entitlement	Employee	Mr.M.Shoaib Qaisrani
Vehicles	1,824	334	365	30	As per Entitlement	Employee	Mr.Iqbal Wahid
Vehicles	2,029	406	406	-	As per Entitlement	Employee	Mr.Wajahat Aziz Qureshi
Vehicles	2,229	446	446	-	As per Entitlement	Employee	Mr.Abdul Rahim Haroon
Vehicles	1,949	390	390	-	As per Entitlement	Employee	Mr.Ahsan Raza
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Naeem Malik
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Mumtaz Ali Bhutto
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Tanvir Ahmad
Vehicles	1,824	334	365	30	As per Entitlement	Employee	Mr.Waqar Ahmed Zakori
Vehicles	1,899	348	380	32	As per Entitlement	Employee	Mr.Syed Imran Ghani
Vehicles	1,824	334	365	31	As per Entitlement	Employee	Ms.Munazza Abdul Majeed
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.M.Naseem Yousuf
Vehicles	2,029	304	406	101	As per Entitlement	Employee	Mr.Zubaid Ali Shaikh
Vehicles	2,029	372	406	34	As per Entitlement	Employee	Mr.Ehtesham Rashid
Vehicles	1,949	357	390	32	As per Entitlement	Employee	Mr.Chaudhry M.Waseef Aslam
Vehicles	2,695	1,931	1,931	-	As per Entitlement	Employee	Mr.Muhammad Arshad
Vehicles	2,703	1,982	1,982	-	As per Entitlement	Employee	Mr.Fouad Mohsin
Vehicles	2,525	1,094	1,094	-	As per Entitlement	Ex-Employee	Mr.Muhammad Iqbal Malik
Vehicles	2,229	483	483	-	As per Entitlement	Ex-Employee	Mr.Shahid Majeed,
Vehicles	2,855	1,142	1,142	-	As per Entitlement	Ex-Employee	Mr.Shahid Iqbal Dar
	171,299	48,182	49,500	1,318			
Computer & peripheral equipments	112	-	11	11	As per Entitlement	Ex-Employee	Mr.Muhammad Hassan Zahid
Computer & peripheral equipments	96	-	10	10	As per Entitlement	Ex-Employee	Mr.Syed Muhammad Raza
Computer & peripheral equipments	64	-	6	6	As per Entitlement	Employee	Mr. Mashood Shahid
Computer & peripheral equipments	107	-	11	11	As per Entitlement	Ex-Employee	Mr.Muhammad Noman Siddiqui
Computer & peripheral equipments	124	-	12	12	As per Entitlement	Employee	Mr.Khawar Saeed
Computer & peripheral equipments	99	-	10	10	As per Entitlement	Ex-Employee	Ms.Rizwana Anmar
Computer & peripheral equipments	106	-	11	11	As per Entitlement	Employee	Mr.Maj (R) Shabbir Ahmed
Computer & peripheral equipments	123	-	12	12	As per Entitlement	Employee	Mr.Heera Nand Khatri
Computer & peripheral equipments	64	-	6	6	As per Entitlement	Employee	Mr.Waseem Azhar
Computer & peripheral equipments	94	-	9	9	As per Entitlement	Employee	Mr.Shoaib Ahmed Chaudry
Computer & peripheral equipments	104	-	10	10	As per Entitlement	Employee	Mr.Mukesh Kumar Jeswani
Computer & peripheral equipments	50	-	5	5	As per Entitlement	Employee	Mr.Tahir Sartaj
Computer & peripheral equipments	64	-	6	6	As per Entitlement	Employee	Mr.Awais Memon
Computer & peripheral equipments	123	-	12	12	As per Entitlement	Employee	Mr.Haris Muzaffar
Computer & peripheral equipments	99	-	10	10	As per Entitlement	Employee	Mr.Syed Alay Raza
Computer & peripheral equipments	67	-	7	7	As per Entitlement	Employee	Mr.Fawad Ahsan
Computer & peripheral equipments	64	-	6	6	As per Entitlement	Employee	Mr.Asif Ishaq
Computer & peripheral equipments	114	-	11	11	As per Entitlement	Employee	Mr.Ahmed Naseem
Computer & peripheral equipments	106	-	11	11	As per Entitlement	Employee	Mr.Abdul Majid Sheikh
Computer & peripheral equipments	120	-	12	12	As per Entitlement	Employee	Mr.Muhammad Arshad Khan
Computer & peripheral equipments	109	-	11	11	As per Entitlement	Employee	Mr.Muhammad Shoaib
Computer & peripheral equipments	127	-	13	13	As per Entitlement	Employee	Mr.Arsalan Abdul Samad
Computer & peripheral equipments	122	-	12	12	As per Entitlement	Employee	Mr.Hakim Ali Laghari
Computer & peripheral equipments	64	-	6	6	As per Entitlement	Employee	Mr.Muhammad Hasnain Raza
Computer & peripheral equipments	100	-	10	10	As per Entitlement	Employee	Mr.Tanvir Ahmed
Computer & peripheral equipments	121	-	12	12	As per Entitlement	Employee	Mr.Shakir Ahmed Lakhana
Computer & peripheral equipments	64	-	6	6	As per Entitlement	Employee	Mr.Akif Badar

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Buyers name
------(Rupees in '000)-----							
Computer & peripheral equipments	112	-	11	11	As per Entitlement	Employee	Mr.Muhammad Rizwan Yasin
Computer & peripheral equipments	100	-	10	10	As per Entitlement	Employee	Mr.Javed Ashraf
Computer & peripheral equipments	109	-	11	11	As per Entitlement	Employee	Mr.Qazafi Soomro
Computer & peripheral equipments	146	-	-	-	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Computer & peripheral equipments	95	-	-	-	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Computer & peripheral equipments	192	-	19	19	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Computer & peripheral equipments	101	-	10	10	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Computer & peripheral equipments	96	-	10	10	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Computer & peripheral equipments	285	-	29	28	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
	3,841	-	360	360			
Electrical & Office equipments	50	-	-	-	As per Entitlement	Ex-Employee	Mr.Muhammad Hassan Zahid
Electrical & Office equipments	50	-	-	-	As per Entitlement	Ex-Employee	Mr.Kaleemullah Shaikh
Electrical & Office equipments	50	-	-	-	As per Entitlement	Ex-Employee	Ms.Rizwana Ammar
Electrical & Office equipments	115	-	-	-	As per Entitlement	Ex-Employee	Mr.Amin Qazi
Electrical & Office equipments	115	-	-	-	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Electrical & Office equipments	52	-	-	-	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Electrical & Office equipments	97	-	-	-	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Electrical & Office equipments	115	-	-	-	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Electrical & Office equipments	35	-	-	-	As per Entitlement	Ex-Employee	Mr.Parkash Lal Khetpal
	678	-	-	-			
Furniture and fixture	190	1	1	-	As per Entitlement	Ex-Employee	Mr.Muhammad Hanif
Furniture and fixture	190	43	43	-	As per Entitlement	Ex-Employee	Mr.Sajid Mirza
Furniture and fixture	160	68	68	-	As per Entitlement	Ex-Employee	Mr.Syed Shad Ahmed
Furniture and fixture	160	141	141	-	As per Entitlement	Ex-Employee	Mr.Atta Ullah Zia
Furniture and fixture	160	64	64	-	As per Entitlement	Ex-Employee	Mr.Muhammad Shoaib
Furniture and fixture	160	30	30	-	As per Entitlement	Ex-Employee	Mr.Sultan Ahmed
Furniture and fixture	200	85	85	-	As per Entitlement	Ex-Employee	Mr.Sohail Hassan Butt
Furniture and fixture	160	69	69	-	As per Entitlement	Ex-Employee	Mr.Muhammad Iqbal
Furniture and fixture	200	-	-	-	As per Entitlement	Ex-Employee	Mr.Sohail Ahmed
Furniture and fixture	200	80	80	-	As per Entitlement	Ex-Employee	Mr.Rizwana Ammar
Furniture and fixture	200	52	52	-	As per Entitlement	Ex-Employee	Mr.Ghulam Hussain Azhar
Furniture and fixture	200	19	19	-	As per Entitlement	Ex-Employee	Mr.Jamil Ahmed
Furniture and fixture	160	68	68	-	As per Entitlement	Ex-Employee	Mr.Muhammad Khalid Awa
Furniture and fixture	160	47	47	-	As per Entitlement	Ex-Employee	Mr.Amjad Ali Abbasi
Furniture and fixture	190	32	32	-	As per Entitlement	Ex-Employee	Mr.Aftab Ghani
Furniture and fixture	200	58	58	-	As per Entitlement	Ex-Employee	Mr.Nadeem Khan
Furniture and fixture	160	61	61	-	As per Entitlement	Ex-Employee	Mr.Muhammad Younas Raz
Furniture and fixture	160	45	45	-	As per Entitlement	Ex-Employee	Mr.Noor Ahmed Memon
Furniture and fixture	190	13	13	-	As per Entitlement	Ex-Employee	Mr.Muhammad Qasim
Furniture and fixture	160	11	11	-	As per Entitlement	Ex-Employee	Mr.Hadi Bakhsh S Memon
Furniture and fixture	200	37	37	-	As per Entitlement	Ex-Employee	Mr.Muhammad Akram Khan
Furniture and fixture	200	20	20	-	As per Entitlement	Ex-Employee	Mr.Muhammad Amjad
Furniture and fixture	160	11	11	-	As per Entitlement	Ex-Employee	Mr.Humayun Naseer Khan
Furniture and fixture	190	12	12	-	As per Entitlement	Ex-Employee	Mr.Imtiaz Ahmed Arain
Furniture and fixture	160	69	69	-	As per Entitlement	Ex-Employee	Ms.Late Naheed Kausar
Furniture and fixture	190	9	9	-	As per Entitlement	Ex-Employee	Mr.Sadaqat Hussain Shah
Furniture and fixture	200	10	10	-	As per Entitlement	Ex-Employee	Mr.Muhammad Sultan Jaffar



## Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Buyers name
------(Rupees in '000)-----							
Furniture and fixture	200	80	80	-	As per Entitlement	Ex-Employee	Mr.Nazir Ahmed Dayo
Furniture and fixture	160	79	79	-	As per Entitlement	Ex-Employee	Mr.Abdul Hameed
Furniture and fixture	160	79	79	-	As per Entitlement	Ex-Employee	Mr.Ghulam Qadir Chand
Furniture and fixture	200	33	33	-	As per Entitlement	Ex-Employee	Mr.Muhammad Saleem Tahir
Furniture and fixture	160	44	44	-	As per Entitlement	Ex-Employee	Mr.Muhammad Ashraf
Furniture and fixture	160	40	40	-	As per Entitlement	Ex-Employee	Mr.Fahimuddin
Furniture and fixture	200	73	73	-	As per Entitlement	Ex-Employee	Mr.Muhammad Saifuddin
Furniture and fixture	200	35	35	-	As per Entitlement	Ex-Employee	Mr.Abdul Wajid
Furniture and fixture	200	34	34	-	As per Entitlement	Ex-Employee	Mr.Syed Wasim Akhtar
Furniture and fixture	200	58	58	-	As per Entitlement	Ex-Employee	Mr.Syed Naveed Asghar
Furniture and fixture	200	32	32	-	As per Entitlement	Ex-Employee	Mr.Ijaz Ahmed
Furniture and fixture	190	48	48	-	As per Entitlement	Ex-Employee	Mr.Muhammad Naeem Baig
Furniture and fixture	200	75	75	-	As per Entitlement	Ex-Employee	Mr.Wajid Ali
Furniture and fixture	200	75	75	-	As per Entitlement	Ex-Employee	Mr.Allah Ditta Naul
Furniture and fixture	160	45	45	-	As per Entitlement	Ex-Employee	Mr.Badar Munir
Furniture and fixture	160	21	21	-	As per Entitlement	Ex-Employee	Mr.Zafar Ali
Furniture and fixture	160	36	36	-	As per Entitlement	Ex-Employee	Mr.Rooh Ullah Jan
Furniture and fixture	160	152	152	-	As per Entitlement	Ex-Employee	Ms.Saira Farman
Furniture and fixture	160	19	19	-	As per Entitlement	Ex-Employee	Mr.Humayun Shafiq
Furniture and fixture	160	7	7	-	As per Entitlement	Ex-Employee	Mr.Muhammad Fuad Mohsin
Furniture and fixture	160	60	60	-	As per Entitlement	Ex-Employee	Mr.Muhammad Taqi Leghari
Furniture and fixture	190	-	-	-	As per Entitlement	Ex-Employee	Mr.Akbar Hussain
Furniture and fixture	160	120	120	-	As per Entitlement	Ex-Employee	Mr.Syed Zafar Ali
Furniture and fixture	160	51	51	-	As per Entitlement	Ex-Employee	Mr.Javed Iqbal
Furniture and fixture	335	45	45	-	As per Entitlement	Ex-Employee	Mr.Shahid Iqbal Bar
Furniture and fixture	160	35	35	-	As per Entitlement	Ex-Employee	Mr.Aftab Gul
Furniture and fixture	160	3	3	-	As per Entitlement	Ex-Employee	Mr.Merajuddin Shaikh
Furniture and fixture	335	5	5	-	As per Entitlement	Ex-Employee	Mr.Shahid Majeed
Furniture and fixture	200	6	6	-	As per Entitlement	Ex-Employee	Mr.Muhammad Iqbal Malik
Furniture and fixture	200	72	72	-	As per Entitlement	Ex-Employee	Mr.Muhammad Arshad
Furniture and fixture	160	71	71	-	As per Entitlement	Ex-Employee	Mr.Fazal Ur Rehman
Furniture and fixture	160	35	35	-	As per Entitlement	Ex-Employee	Mr.Jahangir Ahmad
Furniture and fixture	190	74	74	-	As per Entitlement	Ex-Employee	Mr.Tanveer Ahmad
Furniture and fixture	190	76	76	-	As per Entitlement	Ex-Employee	Mr.Shahid Iqbal
Furniture and fixture	190	42	42	-	As per Entitlement	Ex-Employee	Mr.Tahir Mahmood
Furniture and fixture	160	123	123	-	As per Entitlement	Ex-Employee	Mr.Sheraz Ashraf Bajwa
Furniture and fixture	160	33	33	-	As per Entitlement	Ex-Employee	Mr.Muhammad Afzal
Furniture and fixture	190	8	8	-	As per Entitlement	Ex-Employee	Mr.Muhammad Javed Hassan
Furniture and fixture	160	44	44	-	As per Entitlement	Ex-Employee	Mr.Muhammad Aftab
Furniture and fixture	190	3	3	-	As per Entitlement	Ex-Employee	Mr.Shoukat Ali
Furniture and fixture	160	53	53	-	As per Entitlement	Ex-Employee	Mr.Saddique Akbar
Furniture and fixture	200	49	49	-	As per Entitlement	Ex-Employee	Mr.Muhammad Sultan Jaffar Svp
Furniture and fixture	160	7	7	-	As per Entitlement	Ex-Employee	Ms.Naila Zafar
	12,780	3,236	3,236	-			
	188,598	51,418	53,096	1,678			

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

13. INTANGIBLE ASSETS	Note	2022	2021
		----- (Rupees in '000) -----	
Capital work-in-progress		841,289	145,179
Intangible assets	13.1	547,658	502,791
		1,388,947	647,970
		Core Banking Application	Computer software
			Total
13.1 Intangible Assets		----- (Rupees in '000) -----	
At January 1, 2022			
Cost		2,913,952	1,678,915
Accumulated amortisation and impairment		(2,913,952)	(1,176,124)
Net book value		-	502,791
Year ended December 2022			
Opening net book value		-	502,791
Additions:			
- through acquisitions / purchase		-	296,497
Adjustments - addition		-	28,750
Amortisation charge		-	(323,149)
Exchange rate adjustments		-	42,770
Closing net book value		-	547,658
At December 31, 2022			
Cost		2,913,952	2,046,931
Accumulated amortisation and impairment		(2,913,952)	(1,499,273)
Net book value		-	547,658
Rate of amortisation (percentage)		33.33 % on cost	33.33 % on cost
Useful life		3 years	3 years
At January 1, 2021			
Cost		2,913,952	1,140,555
Accumulated amortisation and impairment		(2,913,952)	(836,742)
Net book value		-	303,813
Year ended December 2021			
Opening net book value		-	303,813
Additions:			
- through acquisition/purchase		-	304,412
Amortisation charge		-	(339,382)
Adjustments - additions		-	223,556
Exchange rate adjustments		-	10,392
Closing net book value		-	502,791
At December 31, 2021			
Cost		2,913,952	1,678,915
Accumulated amortisation and impairment		(2,913,952)	(1,176,124)
Net book value		-	502,791
Rate of amortisation (percentage)		33.33 % on cost	33.33 % on cost
Useful life		3 years	3 years



# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	2022	2021
	------(Rupees in '000)-----	
<b>13.2</b> The cost of fully amortised intangible assets that are still in use		
Core Banking Application	2,913,952	2,913,952
Computer software	821,389	414,906
	<b>3,735,341</b>	<b>3,328,858</b>
<b>14. RIGHT OF USE ASSETS</b>		
Opening balance	6,605,400	6,669,684
Additions during the year	2,244,669	1,894,476
Less: Derecognition during the year	6,618	27,387
Less: Depreciation charged for the year	2,135,047	1,931,373
<b>Closing balance</b>	<b>6,708,404</b>	<b>6,605,400</b>

## 15. DEFERRED TAX ASSETS

	At January 01, 2022	Recognised in profit and loss account	Recognised in other comprehensive income	At December 31, 2022
	------(Rupees in '000)-----			
Deductible temporary differences on				
- Tax losses carried forward	10,705	-	-	10,705
- Post retirement employee benefits	4,992,150	-	2,360,545	7,352,695
- Provision for diminution in the value of investments	236,751	-	-	236,751
- Provision against loans and advances	10,457,938	2,467,259	-	12,925,197
- Provision against off-balance sheet obligations	115,222	-	-	115,222
- Fixed assets	1,190,369	315,919	-	1,506,288
- Other provisions	105,416	-	-	105,416
- Right of use assets	502,538	168,066	-	670,604
	<b>17,611,089</b>	<b>2,951,244</b>	<b>2,360,545</b>	<b>22,922,878</b>
Taxable temporary differences on				
- Surplus on revaluation of fixed assets	(2,537,701)	149,127	(672,773)	(3,061,347)
- Surplus on revaluation of investments	(12,715,420)	-	15,924,333	3,208,913
- Surplus on revaluation of non-banking assets	(52,732)	-	30,980	(21,752)
- Exchange translation reserve	(679,589)	-	(69,700)	(749,289)
	<b>(15,985,442)</b>	<b>149,127</b>	<b>15,212,840</b>	<b>(623,475)</b>
	<b>1,625,647</b>	<b>3,100,371</b>	<b>17,573,385</b>	<b>22,299,403</b>

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	At January 01, 2021	Recognised in profit and loss account	Recognised in other comprehensive income	At December 31, 2021
------(Rupees in '000)-----				
Deductible temporary differences on				
- Tax losses carried forward	10,705	-	-	10,705
- Post retirement employee benefits	4,120,855	-	871,295	4,992,150
- Provision for diminution in the value of investments	236,751	-	-	236,751
- Provision against loan and advances	9,084,601	1,373,337	-	10,457,938
- Provision against off-balance sheet obligations	115,222	-	-	115,222
- Fixed assets	1,136,458	53,911	-	1,190,369
- Other provisions	105,416	-	-	105,416
- Right of use assets	-	502,538	-	502,538
	14,810,008	1,929,786	871,295	17,611,089
Taxable temporary differences on				
- Surplus on revaluation of fixed assets	(2,396,819)	133,040	(273,922)	(2,537,701)
- Surplus on revaluation of investments	(15,346,840)	-	2,631,420	(12,715,420)
- Surplus on revaluation of non-banking assets	(44,713)	-	(8,019)	(52,732)
- Exchange translation reserve	-	-	(679,589)	(679,589)
	(17,788,372)	133,040	1,669,890	(15,985,442)
	(2,978,364)	2,062,826	2,541,185	1,625,647

## 16. OTHER ASSETS

	Note	2022 ------(Rupees in '000)-----	2021
Income / return / mark-up accrued in local currency - net of provision		99,433,212	41,779,183
Income / return / mark-up accrued in foreign currency - net of provision		3,866,901	2,842,699
Advances, deposits, advance rent and other prepayments	16.1	2,987,346	3,870,355
Advance taxation (payments less provisions) and Income tax refunds receivable	16.6	10,952,064	12,824,850
Compensation for delayed tax refunds		20,809,580	19,221,431
Non-banking assets acquired in satisfaction of claims	16.4	1,179,943	1,195,660
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)		208,423	208,423
Mark to market gain on forward foreign exchange contracts		-	3,058,205
Acceptances		20,644,122	10,311,259
Commission receivable on Government treasury transactions		5,253,389	5,006,019
Stationery and stamps on hand		437,900	470,402
Barter trade balances		195,399	195,399
Receivable on account of Government transactions	16.2	323,172	323,172
Receivable from Government under VHS scheme	16.3	418,834	418,834
Receivable against sale of shares		156,755	11,083
Others		8,126,059	7,355,244
		174,993,099	109,092,218
Less: Provision held against other assets	16.5	12,244,043	11,700,956
Other assets (net of provision)		162,749,056	97,391,262
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		2,520,000	2,863,886
<b>Other assets - total</b>		<b>165,269,056</b>	<b>100,255,148</b>



## Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

- 16.1** This includes Rs. 1,400 million (2021: Rs. 2,800 million) advance against Pre-IPO placement of Term Finance Certificates and REIT Fund.
- 16.2** This represents amount receivable from GoP on account of encashment of various instruments handled by the Bank for GoP as an agent of the SBP. Due to uncertainty about its recoverability, full amount has been provided for.
- 16.3** This represents payments made under the Voluntary Handshake Scheme (VHS), recoverable from GoP. Due to uncertainty about its recoverability, full amount has been provided for.

	2022	2021
	------(Rupees in '000)-----	
<b>16.4</b> Market value of Non-banking assets acquired in satisfaction of claims	<b>3,699,943</b>	4,059,546

An independent valuation of the Bank's non-banking assets was performed by an independent professional valuer to determine the fair value of the assets as at December 31, 2022. The valuation was carried out by RBS Associates (Private) Limited (PBA registered valuer) on the basis of an assessment of present market values.

	2022	2021
	------(Rupees in '000)-----	
<b>16.4.1 Non-banking assets acquired in satisfaction of claims</b>		
Opening balance	4,059,546	3,968,329
(Deficit) / surplus	(343,886)	106,679
Depreciation	(15,717)	(15,462)
Closing balance	<b>3,699,943</b>	4,059,546
<b>16.5 Provision held against other assets</b>		
Income / mark-up accrued in local currency	152,607	152,607
Advances, deposits, advance rent and other prepayments	837,949	837,949
Stationery and stamps on hand	96,542	96,542
Barter trade balances	195,399	195,399
Receivable on account of Government transactions	323,172	323,172
Receivable from Government under VHS scheme	418,834	418,834
Protested bills	4,297,516	4,164,485
Ex-MBL / NDFC	770,398	770,398
Assets acquired from Corporate and Industrial Restructuring Corporation asset (CIRC)	208,423	208,423
Others	4,943,203	4,533,147
	<b>12,244,043</b>	11,700,956
<b>16.5.1 Movement in provision held against other assets</b>		
Opening balance	11,700,956	11,873,693
Charge for the year	562,955	72,205
Adjustment against provision	(19,868)	(244,942)
Closing balance	<b>12,244,043</b>	11,700,956
<b>16.6</b> During the year, the Bank has adjusted an amount of Rs. 7,475 million (2021: Rs. 11,322 million) against its advance tax liability and demand of previous tax year against income tax refunds receivables. Further, refunds amounting to Rs. 5,404 million were also determined.		

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	Note	2022 ------(Rupees in '000)-----	2021 -----
<b>17. BILLS PAYABLE</b>			
In Pakistan		54,969,587	21,775,348
Outside Pakistan		298,432	72,922
		<b>55,268,019</b>	<b>21,848,270</b>
<b>18. BORROWINGS</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan			
Under Export Refinance Scheme	18.2	38,217,784	34,250,502
Financing Scheme for Renewable Energy	18.3	1,019,611	740,493
Refinance Facility for Modernization of SMEs	18.4	43,824	130,288
Financing Facility for storage of Agriculture Produce (FFSAP)	18.5	667,327	526,479
Under Long Term Financing Facility (LTFF)	18.6	20,254,808	19,465,068
Refinance Scheme for Payment of Wages and Salaries	18.7	35,950	566,315
Temporary Economic Refinance Facility	18.8	24,126,421	12,122,947
Refinance Facility for Combating Covid-19	18.9	66,159	79,976
		<b>84,431,884</b>	<b>67,882,068</b>
Repurchase agreement borrowings	18.10	1,826,206,763	126,810,340
Bai Muajjal		-	72,195,209
<b>Total secured</b>		<b>1,910,638,647</b>	<b>266,887,617</b>
<b>Unsecured</b>			
Call borrowings	18.10	25,810,145	46,011,009
Overdrawn nostro accounts		-	26,480
Bai Muajjal		4,036,995	-
<b>Total unsecured</b>		<b>29,847,140</b>	<b>46,037,489</b>
		<b>1,940,485,787</b>	<b>312,925,106</b>
<b>18.1 Particulars of borrowings with respect to currencies</b>			
In local currency		1,923,848,931	275,739,772
In foreign currencies		16,636,856	37,185,334
		<b>1,940,485,787</b>	<b>312,925,106</b>

**18.2** The Bank has entered into an agreement with the SBP for extending export finance to customers. As per the terms of the agreement, the Bank has granted the SBP the right to recover the outstanding amounts from the Bank at the date of maturity of the finances by directly debiting the Bank's current account maintained with the SBP. These borrowings are repayable within 180 days. These carry mark-up at rates ranging from 0% to 12.00% (2021: 2.00%) per annum.



## Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

- 18.3** These borrowings have been obtained from the SBP for providing financing facilities to address challenges of energy shortage and climate change through promotion of renewable energy. These borrowings shall be repayable for a maximum period of twelve (12) years. These carry mark-up at rates ranging from 2.00% to 3.00% (2021: 2.00% to 3.00%) per annum.
- 18.4** These borrowings have been obtained from the SBP under a scheme to finance modernization of Small and Medium Enterprises by providing financing facilities for setting up of new units, purchase of new plant and machinery for Balancing, Modernization and Replacement (BMR) of existing units and financing for import / local purchase of new generators upto a maximum capacity of 500 KVA. These borrowings shall be repayable for a maximum period of ten years and carry mark-up at rates upto 2.00% (2021: 2.00%) per annum.
- 18.5** These borrowings have been obtained from the SBP for providing financing facilities to develop the agricultural produce marketing and enhance storage capacity, to encourage Private Sector to establish Silos, Warehouses and Cold Storages. These borrowings shall be repayable for a maximum period of ten years. These carry mark-up at rates ranging from 2.5% to 3.5% (2021: 2.5% to 3.5%) per annum.
- 18.6** These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These borrowings shall be repayable for a maximum period of ten years. These carry mark-up at rates ranging from 2.00% to 4.00% (2021: 1.50% to 3.00%) per annum.
- 18.7** These borrowings have been obtained from the SBP with a view to support businesses to continue payment of wages and salaries to their workers and employees in the aftermath corona virus (COVID-19) outbreak. These borrowings are repayable for a maximum period of 2.5 years. These carry mark-up at rates ranging from 1.00% to 2.00% (2021: 1.00% to 2.00%) per annum.
- 18.8** These borrowings have been obtained from the SBP under a scheme to provide concessionary refinance for setting up new industrial units in the backdrop of challenges faced by the industries during the pandemic. These borrowings are repayable for a maximum period of 10 years. These carry mark-up at rates ranging at 3.00% (2021: 3.00%) per annum.
- 18.9** These borrowings have been obtained from the SBP with a view to provide long term local currency finance for imported and locally manufactured medical equipment to be used for combating COVID – 19. The facility will be available to all the Hospitals and Medical Centres duly registered with respective provincial / federal agencies / commissions and engaged in controlling & eradication of COVID – 19. These borrowings are repayable for a maximum period of 5 years. These carry mark-up at rates at 0.00% (2021: 0.00%) per annum.
- 18.10** Mark-up / interest rates and other terms are as follows:
- Repurchase agreement borrowings carry mark-up ranging from 15.2% to 17% per annum (2021: 9.7% to 10.21% per annum) having maturity on January 03, 2023 to March 03, 2023.
  - Call borrowings carry interest ranging from 3% to 16.5% per annum (2021: 0.63% to 4.15% per annum).
- 18.11** Bai Muajjal borrowings carry mark-up rate of 16.42% per annum (2021: Nil) having maturity on January 03, 2023.
- 18.12** Borrowings from the SBP under export oriented projects refinance schemes of the SBP are secured by the Bank's cash and security balances held by the SBP.
- 18.13** Pakistan Investment Bonds and Market Treasury Bills having maturity of 2 - 10 Years and 3 - 12 Months respectively, are pledged as security under borrowing having carrying amount of Rs. 1,826,206 million (2021: Rs.126,810 million).

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

## 19. DEPOSITS AND OTHER ACCOUNTS

	2022			2021		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
<b>Note</b>	------(Rupees in '000)-----					
<b>Customers</b>						
Current deposits - remunerative	733,037,562	-	733,037,562	648,854,267	-	648,854,267
Current deposits - non-remunerative	408,169,670	159,575,493	567,745,163	476,510,388	145,931,064	622,441,452
Savings deposits	681,287,543	108,029,851	789,317,394	675,591,525	79,434,496	755,026,021
Term deposits	400,618,865	116,541,863	517,160,728	400,905,240	70,853,064	471,758,304
Others	9,563,715	7,855	9,571,570	-	6,463	6,463
	2,232,677,355	384,155,062	2,616,832,417	2,201,861,420	296,225,087	2,498,086,507
<b>Financial Institutions</b>						
Current deposits	5,964,408	3,479,121	9,443,529	445,782,844	1,155,463	446,938,307
Savings deposits	15,190,328	2,924,782	18,115,110	7,075,299	3,842,651	10,917,950
Term deposits	10,472,787	6,442,283	16,915,070	21,613,144	5,760,597	27,373,741
Others	4,878,234	-	4,878,234	35,838,540	-	35,838,540
	36,505,757	12,846,186	49,351,943	510,309,827	10,758,711	521,068,538
19.3	2,269,183,112	397,001,248	2,666,184,360	2,712,171,247	306,983,798	3,019,155,045

	2022	2021
	------(Rupees in '000)-----	
<b>19.1 Composition of deposits</b>		
Individuals	990,051,893	1,032,316,946
Government (Federal and Provincial)	1,101,408,344	931,199,067
Public Sector Entities	244,103,310	279,984,059
Banking companies	20,352,975	460,090,410
Non-Banking Financial Institutions	28,998,967	60,978,126
Private sector	281,268,871	254,586,437
	2,666,184,360	3,019,155,045

**19.2** Foreign currencies deposits includes deposit of foreign branches amounting to Rs. 75,917 million (2021: Rs. 75,485 million).

**19.3** This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 870,538 million (2021: Rs. 1,132,236 million) including islamic branches.



# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

		2022	2021
	Note	------(Rupees in '000)-----	
<b>20. LEASE LIABILITY AGAINST RIGHT OF USE ASSETS</b>			
Lease liabilities included in the statement of financial position			
As at December 31		<b>8,267,949</b>	7,893,960
Of which are:			
Current lease liability		<b>1,590,849</b>	1,524,809
Non-current lease liability		<b>6,677,100</b>	6,369,151
		<b>8,267,949</b>	7,893,960
<b>Maturity analysis - contractual undiscounted cash flows</b>			
Less than one year		<b>2,356,198</b>	2,199,012
One to five years		<b>6,557,449</b>	5,981,702
More than five years		<b>7,967,022</b>	6,500,876
Total undiscounted lease liabilities as at December 31		<b>16,880,669</b>	14,681,590
<b>21. OTHER LIABILITIES</b>			
Mark-up / Return / Interest payable in local currency		<b>126,228,969</b>	48,801,768
Mark-up / Return / Interest payable in foreign currency		<b>655,802</b>	384,638
Unearned commission and income on bills discounted		<b>252,539</b>	428,443
Accrued expenses		<b>13,865,133</b>	21,027,250
Acceptances		<b>20,644,122</b>	10,311,259
Advance payments		<b>350,895</b>	370,807
Unclaimed dividends		<b>181,851</b>	181,997
Mark to market loss on forward foreign exchange contracts		<b>125,371</b>	-
Unrealised loss on put option		-	306,339
Branch adjustment account		<b>1,916,850</b>	1,342,640
Payable to defined benefit plan:			
Pension fund	39.4	<b>23,063,894</b>	17,834,945
Post retirement medical benefits	39.4	<b>29,176,898</b>	24,516,717
Benevolent scheme	39.4	<b>1,697,838</b>	1,778,825
Gratuity scheme	39.4	<b>3,767,858</b>	3,168,258
Compensated absences	39.4	<b>8,734,235</b>	9,952,554
Provision against off-balance sheet obligations		<b>627,494</b>	627,494
Provision against contingencies	21.1	<b>4,170,799</b>	3,805,376
Staff welfare fund		<b>371,257</b>	371,257
Liabilities relating to barter trade agreements		<b>3,629,389</b>	3,006,122
Payable to brokers		<b>350,446</b>	155,001
PIBs shortselling		<b>11,043,029</b>	34,144,415
Others		<b>18,516,003</b>	16,143,418
		<b>269,370,672</b>	198,659,523

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	Note	2022 ------(Rupees in '000)-----	2021 ------(Rupees in '000)-----
<b>21.1</b>	<b>Provision against contingencies</b>		
Opening balance		3,805,376	4,180,071
Charge during the year		165,423	53,239
Other movement		200,000	200,000
Adjustment		-	(627,934)
Closing balance	21.1.1	<u>4,170,799</u>	<u>3,805,376</u>

21.1.1 This represents provision made on account of regulatory violations and reported instances of financial improprieties for which investigations are in progress.

## 22. SHARE CAPITAL

### 22.1 Authorized capital

2022 ------(Number of shares)-----	2021 ------(Number of shares)-----		2022 ------(Rupees in '000)-----	2021 ------(Rupees in '000)-----
<u>2,500,000,000</u>	<u>2,500,000,000</u>	Ordinary shares of Rs. 10 each	<u>25,000,000</u>	<u>25,000,000</u>

### 22.2 Issued, subscribed and paid up

2022 ------(Number of shares)-----	2021 ------(Number of shares)-----		2022 ------(Rupees in '000)-----	2021 ------(Rupees in '000)-----
<u>140,388,000</u>	140,388,000	Fully paid in cash	<u>1,403,880</u>	1,403,880
<u>1,987,125,026</u>	1,987,125,026	Issued as bonus shares	<u>19,871,251</u>	19,871,251
<u>2,127,513,026</u>	<u>2,127,513,026</u>		<u>21,275,131</u>	<u>21,275,131</u>

The Federal Government and the SBP hold 75.60% (2021: 75.60%) shares of the Bank.

### 22.3 Shares of the Bank held by subsidiary and associate

Following shares were held by the associate of the Bank as of year end:

	2022 ------(Number of shares)-----	2021 ------(Number of shares)-----
First Credit & Investment Bank Limited	<u>70,000</u>	<u>70,000</u>
	<u>70,000</u>	<u>70,000</u>

## 23. RESERVES

### 23.1 Exchange translation reserve

This comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

### 23.2 Statutory reserve

Every bank incorporated in Pakistan is required to transfer 20% of their profits to a statutory reserve until the reserve equals share capital, thereafter 10% of the profits of the Bank are to be transferred to this reserve.



# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

## 23.3 Merger reserve

As per the Scheme of Amalgamation, all the assets, liabilities and obligations of NBP Leasing Limited were merged with, transferred to, vested in and assumed by the Bank as at the effective date July 31, 2017. The reserve represents the excess of net assets transferred to the Bank over its investment in NBP Leasing Limited.

## 23.4 General loan loss reserve

During the year ended December 31, 2022, the Board of Directors in their meeting held on April 23, 2022 have approved transfer of Rs 8 billion from general loss reserve to unappropriated profit.

	Note	2022 ------(Rupees in '000)-----	2021
<b>24. SURPLUS ON REVALUATION OF ASSETS</b>			
Surplus / (deficit) on revaluation of:			
- Available for sale securities	10.1	(7,462,594)	32,603,638
- Fixed assets	24.1	47,733,683	44,320,452
- Non-banking assets acquired in satisfaction of claims	24.2	2,520,000	2,863,886
		<u>42,791,089</u>	<u>79,787,976</u>
Deferred tax on surplus on revaluation of:			
- Available for sale securities		3,208,913	(12,715,420)
- Fixed assets	24.1	(3,061,347)	(2,537,701)
- Non-banking assets acquired in satisfaction of claims	24.2	(21,752)	(52,732)
		<u>125,814</u>	<u>(15,305,853)</u>
		<u>42,916,902</u>	<u>64,482,122</u>
<b>24.1 Surplus on revaluation of fixed assets</b>			
Surplus on revaluation of fixed assets as at January 1		44,320,452	44,882,399
Recognised during the year		3,691,785	-
Realised on disposal during the year - net of deferred tax		-	(220,819)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(197,684)	(208,088)
Adjustment		68,260	-
Related deferred tax liability on incremental depreciation charged during the year		(149,130)	(133,040)
Surplus on revaluation of fixed assets as at December 31		<u>47,733,683</u>	<u>44,320,452</u>
Less: related deferred tax liability on:			
- revaluation as at January 1		(2,537,701)	(2,396,819)
- revaluation recognised during the year		(412,499)	-
- Rate adjustment		(260,277)	(273,922)
- incremental depreciation charged during the year		149,130	133,040
		<u>(3,061,347)</u>	<u>(2,537,701)</u>
		<u>44,672,336</u>	<u>41,782,751</u>
<b>24.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims</b>			
Surplus on revaluation as at January 1		2,863,886	2,757,207
(Deficit) / surplus recognised during the year		(343,886)	106,679
Surplus on revaluation as at December 31		<u>2,520,000</u>	<u>2,863,886</u>
Less: related deferred tax liability on:			
- revaluation as at January 1		(52,732)	(44,713)
- revaluation recognised during the year		42,022	(8,019)
- Rate adjustment		(11,042)	-
		<u>(21,752)</u>	<u>(52,732)</u>
		<u>2,498,248</u>	<u>2,811,154</u>

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	Note	2022 ------(Rupees in '000)-----	2021 ------(Rupees in '000)-----
<b>25. CONTINGENCIES AND COMMITMENTS</b>			
Guarantees	25.1	377,561,372	261,356,068
Commitments	25.2	2,373,285,184	2,213,570,534
Other contingent liabilities	25.3	26,619,691	36,196,804
		<u>2,777,466,247</u>	<u>2,511,123,406</u>
<b>25.1 Guarantees</b>			
Financial guarantees		287,741,990	197,024,912
Performance guarantees		89,819,382	64,331,156
		<u>377,561,372</u>	<u>261,356,068</u>
<b>25.2 Commitments</b>			
Documentary credits and short-term trade-related transactions			
- letters of credit		1,696,635,726	1,582,757,532
Commitments in respect of:			
- forward foreign exchange contracts	25.2.1	570,881,591	571,111,340
- forward government securities transactions	25.2.2	54,568,834	38,255,954
- forward lending	25.2.3	50,363,949	20,618,971
Commitments for acquisition of:			
- operating fixed assets		798,234	826,737
Other commitments	25.2.4	36,850	-
		<u>2,373,285,184</u>	<u>2,213,570,534</u>
<b>25.2.1 Commitments in respect of forward foreign exchange contracts</b>			
Purchase		368,380,755	337,970,120
Sale		202,500,836	233,141,220
		<u>570,881,591</u>	<u>571,111,340</u>
Commitments for outstanding forward foreign exchange contracts are disclosed in these unconsolidated financial statements at contracted rates. Commitments denominated in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the statement of financial position date.			
<b>25.2.2 Commitments in respect of forward government securities transactions</b>			
Purchase		10,988,627	30,218,032
Sale		43,580,207	8,037,922
		<u>54,568,834</u>	<u>38,255,954</u>
Commitments for outstanding forward government securities transactions are disclosed in these unconsolidated financial statements at contracted rates.			



# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	2022 ------(Rupees in '000)-----	2021 ------(Rupees in '000)-----
<b>25.2.3 Commitments in respect of forward lending</b>		
Undrawn formal standby facilities, credit lines and other commitments to lend	<b>50,363,949</b>	20,618,971
These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the bank without the risk of incurring significant penalty or expense.		
<b>25.2.4 Other commitments</b>		
Professional services to be received	<b>36,850</b>	-
<b>25.3 Other contingent liabilities</b>		
<b>25.3.1 Claims against the Bank not acknowledged as debt</b>	<b>26,619,691</b>	36,196,804

**25.3.2** Claims against the Bank not acknowledged as debts includes claims relating to former Mehran Bank Limited amounting to Rs. 1,597 million (2021: Rs. 1,597 million).

## 25.3.3 Taxation

Tax returns of the Bank have been filed up to tax year 2022 and amended by tax authorities up to tax year 2021. For Azad Kashmir and Gilgit Baltistan branches no amendment to returns filed under section 120 of the Ordinance has been made, hence returns filed are deemed assessments for all the years till tax year 2022.

- During the period under review the appeals for tax years 2006 and 2007 have been decided against the Bank by CIR(Appeals) and the Bank has filed further appeal before ATIR on legal grounds u/s 161 of The Ordinance. The Tax Advisor is confident that the ultimate outcome of the proceeding will be decided in the Bank's favor. Amount of contingency involved is Rs. 1,032 million and Rs. 1,395 million respectively.
- Honourable Tribunal has decided the appeals filed by the Bank for tax years 2009, 2010 and 2016 for which appeal effect orders have also been issued determining tax refund of Rs. 948 million, Rs. 815 million in 2009 and 2010 respectively. Whereby for tax year 2016, the department has created demand of Rs. 118 million which has been adjusted against tax refunds of tax year 2018.
- Honourable CIR(Appeals) through judgement dated December 31, 2021 has decided the appeal filed by the Bank for tax year 2018 in favor of the Bank for which appeal effect order has been issued determining refund of Rs. 1,199 million.
- Honourable CIR(Appeals) has decided the appeals filed by the Bank for tax years 2019 and 2020 partially allowing relief to the Bank. The Bank filed further appeal before ATIR which is pending. The bank has shown additional tax liability of Rs. 1,773 million and Rs. 4,298 million for the year 2019 and 2020 respectively as contingency based on the tax consultant's expectations that the issue would be decided in the bank's favor.
- Honourable CIR(Appeals) through its recent judgement for tax year 2021 dated December 21, 2022 has decided appeal filed by the Bank confirming the Order of assessing officer. The Bank intends to file appeal before ATIR on legal and factual grounds. The bank has shown additional tax liability of Rs. 3,757 million as contingency based on the tax consultant's expectations that the issue would be decided in the bank's favor.
- The aggregate effect of contingencies as on December 31, 2022, excluding amount of Rs. 1,912 million (December 31, 2021: Rs. 2,096 million) in respect of indirect tax issues, amounts to Rs. 15,419 million (December 31, 2021: Rs. 17,983 million). No provision has been made against these contingencies, based on the opinion of tax consultant of the Bank, who expect favorable outcome upon decisions of pending appeals.

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

## 25.3.4 Contingencies in respect of employees benefits and related matters

The following are the details of the contingencies arising out of the various legal cases pending adjudication in respect of employees' benefits and related matters. The Bank considers that except for Pensionary benefits note 25.3.4.1, the financial impact of other matters is impracticable to determine with sufficient reliability.

### 25.3.4.1 Pensionary benefits to retired employees

In 1977 the Federal Government vide letter No. 17 (9) 17 XI / 77 dated November 30, 1977, addressed to the Pakistan Banking Council, directed that all executives / officers of all the nationalized banks would be paid pension as calculated at 70% of average emoluments upon completion of 30 years of qualifying service of employees and where qualifying service was less than 30 years but not less than 10 years, proportionate reduction in percentage was to be made. This pension scheme was made applicable with effect from May 01, 1977.

In the year 1997, the Banks Nationalization Act, 1974 ("BNA, 1974") was substantially amended whereby the Pakistan Banking Council was abolished and the Board of Directors of the nationalized banks were empowered / mandated respectively to determine personnel policies with the President of the Bank deciding the remuneration and benefits of the employees in accordance with policies determined by the Board. In the year 1999, by virtue of the said amendments in BNA, the Board of Directors of the Bank approved the Revised Pay Structure for the officers / executives of the Bank with effect from January 01, 1999 vide Circular No. 37/1999, whereby the basic salary was increased by 110 % to 140% and besides giving multifarious benefits to its employees, formula for monthly gross pension was revised. However, the amount of gross pension on the basis of existing Basic Pay and existing formula was protected.

A number of Bank's employees, after attaining the age of superannuation filed Writ Petitions before the Lahore High Court and the Peshawar High Court, praying for re-calculation of their pensionary benefits and increases in accordance with the Bank Circular No. 228 (C) dated December 26, 1977 and furthermore, for allowing the increases in their pension as per the increases allowed by the Federal Government to its employees. This litigation started in the year 2010 and 2011.

The Peshawar High Court, in terms of judgment dated June 03, 2014, dismissed the petition while observing that the petition was hit by laches and that the petitioners could not claim the benefits granted to the similarly placed employees of other institutions who were governed through different Statutes and Service Rules.

The Lahore High Court vide its judgement dated January 15, 2016, allowed the Writ Petitions on the same matter and the Bank was directed to release the pensionary benefits of the petitioners. The said order was assailed by the Bank by filing Intra Court Appeals in January 2016 which were dismissed by the Lahore High Court, Lahore, through its judgement dated January 16, 2017. The Bank assailed the said judgement by filing appeals in the Supreme Court of Pakistan.

The Honorable Supreme Court of Pakistan after hearing the arguments of both parties, vide its judgement dated September 25, 2017 upheld the decision of the Division Bench of the Lahore High Court on the contention of increase in Bank's employees' pension, thereby instructing the Bank to give pension benefits to its employees in the light of Head Office Instruction Circular No. 228 (C) of 1977. Under this Circular, the pension of employees was to be calculated at 70% of average emoluments upon completion of minimum qualifying service requirement, besides requiring the Bank to follow subsequent revisions in pension scheme and rates granted by the Federal Government to civil servants from time to time as well.

The Bank as well as Federal Government filed review petitions against the aforesaid judgment of the Honorable Supreme Court of Pakistan and also made an application for constitution of larger bench of the Supreme Court to hear the review petition, which was reportedly accepted by the Chief Justice. However on March 18, 2019, the matter came up for hearing before a three member Bench instead of a larger bench. As advised by our legal counsels, the Bank considers that due to conflicting decision of the other bench of the Supreme Court in a case which, in all material facts and circumstances, is identical to the Bank's case and various other legal infirmities in the judgement as highlighted by the Bank in its Review Petition, the Bank has a reasonably strong case on legal grounds to convince the Supreme Court for review of its decision. The Review Petition is ongoing and is expected to be listed for hearing soon.

## Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

A related matter has also been appealed in the Supreme Court where the petitioners have asked for increases in pension in accordance with government increases in Pension for Government employees which is pending adjudication and a favorable outcome is expected.

In case the above matters are decided unfavorably, the Bank estimates based on the actuarial advice that the financial impact arising from the additional liability would be approximately Rs. 89.7 billion excluding any penal interest / profit payment (if any) due to delayed payment Pension expense for the current year and onward will also increase by Rs.12.1 billion due to this decision. Based on the opinion of legal counsel, no provision has been made in these unconsolidated financial statements for the above-mentioned amount as the Bank is confident about the favorable outcome of the matter."

### 25.3.4.2 Regularizing the temporary hires / workers deployed by service provider companies under outsourcing arrangements

The Bank outsourced certain non-core jobs to various service provider companies after entering into contracts with them. The resources deployed by the service provider companies were their employees and the said companies have had sole administrative control over these resources. Some of these resources filed writ petitions before the High Courts and National Industrial Relations Commission (NIRC) seeking to be absorbed by the Bank in its regular service based on grounds that they were in fact employees of the Bank. Presently, there are 6 cases on appeal pending at the Supreme Court where these have been clubbed to be heard as one. The Chief Justice of Pakistan has constituted a larger bench comprising of five Judges being headed by himself for adjudication. The case is ongoing and is presently adjourned for a date to be fixed. A favorable outcome of this case is expected.

### 25.3.4.3 Litigation related to management trainee program

Treatment of Non-MTOs (regular employees) at Par with the MTOs (also appointed in regular cadres) - Litigation arising out of order dated September 21, 2016 passed by the Supreme Court in our CA No.1644/2013 out of our CPLA No. 805/2013 filed against order dated March 13, 2013 of the Division Bench of Sindh High Court, Sukkur in CP No. D-417/2010 (the "Decision").

Mr. Ashfaq Ali and three (3) others filed a CP No. D-417/2010 before the Sindh High Court, Bench at Sukkur while praying to treat them equally in respect of remunerations with other employees (MTOs) having same grade, nature of job and qualification.

The Honorable Division Bench at Sukkur, vide order dated March 13, 2013, directed the Bank to ensure equal treatment to the petitioners with similarly placed employees without any discrimination.

Certain employees filed petitions in the Honorable High Court of Peshawar who also gave its decision in favor of the petitioners. Review petition filed in the Honorable Supreme Court of Pakistan by the Bank was also dismissed.

Last year, the Bank entered into out of court settlements which have successfully been executed with many Non-MTO employees ('petitioners') and accordingly compromise agreements ('the agreement'), offering waiver of loans, increase in basic salaries and provision of other allowances, were signed with those petitioners who have withdrawn their cases against the Bank. Simultaneously the Bank continues to make payments to claimants as per any court orders from time to time.

### 25.4 Foreign exchange repatriation case

While adjudicating Foreign Exchange repatriation cases of exporter namely: M/S Fateh Textile Mills Limited, the Foreign Exchange Adjudicating Court of the State Bank of Pakistan has also adjudicated penalty of Rs. 1,020 million, arbitrarily on the Bank. The Bank has filed appeals before the Appellate Board and Constitutional Petitions in the Honorable High Court of Sindh against the said judgments. The Honorable High Court has granted relief to the Bank by way of interim orders.



# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

As advised by our counsel, NBP has also filed a Constitutional Petition challenging the constitution of the Appellate Board by the Commission and has obtained restraining order on the ground that the Appellate Board constituted by the Commission lacks legal merit in the light of Supreme Court ruling. Our counsel, Mr. Raashid Anwar, Advocate has concluded his arguments in respect of the Foreign Exchange Regulation Appellate Board constitution. However, another petition filed by another company whereby challenging the constitutionality of the Competition Act was also tagged with the petitions filed by the banks.

Based on merits of the appeals management is confident that these appeals shall be decided in favor of the Bank and therefore, no provision has been made against the impugned penalty.

## 25.5 Compliance and risk matters relating to anti-money laundering at the New York Branch

**25.5.1** The New York Branch of NBP continues to make progress against the enforcement actions received in February 2022 from the Federal Reserve Bank and the New York State Department of Financial Services. The Branch has provided regular quarterly and half-yearly progress reporting to its regulators. The management and the Board of Directors continue to provide close oversight of the branches, remedial actions and are committed to ensure compliance with the conditions agreed in the enforcement actions. The management actions implemented by the Bank and Branch, and their associated validation by Internal Audit will be subject to review by the Branch's regulators.

**25.5.2** During the year ended December 31, 2019, a case was filed in the District Court for the Southern District of New York against the Bank by the relatives of several US citizens killed in Khost, Afghanistan, during a terrorist attack carried out at Camp Chapman, a US base. The complaint was later extended to several other random terrorist attacks carried out against US servicemen in Afghanistan by various terrorist organisations. The Bank was sued for its alleged role in knowingly facilitating, aiding and abetting, conspiring and providing material support and banking services to several notorious terrorist groups and terrorist fundraisers.

The plaintiff alleged that the Bank transferred funds by using its New York branch to convert the donations they received from outside Pakistan into U.S. dollars. It has been alleged that the Bank was in a position of knowing and preventing the money transfers.

In January 2021, the case was primarily dismissed on the grounds of its non-compliance with the drafting requirements of the civil procedures applicable. Further, three more amended complaints were filed and dismissed, and the fourth complaint was finally dismissed by the court pursuant to the Bank's Motion to Dismiss the case. The complainants had ultimately failed to state a preliminary case against the Bank as a result of the unsubstantiated and baseless nature of the complaints.

The plaintiffs have filed an appeal against the dismissal of the motion and NBP has filed its counter reply and the case is sub judice.

Based on the merits of the appeal, the management is confident that the appeal shall be decided in favour of the Bank and therefore, no provision has been made in these unconsolidated financial statements.

## 26. MARK-UP / RETURN / INTEREST EARNED

On:

- a) Loans and advances
- b) Investments
- c) Lendings to financial institutions
- d) Balances with banks

	2022	2021
	------(Rupees in '000)-----	
	141,365,310	87,346,632
	348,305,015	139,115,194
	12,815,152	3,956,776
	824,808	1,464,100
	<b>503,310,285</b>	<b>231,882,702</b>

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	Note	2022 ------(Rupees in '000)-----	2021
<b>27. MARK-UP / RETURN / INTEREST EXPENSED</b>			
Deposits		209,597,640	87,838,223
Borrowings		5,116,553	6,838,985
Cost of foreign currency swaps against foreign currency deposits / borrowings		10,026,057	8,018,491
Finance charge on lease liability against right of use assets		848,592	774,664
Securities sold under repurchase agreements		160,894,929	30,794,533
		<b>386,483,771</b>	<b>134,264,896</b>
<b>28. FEE AND COMMISSION INCOME</b>			
Branch banking customer fees		1,644,009	1,211,530
Consumer finance related fees		525,249	764,985
Card related fees (debit cards)		2,372,961	1,751,172
Credit related fees		399,736	273,464
Investment banking fees		767,814	769,417
Commission on trade		2,120,399	1,947,282
Commission on guarantees		742,496	459,515
Commission on cash management		53,907	95,267
Commission on remittances including home remittances		1,618,971	1,724,239
Commission on bancassurance		308,736	332,743
Commission on government transactions		10,506,945	8,408,285
Others		90,887	65,902
		<b>21,152,110</b>	<b>17,803,801</b>
<b>29. GAIN / (LOSS) ON SECURITIES - NET</b>			
Realised	29.1	1,750,428	6,308,994
Unrealised - held for trading	10.1	(1,054,801)	(120,675)
Unrealised - Shortselling		442,320	-
		<b>1,137,947</b>	<b>6,188,319</b>
<b>29.1 Realised gain on</b>			
Federal Government securities		121,098	1,065,169
Shares		1,629,252	5,136,681
Ijarah sukuks		-	10,809
Foreign securities		78	96,335
		<b>1,750,428</b>	<b>6,308,994</b>
<b>30. OTHER INCOME</b>			
Rent on property		34,946	63,480
Gain on sale of fixed assets - net		4,441	62,945
Postal, SWIFT and other charges recovered / reversed		48,716	23,450
Claim from insurance company		-	4,355
Compensation for delayed tax refunds	30.1	1,588,150	1,664,879
Gain on derecognition on right of use assets		1,690	12,378
Tender money		576	2,082
Commission on IPS non-competitive bids		5,599	-
Gain on closure of subsidiary and branch		42,933	-
Others		10,394	10,667
		<b>1,737,445</b>	<b>1,844,236</b>

**30.1** This represents compensation for delayed refunds determined under Section 171 of Income Tax Ordinance 2001.

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	Note	2022 ------(Rupees in '000)-----	2021
<b>31. OPERATING EXPENSES</b>			
<b>Total compensation expenses</b>	31.1	<b>48,824,703</b>	37,044,928
<b>Property expenses</b>			
Rent and taxes	31.2	1,132,695	800,290
Insurance		63,756	33,590
Utilities cost		2,149,280	1,363,539
Security (including guards)		3,558,476	2,846,980
Repair and maintenance (including janitorial charges)		1,140,487	909,994
Depreciation		457,013	475,951
Depreciation on non banking assets		15,717	15,462
Depreciation on Ijarah assets		53,953	72,807
Depreciation on ROUA		2,135,047	1,931,373
		<b>10,706,424</b>	8,449,986
<b>Information technology expenses</b>			
Software maintenance		1,953,761	1,353,962
Hardware maintenance		121,056	87,765
Depreciation		356,687	332,791
Amortisation		323,149	339,382
Network charges		763,928	612,209
IT Manage Services		1,576,444	359,054
		<b>5,095,025</b>	3,085,163
<b>Other operating expenses</b>			
Directors' fees and allowances	31.3	25,772	25,431
Fees and allowances to Shariah Board		16,368	12,564
Legal and professional charges		1,195,338	1,355,610
Outsourced services costs		702,378	640,760
Travelling and conveyance		1,273,937	816,183
NIFT clearing charges		218,640	177,432
Depreciation		1,453,287	1,591,362
Training and development		52,574	62,409
Postage and courier charges		306,326	212,943
Communication		526,610	339,605
Stationery and printing		1,350,561	1,334,676
Marketing, advertisement and publicity		931,103	368,095
Donations	31.4	107,076	8,197
Auditors' remuneration	31.5	242,409	183,610
Fixed assets / Non-banking asset deficit		141,403	-
Financial charges on leased assets		64,162	38,300
Entertainment		267,998	265,210
Clearing charges, verification and licence fee		524,546	293,146
Brokerage		110,825	140,233
Insurance general		564,873	461,301
Vehicle expenses		278,756	173,999
Deposit premium expense		1,813,582	1,571,107
Repairs and maintenance general		932,677	698,708
Others		372,641	306,363
		<b>13,473,842</b>	11,077,244
<b>Grand Total</b>		<b>78,099,994</b>	59,657,321



## Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

2022                      2021  
----- (Rupees in '000) -----

### 31.1 Total compensation expense

Managerial Remuneration

i) Fixed

ii) Variable

of which;

a) Cash Bonus / Awards etc.

Charge for defined benefit plan

Rent & house maintenance

Utilities

Medical

Conveyance

Club Membership & Subscription

Education Allowance

Insurance

Honorarium to Staff and Staff Welfare

Overtime

Special Duty Allowance

Washing Allowance

Key Allowance

Unattractive Area Allowance

Leave Encashment

Teaching Allowance

Incentive on CASA deposits mobilization

Meal Allowance

Liveries

Inflationary Allowance

Saturday Allowances

Severe Winter Allowance

Hill Allowance

ATM Cash Replenish Allowance

PhD Allowance

Other retirement benefits for international branches

Reimbursement of visa fees etc

Recruiting expenses

Others

15,479,326	7,943,984
5,129,786	4,481,382
8,354,267	7,406,457
5,825,886	5,305,594
2,112,571	1,961,619
3,871,937	3,453,565
3,743,225	3,359,933
140,451	197,461
1,443,112	1,455,624
472,023	337,287
262,284	208,592
45,255	44,249
2,408	139
15,044	16,590
71,914	72,813
61,969	56,898
12,967	9,775
10,590	10,392
23,739	20,473
249,065	255,290
62	1,265
840,224	-
149,162	93,449
54,659	50,849
35,176	28,825
14,977	7,500
10,441	5,353
85,969	79,772
13,620	8,155
7,732	5,427
284,862	166,216
48,824,703	37,044,928
48,824,703	37,044,928

31.2 This includes Rs. 3.442 million (2021: Rs.3.442 million) insurance premium against directors' liability insurance.

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

- 31.3** Total cost for the year included in other operating expenses relating to outsourced activities is Rs. 702.4 million (2021: Rs. 640.8 million). Out of this cost, Rs. 693.2 million (2021: Rs. 631.7 million) pertains to the payment to companies incorporated in Pakistan and Rs. 9.1 million (2021: Rs. 9.1 million) pertains to payment to companies incorporated outside Pakistan. Total Cost of outsourced activities for the year given to related parties is Rs. Nil (2021: Rs. Nil). Outsourcing shall have the same meaning as specified in Annexure-I of BPRD Circular No. 06 of 2017. The material outsourcing arrangements along with their nature of services are as follows:

Name of Company	Nature of Services	2022 ------(Rupees in '000)-----	2021
HTECH Solutions (Private) Limited	Call center management	81,962	94,770
		<u>81,962</u>	<u>94,770</u>

During the year, outsourcing services were hired in respect of sales, call centre services, IT support, data entry, protocol services, collection services, janitorial & cleaning services and lift operator and engineering services.

- 31.4** Donations include following amounts:

## Description

	2022 ------(Rupees in '000)-----	2021
Family Educational Services Foundation (FESF)	17,000	-
Sanjan Nagar Public Education Trust (SNPET)	10,000	-
Layton Rahmatullah Benevolent Trust (LRBT)	5,000	-
Thardeep Microfinance Foundation (TMF)	6,000	-
Rural Community Development Programs (RCDP)	4,000	-
Prime Minister's Flood Relief Fund 2022	50,000	-
Namal Education Foundation (NEF)	5,197	5,197
Ghulam Ishaq Khan Institute of Engineering Sciences and Technology	9,879	-
Pakistan Hindu Council	-	1,000
Tehzibul Akhlaq Trust	-	2,000
<b>Total</b>	<u>107,076</u>	<u>8,197</u>

- 31.4.1** None of the Directors, Sponsor shareholders and Key Management Personnel or their spouse have an interest in the Donee.

Yousuf Adil	A.F. Ferguson & Co	Total 2022	Total 2021
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## 31.5 Auditors' remuneration

	------(Rupees in '000)-----		
Audit fee	7,471	7,471	14,942
Review of interim financial statements	2,614	2,614	5,228
Fee for audit of domestic branches	6,072	6,072	12,144
	<u>16,157</u>	<u>16,157</u>	<u>32,314</u>
Special certifications	1,136	1,136	2,272
	<u>17,293</u>	<u>17,293</u>	<u>34,586</u>
Other special certifications and sundry advisory services	5,162	15,577	20,739
Sales Tax	2,406	3,718	6,124
Out-of-pocket expenses	4,500	4,500	9,000
	<u>29,361</u>	<u>41,088</u>	<u>70,449</u>
Fee for audit of overseas branches including advisory services and out-of-pocket expenses	-	-	171,960
	<u>29,361</u>	<u>41,088</u>	<u>242,409</u>

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	Note	2022 ------(Rupees in '000)-----	2021 -----
<b>32. OTHER CHARGES</b>			
Penalties imposed by State Bank of Pakistan		72,347	343,698
Penalties imposed by other regulatory bodies (Central bank of international branches)		279	2,765
		<b>72,626</b>	<b>346,463</b>
<b>33. PROVISIONS AND WRITE OFFS - NET</b>			
Provisions for diminution in value of investments	10.3	3,812,519	663,219
Provisions against loans and advances	11.4	8,059,708	11,119,007
Provision against other assets	16.5.1	562,955	72,205
Provision against contingencies	21.1	165,423	53,239
Provision against letter of placement		-	(2,000)
Provision against balance with other bank		-	10,713
		<b>12,600,607</b>	<b>11,916,383</b>
<b>34. TAXATION</b>			
Current	34.1	31,599,204	26,915,246
Prior years		3,828,030	-
Deferred		(3,100,371)	(2,062,826)
		<b>32,326,863</b>	<b>24,852,420</b>
<b>34.1</b>	Current taxation includes Rs. Nil (2021: Rs. Nil) of overseas branches.		
<b>34.2 Relationship between tax expense and accounting profit</b>			
Accounting profit before tax		<b>62,737,163</b>	<b>52,860,408</b>
Income tax at statutory rate @ 39% (2021: 35%)		24,467,494	18,501,143
Super tax at statutory rate @ 10% (2021: 4%)		6,273,716	2,114,416
Increase / (decrease) in taxes resulting from:			
Inadmissible items		35,587	3,948,871
Prior year taxation		3,828,030	-
Impact of change in tax rate		(2,075,075)	-
Enhanced rate on Govt. Securities		-	832,181
Reduced rate on SME / Housing		(87,432)	(96,438)
Others		(115,457)	(447,753)
Tax charge for current and prior years		<b>32,326,863</b>	<b>24,852,420</b>
<b>35. BASIC EARNINGS PER SHARE</b>			
Profit for the year (Rupees in 000's)		<b>30,410,300</b>	<b>28,007,988</b>
Weighted average number of ordinary shares (Number in 000's)		<b>2,127,513</b>	<b>2,127,513</b>
Basic earnings per share (Rupees)		<b>14.29</b>	<b>13.16</b>



# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	2022	2021
<b>36. DILUTED EARNINGS PER SHARE</b>		
Profit for the year (Rupees in 000's)	<b>30,410,300</b>	28,007,988
Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares) (Number in 000's)	<b>2,127,513</b>	2,127,513
Diluted earnings per share (Rupees)	<b>14.29</b>	13.16

	Note	2022 ------(Rupees in '000)-----	2021
<b>37. CASH AND CASH EQUIVALENTS</b>			
Cash and balances with treasury banks	7	<b>229,910,949</b>	278,747,059
Balances with other banks	8	<b>18,593,800</b>	17,667,067
Call / clean money lendings	9	<b>9,723</b>	21,009,723
Call borrowings	18	<b>(25,810,145)</b>	(46,011,009)
Overdrawn nostro accounts	18	<b>-</b>	(26,480)
		<b>222,704,327</b>	271,386,360

## 37.1 Reconciliation of movements of liabilities to cash flow used in financing activities

	2022	
	Lease Obligation	Unclaimed Dividend
	------(Rupees in '000)-----	
Balance as at January 1, 2022	<b>7,893,960</b>	<b>181,997</b>
Changes from financing cashflows		
Payment of lease obligation / dividend	<b>(2,428,160)</b>	<b>(146)</b>
Total charges from financing activities	<b>(2,428,160)</b>	<b>(146)</b>
Other charges		
Renewed lease during the year	<b>2,244,669</b>	-
Interest unwinding	<b>848,592</b>	-
Foreign exchange loss	<b>(291,112)</b>	-
Total other charges	<b>2,802,149</b>	-
Balance as at December 31, 2022	<b>8,267,949</b>	<b>181,851</b>
	2021	
	Lease Obligation	Unclaimed Dividend
	------(Rupees in '000)-----	
Balance as at January 1, 2021	7,533,691	185,516
Changes from financing cashflows		
Payment of lease obligation / dividend	<b>(2,450,084)</b>	<b>(3,519)</b>
Total charges from financing activities	<b>(2,450,084)</b>	<b>(3,519)</b>
Other charges		
Renewed lease during the year	<b>1,894,476</b>	-
Interest unwinding	<b>774,664</b>	-
Foreign exchange gain	<b>141,213</b>	-
Total other charges	<b>2,810,353</b>	-
Balance as at December 31, 2021	<b>7,893,960</b>	<b>181,997</b>

## Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	2022	2021
	(Numbers)	
<b>38. STAFF STRENGTH</b>		
Permanent	10,018	10,437
On Bank contract	5,094	4,972
Bank's own staff strength at the end of the year	15,112	15,409

**38.1** In addition to the above, 1,218 (2021: 1,273) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services. Out of these, 1,211 employees are working domestically (2021: 1,258) and 7 (2021: 15) abroad respectively.

### 39. DEFINED BENEFIT PLAN

#### 39.1 General description

General description of the type of defined benefit plan and accounting policy for remeasurements of the net defined liability / asset is disclosed in note 5.13 to the unconsolidated financial statements.

#### 39.2 Number of employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2022	2021
	(Numbers)	
Pension fund	10,018	10,437
Post retirement medical scheme	10,018	10,437
Benevolent scheme	10,018	10,437
Gratuity scheme	4,855	4,685
Compensated absences	10,018	10,437

#### 39.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2022 using the following significant assumptions:

	2022	2021
	(Per annum)	
Discount rate	14.50%	11.75%
Expected rate of return on plan assets	14.50%	11.75%
Expected rate of salary increase	14.50%	11.75%
Expected rate of increase in pension	53% for next one year, 10% onwards	29% for next one year, 7.25% onwards
Expected rate of increase in medical benefit	14.50%	11.75%

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

Reconciliation of (receivable from) / payable to defined benefit plans												
	2022						2021					
	Pension fund	Post retirement medical scheme	Benevolent scheme	Gratuity scheme	Compensated absences	Total	Pension fund	Post retirement medical scheme	Benevolent scheme	Gratuity scheme	Compensated absences	Total
	(Rupees in '000)											
Present value of obligations	89,128,297	29,176,898	1,697,838	3,767,858	8,734,235	132,505,126	79,608,695	24,516,717	1,778,825	3,168,258	9,952,554	119,025,049
Fair value of plan assets	(66,064,403)	-	-	-	-	(66,064,403)	(61,773,750)	-	-	-	-	(61,773,750)
Payable	23,063,894	29,176,898	1,697,838	3,767,858	8,734,235	66,440,723	17,834,945	24,516,717	1,778,825	3,168,258	9,952,554	57,251,299
Movement in defined benefit obligations												
Obligations at the beginning of the year	79,608,695	24,516,717	1,778,825	3,168,258	9,952,554	119,025,049	72,742,130	22,282,747	2,054,218	2,711,914	9,251,755	109,042,764
Current service cost	1,034,974	856,635	63,621	473,120	11,299	2,439,649	1,036,822	794,194	72,381	379,017	16,194	2,298,608
Past Service due to early retirement gratuity	1,119,100	441,385	-	-	-	1,560,485	119,800	-	-	-	-	119,800
Adjustment against contingency Reserve	240,914	52,731	328	-	31,837	325,810	245,833	70,731	2,939	-	31,950	351,453
Interest cost	9,162,030	2,808,493	196,854	364,696	1,149,972	13,682,045	6,939,689	2,118,798	189,497	258,343	887,413	10,393,740
Benefits paid by the Bank	(3,267,938)	(1,229,299)	(206,937)	(128,928)	(331,125)	(5,164,227)	(3,131,668)	(1,102,960)	(221,326)	(124,479)	(300,163)	(4,880,616)
Re-measurement (gain) / loss - Profit and loss	1,230,522	1,730,236	(134,853)	(109,288)	(2,080,302)	2,716,617	1,656,089	353,227	(318,884)	(56,537)	65,405	1,633,895
Re-measurement loss / (gain) - OCI	89,128,297	29,176,898	1,697,838	3,767,858	8,734,235	132,505,126	79,608,695	24,516,717	1,778,825	3,168,258	9,952,554	119,025,049
Obligations at the end of the year												
Movement in fair value of plan assets												
Fair value at the beginning of the year	61,773,750	-	-	-	-	61,773,750	57,038,053	-	-	-	-	57,038,053
Interest income on plan assets	7,247,610	-	-	-	-	7,247,610	5,471,096	-	-	-	-	5,471,096
Contribution by the Bank - net	1,345,187	-	-	-	-	1,345,187	1,283,178	-	-	-	-	1,283,178
Benefits paid	(3,267,938)	-	-	-	-	(3,267,938)	(3,131,668)	-	-	-	-	(3,131,668)
Benefits paid on behalf of fund	1,738,818	-	-	-	-	1,738,818	1,713,284	-	-	-	-	1,713,284
Actuarial loss on Assets	(2,773,024)	-	-	-	-	(2,773,024)	(600,193)	-	-	-	-	(600,193)
Fair value at the end of the year	66,064,403	-	-	-	-	66,064,403	61,773,750	-	-	-	-	61,773,750
Movement in (receivable) / payable under defined benefits scheme												
Opening balance	17,834,945	24,516,717	1,778,825	3,168,258	9,952,554	57,251,299	15,704,077	22,282,747	2,054,218	2,711,914	9,251,755	52,004,711
Charge / (reversal) for the year	2,949,394	3,665,128	260,475	837,816	(919,031)	6,793,782	2,505,415	2,912,992	261,878	637,360	969,012	7,286,657
Past Service due to early retirement gratuity	1,119,100	441,385	-	-	-	1,560,485	119,800	-	-	-	-	119,800
Adjustment against contingency Reserve	240,914	52,731	328	-	31,837	325,810	245,833	70,731	2,939	-	31,950	351,453
Contribution by the bank - net	(1,345,187)	-	-	-	-	(1,345,187)	(1,283,178)	-	-	-	-	(1,283,178)
Re-measurement loss / (gain) recognised in OCI during the year	4,003,546	1,730,236	(134,853)	(109,288)	-	5,489,641	2,256,282	353,227	(318,884)	(56,537)	-	2,234,088
Benefits paid by the Bank	(1,738,818)	(1,229,299)	(206,937)	(128,928)	(331,125)	(3,635,107)	(1,713,284)	(1,102,960)	(221,326)	(124,479)	(300,163)	(3,462,232)
	23,063,894	29,176,898	1,697,838	3,767,858	8,734,235	66,440,723	17,834,945	24,516,717	1,778,825	3,168,258	9,952,554	57,251,299
Charge for defined benefit plans												
Current service cost	1,034,974	856,635	63,621	473,120	11,299	2,439,649	1,036,822	794,194	72,381	379,017	16,194	2,298,608
Past Service due to early retirement gratuity	1,119,100	441,385	-	-	-	1,560,485	119,800	-	-	-	-	119,800
Actuarial loss recognized - Profit and Loss	-	-	-	-	(2,080,302)	(2,080,302)	-	-	-	-	65,405	65,405
Net interest on defined benefit asset / liability	1,914,420	2,808,493	196,854	364,696	1,149,972	6,434,435	1,468,593	2,118,798	189,497	258,343	887,413	4,922,644
	4,068,494	4,106,513	260,475	837,816	(919,031)	8,354,267	2,625,215	2,912,992	261,878	637,360	969,012	7,406,457
Re-measurements recognised in OCI during the year												
Loss / (gain) on obligation	4,049,273	1,259,537	(278,861)	45,522	-	5,075,471	1,356,738	1,516,049	(213,037)	19,552	-	2,679,302
- Financial assumptions	(2,818,751)	470,899	144,008	(154,910)	-	(2,358,854)	299,351	(1,162,822)	(105,847)	(76,089)	-	(1,045,407)
- Experience adjustment	2,773,024	-	-	-	-	2,773,024	600,193	-	-	-	-	600,193
Return on plan assets over interest income	4,003,546	1,730,236	(134,853)	(109,288)	-	5,489,641	2,256,282	353,227	(318,884)	(56,537)	-	2,234,088
Total re-measurements recognised in OCI												



## Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

2022                      2021  
----- (Rupees in '000) -----

### 39.8 Components of plan assets - Pension fund

Cash and cash equivalents - net	284,476	133,034
Government securities	53,824,866	41,244,674
Shares	5,565,760	6,969,297
Non-Government debt securities	100,000	104,000
PLS - Term Deposit Receipts	-	6,625,201
Mutual funds	6,289,301	6,697,543
	<b>66,064,403</b>	<b>61,773,750</b>

**39.8.1** The Funds primarily invests in government securities which do not carry any significant credit risk. These are subject to interest rate risk based on market movements. Investment in term finance certificates are subject to credit risk and interest rate risks, while equity securities are subject to price risk. These risks are regularly monitored by Trustees of the Pension fund.

### 39.9 Sensitivity analysis

The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarised as below:

	2022				
	Pension fund	Post retirement medical scheme	Benevolent scheme	Gratuity scheme	Compensated absences
	----- (Rupees in '000) -----				
1% increase in discount rate	(5,915,892)	(3,240,793)	(86,365)	(398,462)	(594,451)
1% decrease in discount rate	6,726,947	3,998,573	95,833	468,138	674,544
1 % increase in expected rate of salary increase	3,793,814	1,044,078	2,931	482,184	708,338
1 % decrease in expected rate of salary increase	(3,443,751)	(944,533)	(3,147)	(416,432)	(634,014)
1% increase in expected rate of pension increase	2,580,807	1,579,961	-	-	-
1% decrease in expected rate of pension increase	(2,257,907)	(1,367,944)	-	-	-
1% increase in expected rate of medical benefit increase	-	1,282,639	-	-	-
1% decrease in expected rate of medical benefit increase	-	(1,089,185)	-	-	-

### 39.10 Expected contributions to be paid to the fund in the next financial year

1,682,436

### 39.11 Expected charge for the next financial year

11,365,650

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

## 39.12 Maturity profile

The weighted average duration of the obligation

	Years
Pension fund	7.09
Post retirement medical scheme	12.41
Benevolent scheme	5.37
Gratuity scheme	11.5
Compensated absences	7.22

## 39.13 Funding Policy

Pension Fund - Bank's current assets and its percentage is given below;

Current Assets	Amount Rupees in '000	Percentage
Cash and cash equivalents - net	284,476	0.4%
Government securities	53,824,866	81.5%
Shares	5,565,760	8.4%
Non-Government debt securities	100,000	0.2%
PLS - Term Deposit Receipts	-	0.0%
Mutual funds	6,289,301	9.5%
	66,064,403	100%

Bank will continue to invest with the same percentage in the asset categories mentioned but increase the assets gradually so that there is no deficit in the pension fund.

## 39.14 Significant risks associated with the staff retirement benefit schemes are as follows:

<b>Asset volatility</b>	The risk arises when the future earnings are lower than expectation. This risk is measured at a plan level over the obligation period of the current population. The company assets are either invested in fixed securities or cash.
<b>Changes in bond yields</b>	The risk arises when the actual return on plan assets is lower than expectation.
<b>Inflation risk</b>	The most common type of retirement benefit is one where the benefit is linked with last drawn salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.
<b>Life expectancy / Withdrawal rate</b>	The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population. The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.
<b>Investment Risk</b>	The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

## 40. DEFINED CONTRIBUTION PLAN

### Provident Fund

The NBP employees Provident Fund was created under National Bank of Pakistan Employees Provident Fund Rules on April 01st, 1950 under the Provident Fund Act, 1925. The Rules have been superseded by revised NBP Employees' Provident Fund Rules which came into force on 01st January, 1958.

As per rules, the Officers, Executives and Clerical and Non Clerical staff in regular cadre make monthly contribution of 10% and 12.5% of their basic salary respectively towards the fund and the bank has to pay interest on balances of member's provident fund half yearly.

This scheme covers 9,737 employees (2021: 9,801 employees).

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

## 41. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

### 41.1 Total Compensation Expense

2022						
Items	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non-Executives				
------(Rupees in '000)-----						
Fees and Allowances etc.	2,705	23,067	11,370	-	-	-
Managerial Remuneration						
i) Fixed	-	-	1,793	28,756	231,791	646,468
ii) Total Variable	-	-	-	-	-	-
of which						
a) Cash Bonus / Awards	-	-	727	-	156,019	368,960
Charge for defined benefit plan	-	-	450	6,945	40,039	223,238
Rent & house maintenance	-	-	986	5,038	106,721	353,830
Utilities	-	-	305	1,557	32,986	105,025
Medical	-	-	224	1,145	25,334	111,110
Conveyance	-	-	408	-	29,957	145,145
Others	-	-	105	* 31,151	16,351	140,572
Total	2,705	23,067	16,368	74,592	639,198	2,094,348
Number of Persons	1	6	5	2	23	179

The President and certain executives are also provided with free use of Bank's cars, household equipment, mobile phones and free membership of clubs.

\* Others also included end retirement benefits of Ex-President Mr. Arif Usmani.

**41.1.1** The total amount of deferred bonus as at December 31, 2022 for the Key Management Personnel and other Material Risk Takers (MRT) / Material Risk Controllers (MRC) is Rs 149.7 million (December 2021: Rs. 55 million). The deferred bonus is held in a trust fund.

Performance bonus is accounted for on payment basis.

2021						
Items	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non- Executives				
------(Rupees in '000)-----						
Fees and Allowances etc.	4,874	20,557	9,981	-	-	-
Managerial Remuneration						
i) Fixed	-	-	-	54,000	181,256	464,281
ii) Total Variable	-	-	-	-	-	-
of which						
a) Cash Bonus / Awards	-	-	774	-	162,086	237,324
Charge for defined benefit plan	-	-	98	4,500	30,631	103,925
Rent & house maintenance	-	-	869	-	99,691	254,784
Utilities	-	-	269	-	48,007	86,030
Medical	-	-	198	-	23,964	78,027
Conveyance	-	-	375	-	19,536	73,588
Others	-	-	-	3,970	9,463	102,454
Total	4,874	20,557	12,564	62,470	574,634	1,400,413
Number of Persons	1	7	5	1	32	138



# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

## 41.2 Remuneration paid to Directors for participation in Board and Committee Meetings

2022										
S.No.	Name of Director	Meeting Fees and Allowances Paid								
		For Board Meetings	For Board Committees							
			Board Audit Committee	Board Risk & Compliance Committee	Board HR & Remuneration Committee	Board Technology & Digitalization Committee	Board Inclusive Development Committee	Board International Franchises & Remittance Committee	Allowances **	Total Amount Paid
(Rupees in '000)										
1	Mr. Zubyr Soomro *	900	-	-	150	-	300	-	1,355	2,705
2	Mr. Farid Malik	2,250	750	450	750	600	300	-	1,158	6,258
3	Mr. Tawfiq Asghar Hussain *	900	450	*** 600	-	-	-	-	-	1,950
4	Mr. Imam Bukhsh Baloch *	900	450	450	-	-	-	-	47	1,847
5	Ms. Sadafie Abid *	900	-	-	-	150	450	-	292	1,792
6	Mr. Asif Jooma	2,250	1,200	450	750	-	600	-	-	5,250
7	Mr. Ahsan Ali Chughtai	2,250	750	900	600	450	450	-	570	5,970
Total Amount Paid		10,350	3,600	2,850	2,250	1,200	2,100	-	3,422	25,772

\* Retired on April 16, 2022

\*\* Allowances include accommodation and travel expenses.

\*\*\* Amount includes NBP - NY Governance Council (Sub-Committee of BRCC).

2021											
S.No.	Name of Director	Meeting Fees and Allowances Paid									
		For Board Meetings	For Board Committees							Allowances **	Total Amount Paid
			Board Audit Committee	Board Risk & Compliance Committee	Board HR & Remuneration Committee	Board Technology & Digitalization Committee	Board Inclusive Development Committee	Board International Franchises & Remittance Committee *			
------(Rupees in '000)-----											
1	Mr. Zubyr Soomro	1,650	-	-	900	-	-	-	2,324	4,874	
2	Mr. Farid Malik	1,650	-	-	750	900	-	-	301	3,601	
3	Mr. Tawfiq Asghar Hussain	1,650	900	*** 1,500	-	-	-	150	-	4,200	
4	Mr. Imam Bukhsh Baloch	1,650	750	750	-	-	150	-	-	3,300	
5	Ms. Sadaf Abid	1,500	-	-	-	900	750	-	368	3,518	
6	Mr. Asif Jooma	1,350	900	-	900	-	450	-	-	3,600	
7	Mr. Ahsan Ali Chughtai	750	-	-	-	-	450	-	238	1,438	
8	Mr. Muhammad Sohail Rajput	450	150	-	-	-	300	-	-	900	
Total Amount Paid		10,650	2,700	2,250	2,550	1,800	2,100	150	3,231	25,431	

\* Dissolved in 317th Board Meeting held on February 24, 2021.

\*\* Allowances include accommodation and travel expenses.

\*\*\* Amount includes NBP - NY Governance Council (Sub-Committee of BRCC).

## 41.3 Remuneration paid to Shariah Board Members

Items	2022				2021			
	Chairman	Resident Member	Non-Resident Member(s)	Total	Chairman	Resident Member	Non-Resident Member(s)	Total
(Rupees in '000)								
Retainer Fee & Fixed Remuneration	4,050	4,998	7,320	16,368	3,462	4,163	4,939	12,564
Total Amount Paid	4,050	4,998	7,320	16,368	3,462	4,163	4,939	12,564
Total Number of Persons	1	1	3	5	1	1	3	5

## 42. FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted instruments classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed-term loans, other assets, other liabilities, fixed-term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

## 42.1 Fair value of financial assets

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

**Level 1:** Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3:** Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

On balance sheet financial instruments	2022				
	Carrying Value	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----					
<b>Financial assets - measured at fair value</b>					
Investments					
Market Treasury Bills	848,763,986	-	848,763,986	-	848,763,986
Pakistan Investment Bonds	2,005,678,970	-	2,005,678,970	-	2,005,678,970
Ijarah Sukuks	20,178,649	-	20,178,649	-	20,178,649
Ordinary shares of listed companies	36,659,044	36,659,044	-	-	36,659,044
Preference shares	1,370,477	1,370,477	-	-	1,370,477
Investments in mutual funds	3,120,431	-	3,120,431	-	3,120,431
Term Finance Certificates / Musharaka and Sukuk Bonds	47,182,336	15,145,954	32,036,382	-	47,182,336
GoP Foreign Currency Bonds	14,422,839	-	14,422,839	-	14,422,839
Foreign Government Securities	1,883,953	-	1,883,953	-	1,883,953
Ordinary shares of a bank outside Pakistan	34,844,245	34,844,245	-	-	34,844,245
	3,014,104,930	88,019,720	2,926,085,210	-	3,014,104,930
<b>Financial assets - disclosed but not measured at fair value</b>					
Investments					
Market Treasury Bills	29,376,461	-	29,137,260	-	29,137,260
Pakistan Investment Bonds	375,236,903	-	355,231,276	-	355,231,276
Ijarah Sukuks	13,130,709	-	12,383,300	-	12,383,300
GoP Foreign Currency Bonds	2,992,408	-	1,665,559	-	1,665,559
Foreign Government Securities	36,096,507	-	37,327,167	-	37,327,167
Foreign Currency Debt Securities	871	-	871	-	871
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	-	-	-	-	-
	456,833,859	-	435,745,433	-	435,745,433
	3,470,938,789	88,019,720	3,361,830,643	-	3,449,850,363
<b>Off-balance sheet financial instruments - measured at fair value</b>					
Foreign exchange contracts purchase and sale	570,881,591	-	(125,371)	-	(125,371)
Forward government securities transactions	54,568,834	-	(14,626)	-	(14,626)

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	2021				
	Carrying Value	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----				
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Market Treasury Bills	811,893,893	-	811,893,893	-	811,893,893
Pakistan Investment Bonds	592,430,009	-	592,430,009	-	592,430,009
Ijarah Sukuks	13,969,700	-	13,969,700	-	13,969,700
Ordinary shares of listed companies	39,784,637	39,784,637	-	-	39,784,637
Preference shares	1,265,729	1,265,729	-	-	1,265,729
Investments in mutual funds	1,868,184	-	1,868,184	-	1,868,184
Term Finance Certificates / Musharaka and Sukuk Bonds	51,224,167	16,016,431	35,207,736	-	51,224,167
GoP Foreign Currency Bonds	20,804,963	-	20,804,963	-	20,804,963
Foreign Government Securities	907,304	-	907,304	-	907,304
Ordinary shares of a bank outside Pakistan	27,524,206	27,524,206	-	-	27,524,206
	1,561,672,792	84,591,003	1,477,081,788	-	1,561,672,791
Financial assets - disclosed but not measured at fair value					
Investments					
Market Treasury Bills	-	-	-	-	-
Pakistan Investment Bonds	324,556,862	-	318,889,255	-	318,889,255
GoP Foreign Currency Bonds	-	-	-	-	-
Foreign Government Securities	34,091,600	-	36,657,716	-	36,657,716
Foreign Currency Debt Securities	680	-	680	-	680
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	30	-	30	-	30
Bai muajjal with Government of Pakistan	10,914,185	-	10,914,185	-	10,914,185
	369,563,357	-	366,461,866	-	366,461,866
	1,931,236,149	84,591,003	1,843,543,654	-	1,928,134,657
Off-balance sheet financial instruments - measured at fair value					
Foreign exchange contracts purchase and sale	571,111,340	-	3,058,205	-	3,058,205
Forward government securities transactions	38,255,954	-	(308,328)	-	(308,328)



## Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

### Valuation techniques used in determination of fair valuation of financial instruments within level 2 and level 3

Item	Valuation approach and input used
Market Treasury Bills	PKRV (MUFAP)
Pakistan Investment Bonds	PKRV & PKFRV (MUFAP)
Ijarah Sukuks	PKISRV (MUFAP)
Ordinary shares of unlisted companies	Breakup value as per latest available audited financial statements
Term Finance Certificates / Musharika and Sukuk Bonds	MUFAP & Pakistan Stock Exchange
GoP Foreign Currency Bonds	Reuter page
Foreign Government Securities	Reuter page
Foreign Currency Debt Securities	Reuter page
Investments in mutual funds	MUFAP
Forward foreign exchange contracts and Forward Government securities transactions	The fair values of forward foreign exchange contracts and forward Government securities transactions are determined using forward pricing calculations.
Fixed assets and non-banking assets acquired in satisfaction of claims	Land, buildings and non-banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty. Accordingly, a qualitative disclosure of sensitivity has not been presented in these unconsolidated financial statements

### 42.2 Fair value of non-financial assets

Information about the fair value hierarchy of Bank's non-financial assets as at the end of the reporting period are as follows:

2022				
Carrying Value	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----				
Land & building (fixed assets)	52,417,088	-	-	52,417,088
Non-banking assets acquired in satisfaction of claims	3,699,943	-	-	3,699,943
	56,117,031	-	-	56,117,031
2021				
Carrying Value	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----				
Land & building (fixed assets)	48,739,721	-	-	48,739,721
Non-banking assets acquired in satisfaction of claims	4,059,546	-	-	4,059,546
	52,799,267	-	-	52,799,267

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

## 43. SEGMENT INFORMATION

### 43.1 Segment Details with respect to Business Activities

2022										
	Retail Banking Group	Inclusive Development Group	Corporate and Investment Banking Group	Treasury	International, Financial Institution and Remittance Group	Atiemaad and Islamic Banking Group	Head Office / Others	Sub total	Eliminations	Total
(Rupees in '000)										
<b>Profit and loss account</b>										
Net mark-up / return / profit	(162,183,572)	25,161,999	36,556,951	205,604,613	4,645,932	7,046,951	(406,360)	116,826,514	-	116,826,514
Inter segment revenue - net	242,679,059	(25,749,912)	(32,666,816)	(206,725,877)	-	(1,932,090)	24,395,636	-	-	-
Non mark-up / return / interest income	16,238,007	491,382	4,513,056	11,741,832	1,816,805	475,181	1,407,613	36,683,876	-	36,683,876
Total income	96,733,494	(96,531)	8,803,191	10,620,568	6,462,737	5,590,042	25,396,889	153,510,390	-	153,510,390
Segment direct expenses	34,945,405	3,410,975	1,234,244	355,659	7,675,997	3,105,252	406,513	51,134,045	-	51,134,045
Inter segment expense allocation	-	-	-	-	-	-	27,038,575	27,038,575	-	27,038,575
Total expenses	34,945,405	3,410,975	1,234,244	355,659	7,675,997	3,105,252	27,445,088	78,172,620	-	78,172,620
Provisions charge / (reversal)	39,252	1,823,824	5,642,750	4,066,055	153,204	187,806	687,716	12,600,607	-	12,600,607
(Profit / loss) before tax	61,748,837	(5,331,330)	1,926,197	6,198,854	(1,366,464)	2,296,984	(2,735,915)	62,737,163	-	62,737,163
<b>Statement of financial position</b>										
Cash and Bank balances	76,022,158	8,471,928	272,335	116,207,653	41,420,355	6,110,320	-	248,504,749	-	248,504,749
Investments	-	-	26,566,790	3,338,860,011	55,396,579	53,920,119	2,610,375	3,477,353,874	-	3,477,353,874
Net inter segment lending	1,913,764,601	-	-	-	-	-	161,978,230	2,075,742,831	(2,075,742,831)	-
Lendings to financial institutions	-	-	-	31,272,467	-	-	-	31,272,467	-	31,272,467
Advances - performing	221,901,091	236,174,990	608,422,187	-	68,916,285	46,381,315	51,477,911	1,233,273,779	-	1,233,273,779
Advances - non-performing	4,107,960	21,853,219	24,119,377	-	53,726,670	654,979	100,845,220	205,307,425	-	205,307,425
Provision against advances	(8,972,018)	(19,791,641)	(23,100,384)	-	(52,356,953)	(655,299)	(103,183,105)	(208,059,400)	-	(208,059,400)
Advances - net	217,037,033	238,236,568	609,441,180	-	70,286,002	46,380,995	49,140,026	1,230,521,804	-	1,230,521,804
Others	31,988,215	3,619,415	41,795,925	381,562	6,402,399	2,842,469	165,741,666	252,771,651	-	252,771,652
Total assets	2,238,812,007	250,327,911	678,076,230	3,486,721,693	173,505,335	109,253,903	379,470,297	7,316,167,376	(2,075,742,831)	5,240,424,546
Borrowings	-	6,032,537	78,399,346	1,839,417,048	16,636,856	-	-	1,940,485,787	-	1,940,485,787
Deposits and other accounts	2,089,383,447	-	406,454,898	-	75,916,594	93,591,714	837,707	2,666,184,360	-	2,666,184,360
Net inter segment borrowing	-	227,691,242	157,769,526	1,581,730,692	96,687,516	11,863,855	-	2,075,742,831	(2,075,742,831)	-
Others	149,428,560	16,604,132	35,169,167	44,395,276	2,896,990	3,373,890	81,038,625	332,906,640	-	332,906,640
Total liabilities	2,238,812,007	250,327,911	677,792,937	3,465,543,016	192,137,956	108,829,459	81,876,332	7,015,319,618	(2,075,742,831)	4,939,576,787
Equity	-	-	283,293	21,178,677	(18,632,621)	424,444	297,593,965	300,847,758	-	300,847,759
Total equity and liabilities	2,238,812,007	250,327,911	678,076,230	3,486,721,693	173,505,335	109,253,903	379,470,297	7,316,167,376	(2,075,742,831)	5,240,424,546
Contingencies and commitments	-	183,082,386	1,907,266,393	625,450,425	28,425,095	-	33,241,948	2,777,466,247	-	2,777,466,247

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# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

## 43.2 Segment details with respect to geographical locations

2022

	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	Total
----- (Rupees in '000) -----						
<b>Profit and loss account</b>						
Net mark-up / return / profit	112,180,582	1,674,206	44,424	508,358	2,418,944	116,826,514
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	34,867,071	763,554	281,607	322,301	449,343	36,683,876
Total income	147,047,653	2,437,760	326,031	830,659	2,868,287	153,510,390
Segment direct expenses	43,458,049	1,920,697	1,083,965	3,420,453	1,250,882	51,134,046
Inter segment expense allocation	27,038,574	-	-	-	-	27,038,574
Total expenses	70,496,623	1,920,697	1,083,965	3,420,453	1,250,882	78,172,620
Provisions	12,447,402	(129,353)	(306)	2,562	280,302	12,600,607
Profit / (loss) before tax	64,103,628	646,416	(757,628)	(2,592,356)	1,337,103	62,737,163
<b>Statement of financial position</b>						
Cash and Bank balances	207,084,394	16,776,954	12,524,181	9,444,994	2,674,226	248,504,749
Investments	3,421,957,295	35,919,928	-	2,759,589	16,717,062	3,477,353,874
Net inter segment lendings	96,707,768	-	-	-	-	96,707,768
Lendings to financial institutions	31,272,467	-	-	-	-	31,272,467
Advances - performing	1,194,699,235	5,207,650	420	561,473	32,805,001	1,233,273,779
Advances - non-performing	121,239,014	74,638,826	1,584,372	-	7,845,213	205,307,425
Provision against advances	(155,702,446)	(44,181,403)	(1,584,372)	(12,401)	(6,578,778)	(208,059,400)
Advances - net	1,160,235,803	35,665,073	420	549,072	34,071,436	1,230,521,804
Others	246,369,252	3,817,915	178,130	251,226	2,155,127	252,771,652
<b>Total assets</b>	<b>5,163,626,979</b>	<b>92,179,870</b>	<b>12,702,731</b>	<b>13,004,881</b>	<b>55,617,851</b>	<b>5,337,132,314</b>
Borrowings	1,923,848,931	1,928,779	-	-	14,708,077	1,940,485,787
Deposits and other accounts	2,590,267,766	35,927,275	7,941,305	5,574,521	26,473,493	2,666,184,360
Net inter segment borrowing	-	59,264,939	4,503,018	8,442,185	24,497,626	96,707,768
Others	330,009,650	964,792	258,408	667,328	1,006,462	332,906,640
<b>Total liabilities</b>	<b>4,844,126,347</b>	<b>98,085,785</b>	<b>12,702,731</b>	<b>14,684,034</b>	<b>66,685,658</b>	<b>5,036,284,555</b>
Equity	319,500,632	(5,905,915)	-	(1,679,153)	(11,067,807)	300,847,759
<b>Total equity and liabilities</b>	<b>5,163,626,979</b>	<b>92,179,870</b>	<b>12,702,731</b>	<b>13,004,881</b>	<b>55,617,851</b>	<b>5,337,132,314</b>
Contingencies and commitments	2,749,041,154	9,797,537	1,803,538	6,737,008	10,087,010	2,777,466,247

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	2021					
	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	Total
------(Rupees in '000)-----						
<b>Profit and loss account</b>						
Net mark-up / return / profit	93,818,927	1,740,068	(275)	198,227	1,860,859	97,617,806
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	35,657,077	396,975	305,048	340,207	242,310	36,941,617
Total Income	129,476,004	2,137,043	304,773	538,434	2,103,169	134,559,423
Segment direct expenses	38,673,910	1,701,708	869,557	2,882,547	909,718	45,037,440
Inter segment expense allocation	24,745,192	-	-	-	-	24,745,192
Total expenses	63,419,102	1,701,708	869,557	2,882,547	909,718	69,782,632
Provisions	12,028,120	(218,598)	66,636	4,585	35,639	11,916,383
Profit / (loss) before tax	54,028,782	653,933	(631,420)	(2,348,698)	1,157,812	52,860,408
<b>Statement of financial position</b>						
Cash and bank balances	238,123,368	16,079,536	12,409,372	28,845,835	956,015	296,414,126
Investments	1,882,366,083	38,444,313	-	2,834,242	14,526,004	1,938,170,642
Net inter segment lendings	85,836,007	-	-	-	-	85,836,007
Lendings to financial institutions	335,466,675	-	-	-	-	335,466,675
Advances - performing	1,026,506,860	20,282,504	494,294	5,025,734	54,929,177	1,107,238,569
Advances - non-performing	151,645,081	38,850,705	1,311,119	-	6,131,324	197,938,229
Provision against Advances	(146,794,803)	(38,765,810)	(1,311,119)	(7,489)	(4,905,092)	(191,784,313)
Advances - net	1,031,357,138	20,367,399	494,294	5,018,245	56,155,410	1,113,392,485
Others	158,275,735	3,016,223	164,067	219,828	1,564,688	163,240,541
<b>Total assets</b>	<b>3,731,425,006</b>	<b>77,907,472</b>	<b>13,067,733</b>	<b>36,918,149</b>	<b>73,202,117</b>	<b>3,932,520,476</b>
Borrowings	275,739,772	1,971,822	-	-	35,213,512	312,925,106
Deposits and other accounts	2,943,669,793	37,237,231	8,815,589	7,455,103	21,977,329	3,019,155,045
Net inter segment borrowing	-	37,978,569	4,040,045	28,932,868	14,884,525	85,836,007
Others	225,865,684	831,551	212,099	548,076	944,344	228,401,753
<b>Total liabilities</b>	<b>3,445,275,249</b>	<b>78,019,173</b>	<b>13,067,733</b>	<b>36,936,047</b>	<b>73,019,710</b>	<b>3,646,317,911</b>
Equity	286,149,758	(111,701)	-	(17,897)	182,406	286,202,565
<b>Total equity and liabilities</b>	<b>3,731,425,006</b>	<b>77,907,472</b>	<b>13,067,733</b>	<b>36,918,149</b>	<b>73,202,117</b>	<b>3,932,520,476</b>
<b>Contingencies and commitments</b>						
	2,488,212,600	2,554,088	3,073,302	8,003,060	9,280,355	2,511,123,406

44.

## TRUST ACTIVITIES

44.1

### Endowment Fund

Students Loan Scheme was launched by Government of Pakistan in collaboration with major commercial banks with a view to extend financial help by way of mark-up free loan to the meritorious students without sufficient resources for pursuing scientific technical and professional education within Pakistan.

The Scheme is being administered by a high powered committee headed by the Deputy Governor, State Bank of Pakistan and the Presidents of NBP, HBL, UBL, MCB, ABL and the Deputy Secretary, Ministry of Finance as member and Senior Director of IHS&SME Finance Department (Infrastructure, Housing & SME Finance Department) as a secretary of the Committee. The State Bank of Pakistan has assigned National Bank of Pakistan to operate the scheme.

The Committee in its meeting held on August 7, 2001 approved creation of Endowment Fund initially at an amount of Rs. 500 million, Rs. 396 million were transferred from the old Qarz-e-Hasna (Defunct) Fund, Rs.50 million contributed by the Government of Pakistan and Rs. 54 million were contributed by participating banks (HBL, NBP and UBL 25% each, MCB 17.5% and ABL 7.5%).

The amount of the Endowment Funds in investments stands at Rs. 875.179 million as at December 31, 2022 (2021: Rs. 835.77 million).

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

- 44.2** The Bank undertakes Trustee and other fiduciary activities that result in the holding or placing of assets on behalf of individuals and other organisations. These are not assets of the Bank and, therefore, are not included as such in these unconsolidated financial statements. Assets held under trust are shown in the table below:

As at December 31, 2022					
		Securities Held (Face Value)			
Category	No. of IPS Accounts	Market Treasury Bills	Pakistan Investment Bonds	Government Ijarah Sukuks	Total
------(Rupees in '000)-----					
Assets Management Companies	48	-	-	-	-
Charitable institutions	6	-	-	-	-
Companies	33	111,150,080	53,771,500	27,417,400	192,338,980
Employee Funds	42	76,006,000	67,408,800	-	143,414,800
Individuals	1,680	723,040	63,000	-	786,040
Insurance Companies	8	28,850,000	160,826,800	-	189,676,800
Others	79	198,320,900	672,294,130	-	870,615,030
Total	1,896	415,050,020	954,364,230	27,417,400	1,396,831,650

As at December 31, 2021					
		Securities Held (Face Value)			
Category	No. of IPS Accounts	Market Treasury Bills	Pakistan Investment Bonds	Government Ijarah Sukuks	Total
------(Rupees in '000)-----					
Assets Management companies	31	-	-	-	-
Charitable institutions	5	205,320	854,000	-	1,059,320
Companies	31	41,314,365	128,980,600	27,417,400	197,712,365
Employee Funds	41	12,597,120	43,178,900	-	55,776,020
Individuals	944	203,025	79,700	-	282,725
Insurance Companies	8	23,821,000	172,528,500	-	196,349,500
Others	74	76,701,745	234,918,697	-	311,620,442
<b>Total</b>	<b>1,134</b>	<b>154,842,575</b>	<b>580,540,397</b>	<b>27,417,400</b>	<b>762,800,372</b>

## 45. RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its subsidiaries, associates, joint ventures, employee benefit plans and its directors and Key Management Personnel. The details of investment in subsidiaries, joint venture and associated undertaking and their provisions are stated in note 10 of the unconsolidated financial statements of the Bank.

The Bank enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these unconsolidated financial statements are as follows:



# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Person fund (current)	Person fund (fixed deposit)	Person fund (NDA-A/c)	Provident fund	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Person fund (current)	Person fund (fixed deposit)	Person fund (NDA-A/c)	Provident fund	Other related parties
(Rupees in '000)																				
Balances with other banks																				
In current accounts	-	-	-	-	395,137	-	-	-	-	-	-	-	-	-	235,951	-	-	-	-	-
	-	-	-	-	395,137	-	-	-	-	-	-	-	-	-	235,951	-	-	-	-	-
Investments																				
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment made during the year	-	-	-	-	-	-	-	-	-	4,465,809	-	-	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the year	-	-	-	-	-	-	-	-	-	1,605,804	-	-	-	-	-	-	-	-	-	-
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,465,809
	-	-	-	-	-	-	-	-	-	6,071,613	-	-	-	-	-	-	-	-	-	4,465,809
Provision for diminution in value of investments										461,354										175,537
	-	-	-	-	-	-	-	-	-	-	-	-	-	3,821,854	-	-	-	-	-	-
Advances																				
Opening balance	-	347,592	426,565	2,934,162	-	-	-	-	-	641,482	-	233,267	359,565	2,981,029	-	-	-	-	-	305,117
Addition during the year	-	66,147	-	-	-	-	-	-	-	2,229,175	-	254,860	100,000	-	-	-	-	-	-	35,589,939
Repaid during the year	-	(62,240)	(199,502)	(268,942)	-	-	-	-	-	(1,435,378)	-	(36,216)	(33,000)	(46,867)	-	-	-	-	-	(35,253,573)
Transfer in / (out) - net	-	(41,765)	-	-	-	-	-	-	-	650,516	-	(104,319)	-	-	-	-	-	-	-	-
Closing balance	-	339,734	227,063	2,665,220	-	-	-	-	-	2,085,795	-	347,592	426,565	2,934,162	-	-	-	-	-	641,482
	-	-	217,063	2,665,220	-	-	-	-	-	-	-	-	251,565	2,837,287	-	-	-	-	-	-
Provision held against advances																				
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets																				
Interest / mark-up accrued	-	-	82,502	1,717,167	-	-	-	-	-	-	-	-	251,316	1,719,049	-	-	-	-	-	-
Other receivable	-	-	73,280	-	-	-	-	-	-	-	-	-	73,280	-	-	-	-	-	-	-
	-	-	155,782	1,717,167	-	-	-	-	-	-	-	-	324,596	1,719,049	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision against other assets																				
	-	-	73,280	-	-	-	-	-	-	-	-	-	73,280	-	-	-	-	-	-	-
Borrowings																				
Opening balance	-	-	-	-	35,741	-	-	-	-	-	-	-	-	-	9,111	-	-	-	-	-
Borrowings during the year	-	-	-	-	16,504	-	-	-	-	-	-	-	-	-	26,630	-	-	-	-	-
Settled during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	52,245	-	-	-	-	-	-	-	-	-	35,741	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts																				
Opening balance	1,760	131,454	1,007,337	-	-	86,264	10,100,000	46,769	12,854,755	43,336,142	1,320	177,236	1,553,709	-	-	58,871	-	1,369,644	13,282,016	227,967
Received during the year	-	885,658	14,507	3,000	-	41,951,279	-	8,370,003	5,025,151	5,647,368	9,334	777,224	693,981	-	-	27,393	10,100,000	-	235,269,961	-
Withdrawn during the year	(14)	(894,821)	(110,741)	-	-	(42,010,321)	(10,100,000)	(8,159,520)	(4,616,736)	(5,669,604)	(8,994)	(763,659)	(1,240,353)	-	-	-	-	(1,322,875)	(427,261)	(196,497,842)
* Transfer in / (out) - net	(1,746)	(23,803)	-	-	-	-	-	-	-	(42,798,288)	90	(59,347)	-	-	-	-	-	-	-	4,336,036
Closing balance	-	96,498	911,103	3,000	-	27,222	-	257,252	13,263,170	515,559	1,760	131,454	1,007,337	-	-	86,264	10,100,000	46,769	12,854,755	43,336,142
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Liabilities																				
Other payables to subsidiaries	-	-	30,676	-	-	-	-	-	-	-	-	-	-	4,041	-	-	-	-	-	-
	-	-	30,676	-	-	-	-	-	-	-	-	-	-	4,041	-	-	-	-	-	-
Contingencies and Commitments																				
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

\* Transfer in / (out) - net due to retirement / appointment of directors and changes in key management executives.

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	2022							2021								
	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Pension fund	Provident fund	Funds / others	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Pension fund	Provident fund	Funds / others
Income																
Mark-up / return / interest earned	-	-	28,121	3,384	1	-	-	-	-	-	2,731	9,857	-	-	-	-
Debits due by Companies in which Directors of the Bank is interested as Directors	-	-	-	-	-	-	-	457,362	-	-	-	-	-	-	-	8,137
Fee and commission income	-	-	-	-	-	-	-	-	-	-	297	-	-	-	-	-
Dividend income	-	-	64,260	-	114,405	-	-	86,114	-	-	82,895	7,009	-	-	-	-
Rent income / Lighting & Power and Bank charges	-	-	13,903	5,533	-	-	-	-	-	-	22,916	5,109	-	-	-	-
Expense																
Mark-up / return / interest paid	-	4,846	37,931	-	20,556	477,113	1,787,633	1,683,174	88	3,873	6,887	-	41	55,888	1,417,701	1,625,178
Finance charges paid on lease assets to subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenses paid to company in which Director of the bank is interested as CEO and director	-	-	-	-	-	-	-	79,487	-	-	-	-	-	-	-	23,387
Remuneration to key management executives including charge for defined benefit plan	-	713,790	-	-	-	-	-	-	-	637,103	-	-	-	-	-	-
Contribution for other corporate & social responsibility paid to company in which Directors of the bank is interested as director	-	-	-	-	-	-	-	5,000	-	-	-	-	-	-	-	-
Commission paid to subsidiaries	-	-	5,535	-	-	-	-	-	-	-	5,323	-	-	-	-	-
Directors fee & other allowances	25,772	-	-	-	-	-	-	-	25,431	-	-	-	-	-	-	-
Post Retirement Benefit paid to Director cum Ex-employee	-	-	-	-	-	-	-	522	-	-	-	-	-	-	-	2,087

## 45.1 Transactions with Government-related entities

The Federal Government through State Bank of Pakistan holds controlling interest (75.60% shareholding) in the Bank and therefore entities which are owned and / or controlled by the Federal Government, or where the Federal Government may exercise significant influence, are related parties of the Bank.

The Bank in the ordinary course of business enters into transaction with Government-related entities. Such transactions include lending to, deposits from and provision of other banking service to Government-related entities.

The Bank also earned commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs.10,507 million (2021: 8,408 million) for the year ended December 31, 2022. As at the statement of financial position date the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs. 593,486 million (2021: 405,294 million), Rs. 1,403,331 million (2021: 1,247,457 million) and Rs.1,714,807 million (2021: 1,540,238 million), respectively and income earned on advances and investment and profit paid on deposits amounted to Rs. 40,225 million (2021: 31,846 million) and Rs. 199,052 million (2021: 51,110 million) respectively.

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

## 46. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- to comply with the capital requirements set by the regulators of the banking markets where the Bank operates;
- to safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

Basel-III instructions comprise the following three capital standards:

### i. Minimum Capital Requirement (MCR):

The MCR standard sets the nominal amount of capital banks / DFIs are required to hold. Currently, the MCR for banks and DFIs is Rs. 10 billion as prescribed by SBP.

### ii. Capital Adequacy Ratio (CAR):

The Capital Adequacy Ratio assesses the capital requirement based on the risks faced by the banks / DFIs. The banks / DFIs are required to comply with the minimum requirements as specified by the SBP on standalone as well as consolidated basis. As of December 31, 2022, the required CAR for banks is 11.50% (plus 1.50% for NBP as D-SIB requirement).

### iii. Leverage Ratio:

Tier-1 Leverage Ratio of 3% is introduced in response to Basel III Accord as the third capital standard. Bank level disclosure of the leverage ratio and its components started from December 31, 2015. The Bank has a leverage ratio of 3.08% in the year December 31, 2022 (2021:3.47%) and Tier-1 capital of Rs. 231,191 million (2021: Rs. 199,752 million).

The SBP's regulatory capital as managed by the Bank is analysed into following tiers:

#### 1. Tier 1 Capital (going-concern capital)

- Common Equity Tier 1
- Additional Tier 1
- Tier I capital, which comprises highest quality capital element and includes fully paid up capital, balance in share premium account, reserve for issue of bonus shares, general reserves and un-appropriated profits (net of accumulated losses, if any).

#### 2. Tier 2 Capital (gone-concern capital)

- Tier II capital, which includes general reserve for loan losses, revaluation reserve, exchange translation reserve and subordinated debt.

Basel III capital rules require bank to make certain deductions from the capital before arriving at the Capital Adequacy Ratio (CAR).

Risk weighted assets are measured according to the nature of the asset and reflect an estimate of credit, market and other risks associated with each asset and counterparty, after taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposures, with some adjustments to reflect more contingent nature of potential losses.

The Bank's policy is to maintain strong capital base so as to maintain, investor, creditor and market confidence, and to sustain future development of the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the SBP. The ratios compare the amount of eligible capital with the total of risk-weighted assets. The Bank monitors and reports its capital ratio under the SBP rules, which ultimately determine the regulatory capital, required to be maintained by Banks and DFIs.



# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

The paid-up capital of the Bank for the year ended December 31, 2022 stood at Rs. 21,275 million (2021: Rs. 21,275 million) and is in compliance with the SBP requirement for the said year. In addition the Bank has maintained minimum Capital Adequacy Ratio (CAR) of 21.59% (2021: 20.39%).

There have been no material changes in the Bank's management of capital during the year.

	2022	2021
	------(Rupees in '000)-----	
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	21,275,131	21,275,131
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	231,190,928	199,752,308
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	231,190,928	199,752,308
Eligible Tier 2 Capital	75,036,139	64,343,019
Total Eligible Capital (Tier 1 + Tier 2)	306,227,067	264,095,327
Risk Weighted Assets (RWAs):		
Credit Risk	1,066,232,569	983,659,218
Market Risk	93,557,759	82,342,372
Operational Risk	258,686,736	229,114,480
Total	1,418,477,064	1,295,116,070
Common Equity Tier 1 Capital Adequacy ratio	16.30%	15.42%
Tier 1 Capital Adequacy Ratio	16.30%	15.42%
Total Capital Adequacy Ratio	21.59%	20.39%
<b>Leverage Ratio (LR):</b>		
Eligible Tier-1 Capital	231,190,928	199,752,308
Total Exposures	7,502,352,873	5,758,095,315
Leverage Ratio	3.08%	3.47%
<b>Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	1,418,328,644	1,362,545,096
Total Net Cash Outflow	963,197,902	828,459,514
Liquidity Coverage Ratio	147%	164%
<b>Net Stable Funding Ratio (NSFR):</b>		
Total Available Stable Funding	2,684,457,394	2,753,443,506
Total Required Stable Funding	1,069,401,835	990,042,101
Net Stable Funding Ratio	251%	278%

46.1 The full disclosure on the Capital Adequacy, Leverage Ratio and Liquidity Requirements as per SBP instructions issued from time to time, is available on NBP's website. The link to the full disclosure is available at <https://www.nbp.com.pk/blsd/>

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

## 47. RISK MANAGEMENT

Risk management is about understanding and managing the potential for volatility of earnings, loss of access to reliable deposits and funding and depletion of capital arising from the business activities, whilst pursuing its strategic objectives. The Bank has in place a well-defined risk management strategy/ policy with clear objectives and deliverables through multi-pronged risk management processes.

The Bank applies the Basel framework as a cornerstone for NBP's risk management framework, capital, and liquidity strategy. The Bank maintains a strong capital, funding and liquidity position in line with its on-going commitment to maintaining balance sheet strength. The strength of risk management profile of the Bank stands at the following pillars:

- Identification and assessment of significant material risks.
- Overseeing and managing the risk profile of the Bank within the context of the risk appetite.
- Optimize risk / return decisions by aligning them to business objective of achieving sustainable optimum growth.

Information Security Division (ISD) is also an integral part of Risk Management Group to oversee independently the emerging information/ cyber security risks.

In order to support Risk Management Group (RMG's) activities, a strong data management mechanism is also in place to collect and consolidate exposure wise information for various risk related analysis and reviews. The mechanism also helps in identification of e-CIB related information, periodic reviews, generation of reports and highlighting inconsistencies and errors, and issuing instructions to the relevant data entry points for rectification.

During 2022, Pakistan witnessed significant economic headwinds. Rising inflation, increasing fuel prices, depleting foreign exchange reserves, massive devaluation of the Pakistani rupee, political instability, increasing interest rates, and high budget deficit made the year more challenging. In this backdrop, Fitch, Moody's and S&P Global lowered the country's sovereign credit rating. In June 2022, Pakistan was hit with a natural catastrophe in the shape of worst ever floods in the history of the country. The floods resulted in millions of people being displaced and severe damage to both crops and livestock. Additionally, international commodity prices also remained elevated through the year. The headline inflation increased significantly touching a multi-year high of 27.32% in August. During the year, SBP increased the benchmark interest rate by a cumulative 625 bps to 16%. This steep increase was aimed at reducing aggregate demand in the economy and also to counter high inflation. This led to a steep uptick in domestic food prices. The Bank is regularly conducting assessments of the credit portfolio, with robust post disbursement credit review mechanism to identify borrowers most likely to be affected in the challenging business and economic environment. Bank is confident that it has more than sufficient risk bearing capacity to with stand these difficult times.

### 47.1 Risk Governance Structure

Risk Management Group (RMG) operates as an independent group under the supervision of Chief Risk Officer (CRO). RMG's scope and coverage has been enhanced to cater enterprise-wide risk management, credit approvals, and program lending. CRO reports directly to the President with dotted line reporting to Board Risk & Compliance Committee (BRCC). The group is responsible to perform the functions pertaining to development and oversight of the risk management framework, methodologies and other functions assigned from time to time in line with local/ international best practices and under the supervision of SBP's regulations/ guidelines.

The Bank's Board is responsible to ensure active oversight over implementation of policies and frameworks so as to prevent any significant financial loss or reductions in shareholders' value that may be suffered by the Bank. Therefore, it is the responsibility of the Board to ensure that policies and frameworks are in place to recognize all significant / material risks to which the Bank is / may be exposed and that the required human resource, culture, practices and systems are adequate to address such risks. The Board and its relevant committee, i.e. Board Risk and Compliance Committee (BRCC) and the senior management along with its relevant committees i.e. Management Credit Committee (MCC), Enterprise Risk Committee (ERC), Asset and Liability Committee (ALCO) etc. are responsible to ensure implementation of Risk Management framework.

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

## 47.2 Risk Management Framework

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions, products and services offered.

The Bank implements risk management framework through a 'Three Lines of Defence' model which defines clear responsibilities and accountabilities for various offices and ensures effective and independent oversight and also that the activities take place as intended. RMG together with Compliance Group acts as second line of defense and performs integrated function of oversight and independently challenges the effectiveness of risk management actions taken by business groups, who are the first line of defense. The risk management is further strengthened by the third line of defense, where Board Audit and Compliance Committee and Audit and Inspection Group add value through independent and objective assurance in improving risk management functions of the Bank.

Following paragraphs introduce Bank's exposures to material risks associated with its business activities and explain overall strategies and processes to manage those risks:

### 47.2.1 Credit Risk

Credit risk is one of the significant risks faced by banks by due to the nature of their core activities. Through effective management of credit risk exposure, banks not only support the viability and profitability of their own business but also contribute to systemic stability and efficient allocation of capital in the economy. Credit Risk arises from the potential that a customer's or counterparty's willingness or ability to meet such an obligation is impaired, resulting in an economic loss to the bank. NBP's lending activities account for most of the Bank's credit risk which is continuously evolving in various financial activities including loans and advances, commitments to lend, contingent liabilities such as letter of credit and guarantees, and other types of both on and off-balance sheet transactions. The Bank has a dedicated setup led by Chief Risk Officer that ensures the effectiveness of the risk management frameworks for assessment / measurement, review and reporting of credit risk under supervision of Board Risk and Compliance Committee.

A prudent path to identify, assess and monitor credit risk management through structured assessment models, effective pre-disbursement evaluation tools and an array of post disbursement review systems has enabled NBP to effectively manage its credit risk and to keep the Bank resilient and minimize losses within the defined risk tolerance levels. Strategic goal, embedded into our approach to risk management is to maintain a robust framework, identify and escalate risks and to support sustainable business growth. The Bank has in place Risk Appetite Framework and Credit Risk Concentration Management Framework to control and mitigate the levels of credit risk it undertakes by placing limits on exposures in relation to existing or potential obligors, economic groups and to various industry segments.

The Risk Management function of the Bank is regularly conducting assessments, on perpetual basis, of the credit portfolio to identify borrowers and sectors through portfolio reports and dashboards most likely to get affected due to changes in the business and economic environment locally as well as globally. Bank is proactively keeping an eye on the delinquency in the accounts, financial position of the counterparty, current economic situation and other relevant information.

Credit review and approval process of the Bank is well-defined and is managed under strict supervision of senior management. For analysis of counterparties within various asset classes / constitutions / economic group, the Bank has in place rating models / scorecards, which further enhances the effective decision making. Concentration of exposure / risk in any of counterparty, economic group, or industry is assessed frequently and limit setting is tailored accordingly within Bank's overall risk appetite. Furthermore, during the year several automation initiatives were also undertaken by RMG for more efficient and effective decision making.

The Bank has also embarked on implementation of IFRS 9 standard, which is currently in parallel-run phase. The standard sets out new model for financial assets, which requires recognition of impairment charge based on an 'Expected Credit Loss' approach rather than the 'Incurred Credit Loss' approach as currently followed.



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Moreover, under the leadership of CEO & CRO, the credit approval process was brought in line with global best practices by implementing the delegated approval authorities to Chief Credit Officer (CCO) & Senior Credit Officers (SCOs). This has vastly improved the turnaround time (TAT) for credit approvals besides a focused approach to asset / loan underwriting and monitoring. Furthermore, the risk team has also started making joint visits with the business teams to customers sites which has proved to be very helpful in understanding the ground realities and also supports in making informed decisions.

Retail & Program Lending Group manages the risk side of products governed on a program basis. Group has been organized on a Credit Cycle approach that adapts an end-to-end credit view. It is engaged in areas of Policy & Portfolio Management, MIS & Analytics, Credit Approvals, Collection & Recovery, Quality Assurance, etc. Head of Retail & Program Lending Group reports to CRO of the bank and is also a voting member of Management Credit Committee.

Currently under Basel Framework, Standardized Approach is used to calculate capital charge for credit risk weighted assets, with simple approach for credit risk mitigation. Additionally, stress testing for credit risk is completed on regular basis to evaluate the conceivable effects of scenarios provided by the regulator.

Particulars of the bank's significant on-balance sheet and off-balance sheet credit risk in various sectors are analyzed as follows:

### 47.2.1.1 Lendings to financial institutions

Credit risk by public / private sector	Gross lendings		Non-performing lendings		Provision held	
	2022	2021	2022	2021	2022	2021
----- (Rupees in '000) -----						
Public / Government	-	-	-	-	-	-
Private	31,446,617	335,640,825	174,150	174,150	174,150	174,150
	31,446,617	335,640,825	174,150	174,150	174,150	174,150

# Notes to and forming part of the Unconsolidated Financial Statements

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## 47.2.1.2 Investment in debt securities

### Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2022	2021	2022	2021	2022	2021
----- (Rupees in '000) -----						
Cement	357,668	470,168	20,168	20,168	20,168	20,168
Chemical	326,742	2,076,742	326,742	326,742	326,742	326,742
Construction	2,962,405	3,380,824	1,633,739	1,633,739	1,633,739	1,633,739
Engineering	4,842	4,842	4,842	4,842	4,842	4,842
Fertilizer	1,330,815	655,109	1,330,815	655,109	1,199,830	655,109
Sugar	655,219	709,719	655,219	709,719	655,219	709,719
Textile	936,767	1,079,625	651,053	651,053	651,053	651,053
Financial	14,920,842	9,734,656	501,012	201,252	501,012	201,252
Electronics and electrical appliances	1,308,738	1,308,738	1,308,738	1,308,738	1,308,738	1,308,738
Glass and Ceramics	11,361	11,361	11,361	11,361	11,361	11,361
Leather and Tanneries	5,288	5,288	5,288	5,288	5,288	5,288
Food and Personal Care Products	11,184	11,184	11,184	11,184	11,184	11,184
Pharmaceuticals	2,413	2,413	2,413	2,413	2,413	2,413
Technology and Communication	11,072	11,072	11,072	11,072	11,072	11,072
Vanaspati and Allied Industries	4,238	4,238	4,238	4,238	4,238	4,238
Oil and Gas Marketing	687	687	687	687	687	687
Cable and Electrical Goods	4,509	4,509	4,509	4,509	4,509	4,509
Automobile Parts and Accessories	1,185	1,185	1,185	1,185	1,185	1,185
Power (electricity), Gas, Water, Sanitary	27,692,257	34,545,470	-	-	-	-
Tobacco	144	144	144	144	144	144
Paper and Board	10,794	10,794	10,794	10,794	10,794	10,794
Jute	7,081	7,081	7,081	7,081	7,081	7,081
Metal Products	375,000	500,000	-	-	-	-
Services	823,877	867,239	-	-	-	-
Telecom	300,000	-	-	-	-	-
Miscellaneous	464,628	467,203	23,447	25,996	23,447	25,996
	52,529,756	55,870,291	6,525,731	5,607,314	6,394,746	5,607,314

### Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2022	2021	2022	2021	2022	2021
----- (Rupees in '000) -----						
Public / Government	23,536,119	29,864,332	18,862	18,862	18,862	18,862
Private	28,993,637	26,005,959	6,506,869	5,588,452	6,375,884	5,588,444
	52,529,756	55,870,291	6,525,731	5,607,314	6,394,746	5,607,306

## Notes to and forming part of the Unconsolidated Financial Statements

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### 47.2.1.3 Advances

Credit risk by industry sector	Gross advances		Non-performing advances		Provision held	
	2022	2021	2022	2021	2022	2021
----- (Rupees in '000) -----						
Agriculture, Forestry, Hunting & Fishing	80,495,011	71,243,087	7,362,301	7,208,158	5,713,024	5,192,290
Mining & Quarrying	3,164,044	88,334	184,765	11,336	184,765	11,336
Textile	165,106,735	160,048,253	37,829,886	36,876,601	36,395,069	36,828,216
Chemical & Pharmaceuticals	7,461,927	5,284,057	4,439,102	2,731,312	4,394,734	2,661,064
Cement	35,175,010	32,057,795	5,768,647	6,317,887	3,786,389	4,094,267
Sugar	39,101,616	36,639,278	15,300,589	15,354,821	15,300,589	15,354,821
Footwear and Leather garments	2,534,796	2,016,893	1,168,627	892,779	1,079,224	887,472
Automobile & Transportation Equipment	10,875,288	8,567,080	921,095	940,147	905,813	937,466
Electronics & Electrical Appliances	10,782,697	9,684,327	2,379,854	2,380,885	2,377,270	2,370,272
Construction	24,955,900	20,193,083	9,447,671	9,643,454	9,441,049	6,754,352
Oil & Gas	178,706,498	102,762,247	19,619,278	20,216,650	19,339,190	20,074,535
Power (electricity), Gas, Water, Sanitary	194,522,795	198,946,668	15,156,096	13,209,849	12,981,169	9,311,105
Wholesale and Retail Trade	53,368,839	42,441,006	10,713,337	10,731,332	10,608,043	10,675,368
Exports / Imports	1,599,410	1,501,450	235,284	-	235,284	-
Transport, Storage and Communication	57,659,125	55,054,905	14,820,738	12,774,422	12,548,074	10,353,432
Financial	14,915,038	32,198,215	321,443	309,394	313,343	309,394
Services	42,006,765	38,096,872	3,104,232	4,228,462	1,812,521	2,540,822
Individuals	203,234,728	198,138,761	6,468,807	6,150,291	4,350,012	4,300,297
Fertilizer	9,096,871	11,602,568	2,861,321	2,988,462	2,822,795	2,947,541
Metal Products	70,882,534	71,007,705	26,476,676	25,680,256	26,473,372	25,511,029
Telecommunication	30,839,889	22,011,036	1,180,028	1,136,813	1,180,028	1,136,813
Public Sector Commodity Operations	96,305,380	77,346,473	74,198	74,198	74,198	74,198
Rice Trading & Processing	35,552,848	37,707,929	4,546,743	4,780,678	4,432,434	4,555,487
Food and Tobacco	20,536,106	16,080,605	7,108,250	6,959,780	6,745,426	6,338,654
Glass and Ceramics	6,626,264	8,070,726	274,739	389,447	274,739	389,447
Paper & Board	3,063,869	2,726,772	1,177,882	1,193,719	1,168,683	1,193,719
Engineering	29,549,358	32,121,933	1,637,447	1,422,820	1,482,884	1,415,349
Plastic Products	3,305,648	2,662,060	1,507,205	672,095	1,157,387	670,607
Media	916,067	1,529,488	151,334	381,881	151,334	208,971
Flour Mills	2,429,206	2,663,913	602,291	649,015	570,451	585,705
Sports Goods	140,062	1,280,713	14,688	93,818	14,688	93,818
Surgical equipments	790,887	824,409	13,200	12,151	9,430	8,558
Others	2,879,993	2,578,157	2,439,671	1,525,315	2,387,450	1,525,314
	1,438,581,204	1,305,176,798	205,307,425	197,938,229	190,710,861	179,311,722

Credit risk by public / private sector	Gross advances		Non-performing advances		Provision held	
	2022	2021	2022	2021	2022	2021
----- (Rupees in '000) -----						
Public / Government	498,932,567	420,736,532	99,887	99,887	99,887	99,887
Private	939,648,637	884,440,266	205,207,538	197,838,342	190,610,974	179,211,835
	1,438,581,204	1,305,176,798	205,307,425	197,938,229	190,710,861	179,311,722



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## 47.2.1.4 Contingencies and Commitments

### Credit risk by industry sector

	2022	2021
	------(Rupees in '000)-----	
Agriculture, Forestry, Hunting and Fishing	504,418	100,504
Mining and Quarrying	426,948	1,418,487
Textile	15,852,803	25,421,310
Chemical and Pharmaceuticals	3,774,815	6,001,560
Cement	3,402,417	9,718,289
Sugar	93,200	592,840
Footwear and Leather garments	-	182
Automobile and Transportation Equipment	2,712,927	4,435,897
Electronics and Electrical Appliances	2,433,354	2,843,195
Construction	9,005,223	9,718,062
Oil & Gas	67,938,534	104,645,267
Power (electricity), Water, Sanitary	59,726,777	61,808,701
Wholesale and Retail Trade	1,464,278	2,346,916
Exports / Imports	139,941	272,733
Transport, Storage and Communication	117,805,517	47,721,546
Financial	836,176,841	740,274,595
Services	1,532,587,528	1,355,079,802
Individuals	316,559	77,114
Fertilizer	3,272,384	3,652,239
Metal Products	21,853,185	15,961,141
Telecommunication	25,204,570	25,141,952
Public Sector Commodity Operations	199,543	8,249,178
Rice processing and Trading	459,325	20,825
Food and Tobacco	460,902	448,128
Glass and Ceramics	977,165	1,484,463
Paper and Board	523,793	2,046,783
Engineering	68,544,006	77,952,489
Plastic Products	159,060	258,541
Surgical equipments	19,459	19,459
Others	1,430,775	3,411,207
	<b>2,777,466,247</b>	<b>2,511,123,406</b>

\* Contingent liabilities for the purpose of this note are presented at cost and includes direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities.

### Credit risk by public / private sector

	2022	2021
	------(Rupees in '000)-----	
Public / Government	1,775,401,082	1,411,475,036
Private	1,002,065,165	1,099,648,371
	<b>2,777,466,247</b>	<b>2,511,123,406</b>

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### 47.2.1.5 Concentration of Advances

The bank's top ten (10) exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 1,851,158 million (2021: Rs. 1,474,941 million) are as following:

	2022 ------(Rupees in '000)-----	2021 ------(Rupees in '000)-----
Funded	306,636,922	244,605,208
Non Funded	1,544,521,600	1,230,335,750
Total Exposure	1,851,158,522	1,474,940,958

The sanctioned limits against these top 10 exposures aggregated to Rs. 1,899,110 million (2021: Rs. 1,563,667 million).

For the purpose of this note, exposure means outstanding funded facilities and utilised non-funded facilities as at the reporting date.

### 47.2.1.6 Advances - Province / Region-wise Disbursement & Utilization

Province / Region	2022						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
		------(Rupees in '000)-----					
Punjab	422,286,297	421,433,044	853,253	-	-	-	-
Sindh	491,891,760	826,000	489,953,056	-	500,000	612,705	-
KPK including FATA	11,459,625	-	-	11,459,625	-	-	-
Balochistan	4,073,074	-	-	-	4,073,074	-	-
Islamabad	129,737,810	-	-	-	-	129,737,810	-
AJK including Gilgit - Baltistan	7,244,799	-	-	-	-	-	7,244,799
Total	1,066,693,365	422,259,044	490,806,309	11,459,625	4,573,074	130,350,515	7,244,799

Province / Region	2021						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
		------(Rupees in '000)-----					
Punjab	227,503,496	221,078,413	1,855,596	3,944,464	-	11,120	613,903
Sindh	479,243,405	4,500,000	466,243,405	-	-	8,500,000	-
KPK including FATA	11,698,517	-	-	11,698,517	-	-	-
Balochistan	3,678,107	-	-	-	3,678,107	-	-
Islamabad	62,861,679	12,830,357	9,892,187	3,099,940	-	37,039,195	-
AJK including Gilgit-Baltistan	7,310,487	-	-	-	-	-	7,310,487
Total	792,295,691	238,408,770	477,991,188	18,742,921	3,678,107	45,550,315	7,924,390

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## 47.2.2 Market Risk

Market Risk is the value of on and off-balance sheet positions of a financial institution that will be adversely affected by movements in market factors such as interest rates, foreign exchange rates, equity prices, credit spreads and/ or commodity prices resulting in a loss to earnings and capital.

The Bank's market risk is managed through Market Risk Management (MRM) Framework approved by the Board which is comprised of related policies/ procedures with the objective to mitigate market risk. Bank has in-place market risk limits to maintain risk emanating from such market drivers within the Bank's risk appetite. Under the developed Value-at-Risk (VaR) models and policy framework, VaR limits are being monitored with an objective to be used for capital charge calculation under IMA approach in future.

Standardized Approach is used to calculate capital charge for market risk as per Basel framework. Stress testing for interest rate, equity prices, and exchange rates risks activities is carried out regularly to estimate the impact on the capital of the Bank and maintain the Bank's capital at appropriate level.

In addition to the regulatory requirements, Bank has devised proprietary market risk stress testing scenarios which are performed on periodic basis to assess the impact on capital of the Bank for Internal Capital Adequacy and Assessment Process (ICAAP). Limits/ zones and Management Action Triggers and Management Action Plans corresponding to Liquidity Ratios, Balance Sheet Duration Gap, Government Securities' PVB and Duration have also been developed.

### 47.2.2.1 Statement of Financial position split by trading and banking books

	2022			2021		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	----- (Rupees in '000) -----					
Cash and balances with treasury banks	229,910,949	-	229,910,949	278,747,059	-	278,747,059
Balances with other banks	18,593,800	-	18,593,800	17,667,067	-	17,667,067
Lendings to financial institutions	31,272,467	-	31,272,467	335,466,675	-	335,466,675
Investments	3,393,771,968	83,581,906	3,477,353,874	1,818,433,016	119,737,626	1,938,170,642
Advances	1,230,521,804	-	1,230,521,804	1,113,392,485	-	1,113,392,485
Fixed assets	57,105,842	-	57,105,842	54,106,376	-	54,106,376
Intangible assets	1,388,947	-	1,388,947	647,970	-	647,970
Right of use assets	6,708,404	-	6,708,404	6,605,400	-	6,605,400
Deferred tax asset	22,299,403	-	22,299,403	1,625,647	-	1,625,647
Other assets	165,269,056	-	165,269,056	100,255,148	-	100,255,148
	<b>5,156,842,640</b>	<b>83,581,906</b>	<b>5,240,424,546</b>	<b>3,726,946,843</b>	<b>119,737,626</b>	<b>3,846,684,469</b>

### 47.2.2.2 Foreign Exchange Risk

Foreign exchange and translation risk arises from the impact of currency movements on the value of the Bank's cash flows, profits and losses, and assets and liabilities as a result of participation in global financial markets and international operations.

In order to manage currency risk exposure the Bank enters into ready, spot, forward and swaps transactions with the SBP and in the interbank market, financial institutions and corporates. The Bank's foreign exchange exposure comprises of forward contracts, purchases of foreign bills, foreign currency cash in hand, balances with Banks abroad, foreign placements with the SBP and foreign currency assets and liabilities. Foreign Exchange exposure is managed within the statutory limits, as fixed by the SBP. Appropriate segregation of duties exists between the front, middle and back office functions.



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	2022				2021			
	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
----- (Rupees in '000) -----								
United States Dollar	211,299,303	370,932,974	141,296,815	(18,336,857)	230,359,433	321,577,638	87,452,155	(3,766,050)
Great Britain Pound	3,721,821	7,473,268	5,377,060	1,625,613	5,010,104	5,950,831	4,303,047	3,362,320
Japanese Yen	4,506,162	1,566,256	109,675	3,049,582	3,938,966	3,283,911	2,315,294	2,970,349
Euro	11,856,401	22,030,243	14,029,417	3,855,575	13,402,801	19,043,837	7,628,249	1,987,213
Other currencies	83,196,326	17,305,795	5,066,952	70,957,483	72,736,519	18,379,635	3,130,155	57,487,039
	314,580,013	419,308,536	165,879,919	61,151,396	325,447,823	368,235,852	104,828,900	62,040,871

	2022		2021	
	Banking book	Trading book	Banking book	Trading book
----- (Rupees in '000) -----				
Impact of 1% change in foreign exchange rates				
- Profit and loss account	-	261,830	-	(173,567)
- Other comprehensive income	611,514	-	620,409	-

### 47.2.2.3 Equity position Risk

Stock trading activities also raise risk which occurs resulting in negative fluctuations of daily stock prices specifically in those stocks which are held by the Bank, hence, deplete capital. The Bank's equity position is managed through limits imposed by regulator for both, overall investment and exposure in single scrip. Moreover, internal limits are set to possibly manage overall earnings in the form of placing of stop loss, VaR limits and/ or through diversification within the structure of overall equity position portfolio.

	2022		2021	
	Banking book	Trading book	Banking book	Trading book
----- (Rupees in '000) -----				
Impact of 5% change in equity prices				
- Profit and loss account	-	20,188	-	-
- Other comprehensive income	2,577,256	-	2,671,767	-

### 47.2.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

Interest rate risk specifically arises due to adverse movements in yield curve that is being monitored by ALCO with an objective to possibly limiting the potential adverse impact on the profitability of the Bank, which may result due to volatility of market interest rates and any mismatch or gaps in the amount of financial assets and financial liabilities in different maturity time bands. Bank assumes that the sources of IRR are based on following sub-risks.

- Re-pricing risk; arising from changes to the overall level of interest rates and inherent mismatches in the re-pricing term of banking book items.
- Yield curve risk; arising from a change in the relative level of interest rates for different tenors and changes in the slope or shape of the yield curve.
- Basis risk; arising from differences between the actual and expected interest margins on Banking book items over the implied cost of funds of those items.

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## Impact of 1% change in interest rates

- Profit and loss account
- Other comprehensive income

	2022	2021
	Banking book	Trading book
	Banking book	Trading book
	----- (Rupees in '000) -----	
	17,740,339	758,615
	-	8,629,166
	-	368,677

## 47.2.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

Effective Yield / Interest rate	2022							Non-interest bearing financial instruments	
	Exposed to Yield / Interest risk								
	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years		Over 5 to 10 Years
Total									

(Rupees in '000)

Assets								
Cash and balances with treasury banks	229,910,949	19,349,334	-	-	-	-	-	210,561,615
Balances with other banks	18,593,800	3,235,004	1,613,059	797,970	-	-	-	12,391,007
Lendings to financial institutions	31,272,467	31,262,744	556,760	-	-	-	-	9,723
Investments	3,477,353,874	621,351,066	1,495,013,190	198,775,210	114,581,645	175,991,374	7,150,694	82,430,225
Advances	1,230,521,804	324,286,274	173,744,248	165,864,406	43,725,218	66,886,032	31,850,855	64,445,576
Other assets	126,996,148	-	-	-	-	-	-	126,996,148
	5,114,649,042	999,484,441	1,776,717,723	365,437,587	147,146,366	158,306,864	39,001,549	496,834,293
Liabilities								
Bills payable	55,268,019	-	-	-	-	-	-	55,268,019
Borrowings	1,940,485,787	1,396,993,999	481,134,339	4,359,766	3,941,769	4,270,460	22,576,300	44,147
Deposits and other accounts	2,666,184,360	1,693,194,904	56,331,841	62,752,364	87,857,931	21,560,944	1,997,543	584,260,619
Lease liability against right of use assets	8,267,949	50	21,308	179,606	416,971	1,016,832	2,978,296	-
Other liabilities	266,726,618	-	-	-	-	-	-	266,726,618
	4,936,832,933	3,080,188,953	537,487,488	67,291,736	92,216,671	26,856,236	27,554,139	906,255,456
On-balance sheet gap	177,716,109	(2,080,704,512)	1,239,230,235	550,706,465	288,145,851	131,450,628	142,147,867	(409,421,163)
Off-balance sheet financial instruments								
Documentary credits and short-term trade-related transactions	1,696,635,726	-	-	-	-	-	-	1,696,635,726
Commitments in respect of:								
- Forward foreign exchange contracts	165,879,919	78,713,612	62,008,252	-	-	-	-	-
- Forward government securities transactions	(32,591,500)	(32,591,500)	-	-	-	-	-	-
- Forward lending	50,363,949	-	-	-	-	-	-	50,363,949
Commitments for acquisition of:								
- fixed assets	798,234	-	-	-	-	-	-	798,234
- other commitments	-	-	-	-	-	-	-	-
Off-balance sheet gap	1,881,086,248	46,122,032	62,008,252	25,138,054	-	-	-	1,747,797,909
Total Yield / Interest Risk Sensitivity Gap		(2,094,582,480)	1,301,238,487	575,864,520	298,145,851	131,450,628	142,147,867	1,338,376,746
Cumulative Yield / Interest Risk Sensitivity Gap		(2,094,582,480)	(733,343,939)	(157,479,473)	140,666,378	327,046,701	541,010,668	2,058,802,356

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	Effective Yield / Interest rate	2021										Non-interest bearing financial instruments
		Exposed to Yield / Interest risk										
		Up to 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
(Rupees in '000)												
<b>On-balance sheet financial instruments</b>												
Assets												
Cash and balances with treasury banks	0.1%	278,747,059	25,788,429	-	1,230,868	-	-	-	-	-	-	251,727,762
Balances with other banks	0.6%	17,667,067	514,671	728,951	766,147	-	-	-	-	-	-	12,008,146
Lendings to financial institutions	10.4%	335,466,675	305,466,675	30,000,000	-	-	-	-	-	-	-	-
Investments	8.2%	1,938,170,642	49,944,777	600,631,710	163,339,043	145,545,216	412,825,053	115,300,016	133,826,520	231,572,946	7,808,110	77,377,251
Advances	7.4%	1,113,392,485	233,082,018	347,474,887	221,335,325	87,266,493	15,422,466	18,353,878	96,696,071	52,224,236	21,686,992	19,850,120
Other assets	0.0%	60,619,899	-	-	-	-	-	-	-	-	-	60,619,899
		3,744,063,827	617,931,050	948,621,268	416,634,187	233,577,857	428,247,519	133,653,895	230,522,591	288,797,182	29,495,102	421,583,177
Liabilities												
Bills payable	0.0%	21,848,270	-	-	-	-	-	-	-	-	-	21,848,270
Borrowings	10.1%	312,925,106	33,593,924	129,395,726	81,758,922	29,616,731	13,099,389	3,634,279	6,463,258	15,362,877	-	-
Deposits and other accounts	4.0%	3,019,155,045	1,606,638,783	92,855,650	64,016,936	72,939,726	18,293,487	79,321,676	4,588,165	588,979	-	1,079,941,642
Lease liability against right of use assets	10.0%	7,893,960	-	20,960	69,732	361,900	643,301	505,176	1,765,289	3,046,610	1,480,992	-
Other liabilities	0.0%	196,114,706	-	-	-	-	-	-	-	-	-	196,114,706
		3,557,937,087	1,640,232,707	222,272,335	145,845,591	102,918,356	32,036,178	83,461,131	12,786,712	18,998,466	1,480,992	1,297,904,618
<b>On-balance sheet gap</b>												
		186,126,739	(1,022,301,656)	726,348,932	270,788,597	130,659,500	396,211,341	50,192,764	217,735,880	264,798,716	28,014,110	(876,321,440)
<b>Off-balance sheet financial instruments</b>												
Documentary credits and short-term trade-related transactions												
		1,582,757,532	-	-	-	-	-	-	-	-	-	1,582,757,532
Commitments in respect of:												
- forward foreign exchange contracts		104,828,900	18,483,677	9,917,130	74,965,217	1,462,876	-	-	-	-	-	-
- forward government securities transactions		22,180,109	(171,626)	-	22,793,079	-	-	-	(441,343)	-	-	-
- Forward lending		20,618,971	-	-	-	-	-	-	-	-	-	20,618,971
Commitments for acquisition of:												
- fixed assets		826,737	344,837	314,748	50,916	116,236	-	-	-	-	-	-
- other commitments		-	-	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>												
		1,731,212,249	18,828,514	10,060,252	75,016,133	24,372,191	-	-	(441,343)	-	-	1,603,376,503
<b>Total Yield / Interest Risk Sensitivity Gap</b>												
		(1,003,473,143)	736,409,184	345,804,730	155,031,691	396,211,341	50,192,764	217,294,537	264,798,716	28,014,110	727,055,063	
<b>Cumulative Yield / Interest Risk Sensitivity Gap</b>												
		(1,003,473,143)	(267,063,958)	78,740,772	233,772,463	629,983,804	680,176,568	897,471,105	1,162,269,820	1,190,283,930	1,917,338,991	
<b>47.2.2.6 Reconciliation of Financial Assets &amp; Liabilities with Total Assets &amp; Liabilities</b>												
<b>Total Financial Assets as per note 47.2.2.5</b>												
<b>Add: Non-Financial Assets</b>												
Fixed Assets												5,114,649,042
Intangible Assets												57,105,842
Right of Use Assets												1,388,947
Deferred Tax Assets												6,708,404
Other Assets												22,299,403
												1,625,647
												38,272,908
												125,775,504
												5,240,424,546
<b>Total assets as per statement of financial position</b>												
												3,946,684,469
<b>Total Financial Liabilities as per note 47.2.2.5</b>												
<b>Add: Non-Financial Liabilities</b>												
Other Liabilities												4,936,932,933
												2,643,854
												4,939,576,787
<b>Total liabilities as per statement of financial position</b>												
												3,560,481,904

47.2.2.6

Reconciliation of Financial Assets &amp; Liabilities with Total Assets &amp; Liabilities

2022

2021

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

Total Financial Assets as per note 47.2.2.5

Add: Non-Financial Assets

Fixed Assets

Intangible Assets

Right of Use Assets

Deferred Tax Assets

Other Assets

Total assets as per statement of financial position

Total Financial Liabilities as per note 47.2.2.5

Add: Non-Financial Liabilities

Other Liabilities

Total liabilities as per statement of financial position



# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

## 47.2.3 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risks. For effective implementation, bank has comprehensive Operational Risk Management (ORM) Framework and procedure documents. These documents provide guidance for setting up operational risk strategy of the Bank, selection and adoption of risk and loss measurement tools, reporting, and establishment of operational risk management processes.

Operational risks are a core component of doing business arising from the day-to-day operational activities of the Bank including launching of new products and services by the bank. Bank realizes that operational risks cannot be fully mitigated, it therefore, determines an appropriate balance between accepting potential losses and incurring costs of mitigation.

Further, the Bank has adopted an Operational Risk Management Framework and Operational Risk Tolerance limits are approved by the Board in-line with Basel framework and Bank's policy, respectively. Furthermore, Bank has rolled-out Operational Loss Data Collection Mechanism whereby field functionaries and Groups/Divisions at head office are responsible to report operational losses under their jurisdictions on a certain frequency. Operational loss events are reviewed and appropriate corrective measures are taken on an ongoing basis. Risk Evaluation exercise is carried out for new products, processes and systems as per the operational risk procedures document of the bank.

The Bank also conducts root cause analysis of major Operational Risk Incidents covering key control lapses and accordingly suggests recommendations & mitigations. As per Basel regulatory framework, the Bank calculates capital charge for its operational risk using Basic Indicator Approach. This approach is considered most suitable in view of the business model of the bank which relies on an extensive network of branches to offer banking services to its customers.

Moreover, the Bank closely monitored overall bank's operational environment and undertook required actions to ensure the safety and security of Bank staff, assets and maintenance of service to its customers. The Bank continued to take measures to ensure maintenance of their service levels and resolved customer complaints to meet the expectations of its stakeholders.

The Bank's operations stayed highly resilient and the Bank deployed all necessary measures for the health and safety of its employees to prevent them from any unwarranted situation.

## 47.2.4 Information Security Risk

Cyber Security is one of our top priority risks. Considering extensive customer base and increasing digital footprint, mechanism has been devised for upscaling of technology infrastructure and related channels from information security standpoint. Further, due to evolving cyber threat landscape, the Bank has taken appropriate actions to monitor and respond to cybersecurity risks and adopted a heightened state of cybersecurity. We are living in the highly technology dependent environment, where most of the business functions are performed with information technology for storing, processing and sharing information; the information "assets" that are being used to store, process and transmit the information, face various types of threats. If threats get materialized and are able to exploit the vulnerabilities (weaknesses) present in these information assets, the confidentiality, integrity and availability of information get compromised. In order to mitigate the risks, certain controls and countermeasures need to be assessed and implemented. The Bank has devised a governance mechanism to manage related risks through development of Policies & Frameworks, and deployed security tools to ensure adequate implementation of internal controls and monitoring of security threats within technology infrastructure.

As first line of defense, the Business groups have primary responsibility for identifying, measuring, and controlling the risks within their areas of accountability. Our staff of Information Security Division (ISD) is second line of defense against any cyber risks. Therefore, the Bank regularly assesses the information security controls and undertakes employees' awareness and trainings. The Bank works with its key technology partners to ensure that potentially vulnerable systems are identified and appropriate fixes & controls are implemented to secure the systems. The Bank is actively communicating with its customers on interacting with the Bank in a secure manner through its full suite of channels including online and digital banking.

## Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

The management is cognizant of the fact that cyber security is a top priority risk and the Bank is taking appropriate steps to monitor and respond to it.

### 47.2.5 Enterprise-wide Risk

In addition to the above mentioned risks, the Bank has a structure to identify residual material risks on periodic basis. The source of these reports includes, but not limited to, the Internal Capital Adequacy and Assessment Process (ICAAP), which takes into account risks over and above those which directly occur as a result of daily business and operations of the Bank. These risks include Concentration Risk, Interest Rate Risk in Banking Book (IRRBB), Increase in NPL Categories, Reputational Risk, Strategic Risk, etc.

Moreover, all those brewing risks that are material and arise within the Bank or due to inherent behavior of country's market and economic conditions, whether in isolation or in combination are addressed under the Bank-wide Recovery Plan. These risks are monitored on certain frequency and mitigating actions are taken as and when deemed necessary.

Bank's Stress-testing framework, comprises of tools, to deliver a timely assessment of the resilience of the Bank's capital under stressed conditions to the senior management. It ranges from simple sensitivity analysis to sophisticated stress testing methods to capture the abnormal movement of market and economic indicators and to translate such scenarios into projections of Bank's profitability, liquidity and capital planning.

This framework paves the way to a quantitative, forward-looking assessment of capital adequacy (movement/ level of Capital Adequacy Ratio (CAR) of the Bank) to provide an indication of how much capital might be needed to absorb any expected and any unforeseen losses. It helps in identifying potential vulnerabilities within the Bank and assessing solvency by applying plausible/ past adverse scenarios under extreme conditions."

### 47.2.6 Liquidity Risk

Liquidity risk is the risk of loss to a bank arising from its inability to meet obligations as they fall due or to fund assets, without incurring unacceptable costs or losses. More simply, liquidity risk is the possibility that a bank will be unable to meet its financial commitment to a customer, creditor, or investor when due, in a timely and cost-effective manner.

To mitigate this risk, Bank has arranged diversified funding sources, manages specific assets with liquidity in mind and monitors liquidity on daily basis. In addition, the Bank maintains statutory deposits with central Banks inside and outside Pakistan. The purpose of liquidity management is to ensure that there are sufficient cash flows to meet all of the Bank's liabilities when due, under both normal and stressed conditions without incurring unacceptable losses, as well as to capitalize on opportunities for business expansion and profitability. This includes the Bank's ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature and to make new loans and investments, as opportunities arise.

Asset and Liability Committee (ALCO) is responsible for ensuring that the Bank has adequate liquidity and monitors liquidity gaps, to execute this responsibility. Mandatory as well as advanced/ optional stress testing and ratio based liquidity assessments are performed to proactively identify and manage liquidity position, needs/ requirements. Bank has various limits/ ratios, triggers and management actions in place to monitor and mitigate liquidity risk. The Bank calculates and monitors, on regular basis, Basel-III Liquidity standards (includes LCR, NSFR and LMTs), liquidity ratios as per SBP parameters besides other internal liquidity measures.

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

## 47.2.6.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank

2022

	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
<b>Assets</b>														
Cash and balances with treasury banks	229,910,949	227,629,726	888,000	1,332,223	-	686,169	-	-	-	-	-	-	-	-
Balances with other banks	18,953,800	12,404,772	2,036,159	53,880	-	-	946,890	556,760	797,970	-	-	-	-	-
Lending to financial institutions	31,272,467	9,723	30,484,537	778,207	-	-	-	-	-	-	-	-	-	-
Investments	3,477,353,874	5,642,931	3,022,008	3,740,930	186,814,863	186,814,863	406,382,250	221,684,778	398,517,150	177,635,218	599,374,146	756,921,831	458,210,559	257,219,533
Advances	1,201,521,804	395,617,066	4,058,293	13,107,471	41,934,580	66,304,945	19,816,294	117,851,616	66,796,248	61,478,106	70,627,513	64,102,083	125,183,386	183,644,203
Fixed assets	57,105,882	-	-	-	-	-	-	-	767,650	767,650	1,847,737	767,650	1,395,721	52,417,085
Intangible assets	1,388,947	-	-	-	-	-	-	-	-	482,982	482,982	482,982	1,550,294	3,684,462
Right of Use Assets	6,708,404	-	-	74	-	16,055	611	58,686	104,470	2,106,131	374,173	844,718	22,289,403	-
Deferred tax assets	22,289,403	-	-	-	-	-	-	-	-	1,555,796	29,927,589	688,171	1,032,256	1,376,342
Other assets	165,269,056	40,601,665	-	-	-	35,063,591	35,453,086	18,014,774	1,555,796	-	-	-	-	-
<b>Liabilities</b>	5,240,424,546	601,905,883	40,488,987	48,190,007	16,024,235	288,885,613	482,802,131	350,166,624	487,771,634	241,874,603	702,614,140	823,787,445	609,581,619	498,341,625
Bills payable	55,268,019	55,268,019	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	1,940,485,787	181,510	904,000,208	6,202,665	32,601,654	32,601,654	148,532,685	24,758,723	2,280,017	2,099,748	3,941,789	4,278,460	12,396,285	22,622,447
Deposits and other accounts	2,665,184,360	2,143,888,138	23,194,099	89,432,843	35,181,791	20,960,861	20,960,861	143,605,960	43,116,055	19,694,451	87,856,473	21,567,400	14,583,213	1,997,542
Liabilities against assets subject to right of use assets	8,267,949	-	-	50	-	20,665	443	60,618	70,232	109,374	416,971	1,016,832	1,904,041	4,666,523
Other liabilities	269,370,672	141,944,504	13,465	10,535	31,684	11,407,999	11,383,698	28,281,344	2,106,131	2,106,131	24,159,069	9,833,832	19,220,510	18,801,880
<b>Net assets</b>	4,939,576,767	2,341,282,171	934,007,772	565,273,983	379,212,219	180,887,687	198,707,645	47,552,435	24,009,704	116,374,282	36,766,624	48,104,049	48,090,372	-
Share capital	300,847,759	(1,659,376,288)	(883,306,785)	(5,293,689)	(517,083,986)	(90,346,806)	281,914,444	161,458,979	420,219,199	217,864,889	586,238,858	787,000,921	561,477,570	450,251,253
Reserves	21,275,131	-	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	172,511,676	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	42,916,902	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net assets</b>	300,847,759	-	-	-	-	-	-	-	-	-	-	-	-	-

2021

	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
<b>Assets</b>														
Cash and balances with treasury banks	278,747,059	275,826,353	-	-	1,689,838	322,264	-	1,230,868	786,147	-	-	-	-	-
Balances with other banks	17,667,057	13,841,633	717,364	564,725	533,576	-	192,407	728,951	-	-	-	-	-	-
Lending to financial institutions	335,466,675	2,405,644	274,914,137	28,146,895	-	-	-	-	-	-	-	-	-	-
Investments	1,988,170,642	4,515,392	611,150	4,603,040	115,945,326	115,945,326	484,786,384	163,339,043	79,413,300	105,916,554	417,430,271	142,824,222	134,658,789	243,811,976
Advances	1,113,392,485	319,220,013	3,480,102	2,934,122	49,909,626	68,472,193	32,145,072	99,428,026	44,682,448	56,918,407	56,918,407	90,680,652	127,063,315	162,253,800
Fixed assets	94,106,376	-	-	-	-	-	-	-	-	882,951	2,353,291	882,951	1,407,464	48,739,719
Intangible assets	647,970	-	-	-	-	-	-	-	-	215,990	215,990	215,990	-	-
Right of Use Assets	6,605,400	-	-	-	-	17,682	464	53,920	72,810	111,487	588,608	497,559	1,417,863	3,885,007
Deferred tax assets	1,625,647	-	-	-	-	-	-	-	-	-	-	-	1,625,647	-
Other assets	100,255,148	18,172,590	225,894	269,736	316,477	16,646,615	16,944,106	12,596,172	1,388,113	1,369,446	29,022,877	725,138	1,087,707	1,450,276
<b>Liabilities</b>	3,946,684,469	633,981,626	279,948,646	72,130,673	57,062,557	201,304,080	534,108,434	307,376,980	126,322,820	164,620,934	586,529,444	235,706,712	267,460,786	480,140,779
Bills payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	21,848,270	21,848,270	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	312,925,106	60,004	2,886,366	27,335,647	3,311,907	108,642,330	20,753,395	81,759,922	28,987,971	2,828,760	13,098,389	3,634,279	6,463,258	15,362,877
Liabilities against assets subject to right of use assets	7,893,980	2,546,449,917	26,574,946	11,971,222	92,050,654	76,537,717	17,074,721	83,328,141	32,764,725	27,549,127	12,326,386	85,151,041	7,060,714	1,315,732
Other liabilities	198,659,523	86,085,486	25,335	30,222	35,465	6,118,269	6,118,966	29,279,479	1,828,346	1,828,346	25,961,043	8,538,736	16,576,941	16,224,912
<b>Net assets</b>	3,360,481,934	2,653,463,687	29,486,647	39,337,122	95,398,066	191,338,813	43,947,545	194,436,275	61,673,408	32,273,672	52,030,120	97,829,233	31,886,201	37,431,124
Share capital	286,202,555	(2,019,472,061)	250,461,998	32,793,551	(38,345,499)	9,985,267	490,160,889	112,940,705	64,649,412	132,347,282	454,498,324	137,877,479	235,594,565	422,708,655
Reserves	21,275,131	-	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	60,371,485	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	140,073,817	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net assets</b>	64,482,122	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Net assets</b>	286,202,555	-	-	-	-	-	-	-	-	-	-	-	-	-

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# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

## 47.2.6.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

2022

Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
(Rupees in '000)									
<b>Assets</b>									
Cash and balances with treasury banks	229,910,949	151,412,679	3,232,446	36,991,996	36,991,996	1,281,832	-	-	-
Balances with other banks	18,593,800	15,626,010	1,613,060	556,760	797,970	-	-	-	-
Lending to financial institutions	31,272,467	31,272,467	-	-	-	-	-	-	-
Investments	3,477,353,874	25,935,822	646,326,512	220,062,209	574,235,660	593,544,604	419,894,119	245,443,901	10,829,477
Advances	1,230,521,804	386,088,982	171,501,123	110,076,664	119,302,841	70,627,513	125,183,386	119,244,206	64,399,996
Fixed assets	57,105,842	-	-	-	767,650	1,847,737	1,305,721	-	52,417,084
Intangible assets	1,388,947	-	-	-	-	-	-	-	-
Right of Use Assets	6,708,404	74	16,666	58,696	462,982	462,983	1,550,294	2,488,455	1,196,007
Deferred tax assets	22,299,403	-	-	-	179,321	374,173	22,299,403	-	-
Other assets	165,269,056	92,127,955	25,970,588	11,034,563	3,111,583	29,927,589	1,032,256	1,376,341	-
<b>Liabilities</b>									
Bills payable	5,240,424,546	702,463,989	848,660,395	378,780,888	735,850,013	696,066,430	571,205,179	368,552,903	128,842,564
Borrowings	55,268,019	29,855,579	1,335,761	863,023	11,606,828	11,606,828	-	-	-
Deposits and other accounts	1,940,485,787	1,386,983,998	481,134,339	24,758,723	4,359,766	3,941,769	12,396,285	22,578,300	44,147
Liabilities against assets subject to right of use assets	2,666,184,360	435,347,090	123,011,308	157,260,028	498,535,184	529,764,847	456,491,587	1,987,542	-
Other liabilities	8,267,949	50	21,308	60,618	173,606	416,971	1,904,041	2,978,296	1,690,227
	269,370,672	121,891,913	39,167,193	32,024,033	4,212,282	24,159,069	19,220,510	9,400,930	9,400,930
<b>Net assets</b>	4,939,576,787	1,974,088,630	644,669,909	214,966,425	519,194,646	569,889,484	490,012,423	36,555,088	11,135,304
	300,847,759	(1,271,624,641)	203,990,486	163,814,463	216,655,367	128,176,946	81,252,756	331,597,835	117,707,260
<b>Share capital</b>	21,275,131	-	-	-	-	-	-	-	-
<b>Reserves</b>	64,144,050	-	-	-	-	-	-	-	-
Unappropriated profit	172,511,676	-	-	-	-	-	-	-	-
Surplus/(Deficit) on revaluation of assets	42,916,902	-	-	-	-	-	-	-	-
	300,847,759	-	-	-	-	-	-	-	-

2021

Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
(Rupees in '000)									
<b>Assets</b>									
Cash and balances with treasury banks	278,747,059	173,681,591	4,354,189	47,906,066	46,675,198	6,130,015	-	-	-
Balances with other banks	17,667,067	15,657,298	514,671	728,951	766,147	-	-	-	-
Lending to financial institutions	335,466,675	305,466,675	-	30,000,000	-	-	-	-	-
Investments	1,938,170,642	62,525,799	644,716,403	139,330,956	156,396,678	415,356,424	134,189,408	231,088,253	12,239,061
Advances	1,113,392,485	308,315,926	184,233,364	91,285,138	92,644,485	56,918,407	127,062,513	89,148,063	73,105,747
Fixed assets	54,106,376	-	-	-	802,951	802,951	1,407,464	-	487,397,191
Intangible assets	647,970	-	-	-	-	-	-	-	-
Right of Use Assets	6,605,400	-	18,146	53,920	215,990	215,990	1,417,863	2,657,819	1,227,188
Deferred tax assets	1,625,647	-	-	-	184,297	588,608	1,625,647	-	-
Other assets	100,255,148	41,482,788	14,111,487	9,617,316	2,757,559	29,022,877	1,087,707	1,450,276	-
	3,846,684,469	907,130,076	847,948,261	318,922,346	300,441,306	510,585,611	266,790,603	324,344,401	135,311,714
<b>Liabilities</b>									
Bills payable	21,848,270	11,785,882	526,963	6,702,452	361,471	2,471,502	-	-	-
Borrowings	312,925,106	33,593,924	129,395,726	81,758,922	29,616,731	13,099,389	6,463,258	15,382,877	-
Deposits and other accounts	3,019,155,045	763,868,028	1,850,785,506	296,787,793	462,965,150	413,860,284	408,594,611	1,315,732	-
Liabilities against assets subject to right of use assets	7,893,960	-	20,960	69,732	361,900	643,301	1,765,289	3,046,610	1,480,992
Other liabilities	198,659,523	78,524,701	18,508,262	30,670,330	3,654,598	25,961,043	16,576,941	8,112,456	8,112,456
	3,560,481,904	887,772,535	333,530,416	415,989,230	496,959,849	456,035,520	433,400,099	27,837,675	9,593,448
<b>Net assets</b>	286,202,565	19,357,541	514,417,844	(97,066,883)	(196,516,543)	54,550,091	(166,609,496)	296,506,726	125,718,266
<b>Share capital</b>	21,275,131	-	-	-	-	-	-	-	-
<b>Reserves</b>	60,371,495	-	-	-	-	-	-	-	-
Unappropriated profit	140,073,817	-	-	-	-	-	-	-	-
Surplus/(Deficit) on revaluation of assets	64,482,122	-	-	-	-	-	-	-	-
	286,202,565	-	-	-	-	-	-	-	-

# Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

## 47.2.7 Derivative Risk

A derivative is a contract that derives its value from the performance of an underlying asset which can be an index, interest rate, commodity price, security price, FX rate etc. Derivatives include forwards, futures, swaps, options etc. In Pakistan, futures and forwards are most commonly traded derivatives.

Currently, the Bank is not an active participant in the Pakistan derivatives market as it does not hold an Authorized Derivative Dealer (ADD) license to perform derivative transactions. Once acquired, the Bank will carry out transactions that are permitted under the Financial Derivatives Business Regulations issued by SBP, which may include Interest rate swaps, forward rate agreements, foreign currency options, etc.

Moreover, the Bank may also offer other over the counter derivative products to satisfy customer requirements, specific approval of which will be sought from the SBP on a transaction by transaction basis.

## 48. PROPOSED DIVIDEND FOR THE YEAR ENDED DECEMBER 31, 2021

As explained in note 48 of the annual audited unconsolidated financial statements of the Bank for the year ended December 31, 2021, the recommended cash dividend of Re.1 per share which amounted to Rs. 2,128 million, was not approved in the annual general meeting held on March 30, 2022.

## 49. CORRESPONDING FIGURES

Certain corresponding figures have been reclassified wherever necessary to confirm to the presentation adopted in the current year.

## 50. GENERAL

50.1 Figures have been rounded off to the nearest thousand rupees.

## 51. DATE OF AUTHORISATION FOR ISSUE

The unconsolidated financial statements were authorised for issue on February 28, 2023 by the Board of Directors of the Bank.

Ashraf Mahmood Wathra  
Chairman

Rehmat Ali Hasnie  
President & CEO (A)

Abdul Wahid Sethi  
Chief Financial Officer

Asif Jooma  
Director

Ahsan Ali Chughtai  
Director

## Annexure 'I' as referred to in note 11.6 of the Bank's Unconsolidated Financial Statements

Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2022

S. No.	Name & Address of the borrower	Name of Individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/ Mark-up written off	Other financial relief / waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
		3	4	5	6	7	8	9	10	11	12
1	S.B. Hosier Factory Pvt. Ltd. 2nd Floor, Platinum Bank Building (Now KASB Bank Building, Kotwali Road, Faisalabad.	Late Muhammad Ikram 33100-1627050-1 Shehbaz Ikram 33100-6740898-8 Muhammad Usman 33100-7368631-7 Faisal Saeed Sheikh 33100-1014832-3	Haji Tufail Muhammad Muhammad Ikram Muhammad Ikram Saeed Mahmood Sheikh	196,741	46,768	162,811	406,320	76,741	-	209,579	286,320
2	Sohail Textiles 21- Km Ferozepur Road, Lahore	Sohail Hamid Rana 35201-1636030-9	Rana Hamid Khan	25,788	6,945	27,262	59,995	-	-	14,375	14,375
3	Uppal Textiles 1 Km Old Kasur Road, Rawind 565 G, Johar Town, Lahore.	Asif Ali 35202-6487109-3 Baber Ali 35202-2793515-9 Arshad Ali 35202-2812561-5 Tariq Mahmood 35202-5069641-7 Muhammad Afzal 35202-2348420-9 Amear Ali 35202-1071316-5	Muhammad Ali Asif Ali Arshad Ali Muhammad Ali Muhammad Ali Liaqat Ali	-	-	33,278	33,278	-	-	17,369	17,369
4	East N Link Products Limited Office 5-6, 5th Floor, Block C-1, Taj Complex, Opp: Capri Cinema Karachi	Nisar Ahmed 42301-3612315-7 Anwar Ahmed 42301-7452922-5 Hamida Begum 42301-4908895-2 Samina Nisar 42201-0562367-6 Rukhsana Anwar 42301-1946870-2 Sikandar Ali 48547157648 (Old) Syed Wail Ullah	Muhammad Yaqoob Muhammad Yaqoob Muhammad Yaqoob Nisar Ahmed Anwar Ahmed Nizamuddin Syed Habibullah Hussaini	74,051	42,211	156,413	272,675	-	-	192,675	192,675



## Annexure 'I' as referred to in note 11.6 of the Bank's Unconsolidated Financial Statements

S. No.	Name & Address of the borrower	Name of Individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/ Mark-up written off	Other financial relief / waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
5	Ansari Sugar Mills Limited Office 41-K, Block-6, PECHS, Karachi	Abdul Ghani Ansari 449-54-318109 (Old) A. Hafeez Ansari 449-61-256001 (Old) Nasreen Ghani 502-56-609691 (Old) Imran Rasheed Ansari 449-89-256552 (Old)	Ahmed Khan Ansari  Ahmed Khan Ansari Abdul Ghani Ansari Abdul Rasheed Ansari	213,551	192,532	550,354	956,437	-	-	742,886	742,886
6	Abdul Hameed P.O. Basti Lar, Tehsil Oran Liaquatpur, District Rahmyarkhan	Abdul Hameed 31302-7561665-9	Muhammad Abdullah	1,047	-	-	1,047	1,047	-	-	1,047
7	Muhammad Yameen Near Masjid Bahar e Madina, Mohallah Rajputan Dhanate, Kehror Pacca, Lodhran	Muhammad Yameen 36202-3640971-1	Muhammad Yameen	579	-	-	579	579	-	-	579
8	Malik Atta Muhammad Basti Wania, P.O. Kotla Musa Khan, Tehsil Ahmedpur East, District Bahawalpur	Malik Atta Muhammad 31201-2112288-3	Malik Ahmad Bukhsh	515	-	-	515	515	-	-	515
9	M/s Askari Corporation Mohalla Kot Wars Shah, Near Chungi No.1, Suraj Miani Road, Multan	Syed Iftikhar Bokhari 36302-7855011-1	Syed Abdul Ghafar Shah	498	1,123	50	1,671	-	-	523	523
10	Sonia Falak Sher House No.493, Mohallah Peer Qazi Inside Pak Gate, Multan	Sonia Falak Sher 36302-5191427-6	Falak Sher	2,336	1,330	5	3,671	-	-	623	623
11	Ghulam Ghous Chah Dhoray Wala p/o Shujabad, Tehsil Shujabad, District: Multan	Ghulam Ghous 36304-9179584-5	Ghulam Hussain	1,008	-	-	1,008	1,008	-	-	1,008
12	Nadeem Sarfraz Near Police Line No.2, Sooraj Miani Road, Mohallah Raza Abad Colony, Multan	Nadeem Sarfraz 36302-6289423-1	Khushi Masih	600	-	-	600	600	-	-	600
13	Muhammad Iqbal Chah Shah Wala, Alangir, Multan	Muhammad Iqbal 36302-0271174-5	Allah Buksh	635	-	6	641	635	-	6	641
14	Mukhtar Masih Chak No.219/HB, Sher Singh Wala, Tehsil & District Faisalabad	Mukhtar Masih 33100-2306570-5	Sadiq Masih	579	-	-	579	579	-	-	579
15	Sabz Ali Khan House no 50, Gali no 1-A, G-7/4, Islamabad	Sabz Ali Khan 61101-4705861-9	Ibrahim Khan	729	-	-	729	729	-	-	729
16	Saleem Iqbal House No.25/3537, Mohallah Chaman Piratak Joint Road, Gymkhana, Quetta	Saleem Iqbal 54400-6004083-5	Iqbal	561	-	-	561	561	-	-	561
17	Late Naseer Ahmed Village Amb Panhwar P.O. Makhdoom Blawan Bagban Taluka, Dadu	Late Naseer Ahmed 41201-2208306-7	Muhammad Rajib Panhwar	575	-	-	575	575	-	-	575
18	Late Azizullah Muallah Gareebabad Naudero District Larkana	Late Azizullah 43203-3105732-3	Wahid Bux Abro	672	-	-	672	672	-	-	672
19	Late Bagan Village Durani Mahar Kandhot, District Kashmir	Late Bagan 43103-4772468-1	Obhayo	746	-	-	746	746	-	-	746
20	Late Muhammad Akram Village Allah Dino Khan Bajkani Tanuka Tangwani, District Kashmore	Late Muhammad Akram 43104-0578404-1	Dilshad	934	-	-	934	934	-	-	934

## Annexure 'I' as referred to in note 11.6 of the Bank's Unconsolidated Financial Statements

S. No.	Name & Address of the borrower	Name of Individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/ Mark-up written off	Other financial relief / waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
21	Late Abdul Majeed Muhalla Mudarsa Kandhkot	Late Abdul Majeed 43103-9864880-5	Abdul Aziz	935	-	-	935	935	-	-	935
22	Late Ghulam Akbar Village Chinni Taluka Jhri, District Dadu	Late Ghulam Akbar 43301-6215736-9	Allardhio Rustamani	887	-	-	887	887	-	-	887
23	Late Muhammad Ibrahim Muhalla Ayob Colony, Tehsil Naushero Feroz, District Larkana	Late Muhammad Ibrahim 43205-1522586-1	Hamiz Ali Jarwar	725	-	-	725	725	-	-	725
24	Late Ghulam Rasool Village Mahi Khan Chandi, Dara Gaad P.O Damraho Taluka, District Larkana	Late Ghulam Rasool 43203-0208870-7	Mah Khan Chandi	693	-	-	693	693	-	-	693
25	Late Muhammad Yousaf Muhalla Haji Latif Shah Near Sindh Wah road District Shikarpur	Late Muhammad Yousaf 43304-5293211-9	Gulzar Ahmed	508	-	-	508	508	-	-	508
26	Late Arbab Ali Village Haji Ali Behar Brohi Garhi Chand P.O Banglow Syedan Tehsil & District Jacobabad	Late Arbab Ali 43102-1409764-9	Chatto Brohi	839	-	-	839	839	-	-	839
27	Late Muhammad Rafique Village Ghulam Muhammad Lashari Taluka Thuli, District Jacobabad	Late Muhammad Rafique 43105-646269-1	Hamal Khan Lashari	586	-	-	586	586	-	-	586
28	Late Muhammad Bachal Village Muhammad pur Odho Taluka Garhi Khairo, District Jacobabad	Late Muhammad Bachal 43101-0166329-9	Mehboob Ali Jakhro	589	-	-	589	589	-	-	589
29	Late Ghulam Hyder Village Murad Khan Jabran P.O Kamber, District Kamber Shandadkot	Late Ghulam Hyder 43202-3595432-1	Muhammad Ilyas Jagirani	686	-	-	686	686	-	-	686
30	Late Khadim Hussain Qazi Muhalla Taluka Jhri, District Dadu	Late Khadim Hussain 41202-3277364-3	Muhammad Salih Khoso	841	-	-	841	841	-	-	841
31	Late Muhammad Ilyas Goth Almani, Tairi, Tehsil Dokri, District Larkana	Late Muhammad Ilyas 43201-3581048-9	Abdul Rasool Jhatal	938	-	-	938	938	-	-	938
32	Late Muhammad Hassan Goth Chato Wanan, Tapal Gar, Taluka Dokri, District Larkana	Late Muhammad Hassan 43201-7554407-3	Abdul Latif Mumbhar	772	-	-	772	772	-	-	772
33	M. Zaman Near Mukhtyarkar Office Muhalla Jatt P.O Ghar Khairo, Tehsil Ghar Khairo, District Jacobabad	M. Zaman 43101-5192595-9	Ghulam Hyder Mirjat	518	-	-	518	518	-	-	518
34	Qazi Village Khair Muhammad Khali Taluka Kashmir, District Kandhkot	Qazi 43104-2534334-1	Kahoor	961	-	-	961	961	-	-	961
35	Akbar Ali Malik Muhalla Taluka Kandhkot, District Kandhkot	Akbar Ali 43103-4593943-5	Abdul Fatah	940	-	-	940	940	-	-	940
36	Fida Hussain Village Umar Khan Khoso P.O Dost Ali Taluka Kamber, Shandadkot	Fida Hussain 43202-8019330-7	Ali Hassan Khoso	510	-	-	510	510	-	-	510
37	Deedar Ali Village Kule P.O Gerelo Tehsil Bakran, District Larkana	Deedar Ali 43201-6425079-3	Muhammad Bachal Channo	930	-	-	930	930	-	-	930
38	Manthar D.H.O Office Colony, Jacobabad	Manthar 43102-2437154-5	Mughal Khan Mughari	563	-	-	563	563	-	-	563
39	Muharam Ali Village Phlir Taluka Sjawal Junejo, District Kamber Shandadkot	Muharam Ali 43204-6036571-9	Nihal Khan Tunlo	640	-	-	640	640	-	-	640

## Annexure 'I' as referred to in note 11.6 of the Bank's Unconsolidated Financial Statements

S. No.	Name & Address of the borrower	Name of Individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/ Mark-up written off	Other financial relief / waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
1		2	4	5	6	7	8	9	10	11	12
40	Ahmed Ali Muhalla Khanchandabad, District Shikarpur	Ahmed Ali 43304-0582783-1	Karim Bux Rind	537	-	-	537	537	-	-	537
41	Raham Ali Leghari Goth Allah Dino Khan Leghari, Tapal Ghar, District Ghotki	Raham Ali Leghari 45102-4761638-5	Din Muhammad Leghari	885	-	-	885	885	-	-	885
42	Parval Shah Village Chandio Sadhayo, District Shikarpur	Parval Shah 43304-6317237-9	Shaniam Shah	909	-	-	909	909	-	-	909
43	Gurban Ali Channa Village Mirza Channa Taluka Johi, District Dadu	Gurban Ali Channa 41202-3422951-5	Muhammad Ali Channa	835	-	-	835	835	-	-	835
44	Rasool Bux Village Ibrahim Sand, P.O. Khanpur, Taluka K.N. Shah, District Dadu	Rasool Bux 41203-6618285-5	Jaro Khan Sand	519	-	-	519	519	-	-	519
45	Nisar Ahmed Village Borin Taluka Khairpur, Nathan Shah, District Dadu	Nisar Ahmed 41203-2237640-3	Muhammad Isha	550	-	-	550	550	-	-	550
46	Mukhtiar Ali Village Ibrahim Samia Diya Mir DHO Jagir, District Shikarpur	Mukhtiar Ali 43304-7798894-5	Noor Muhammad	963	-	-	963	963	-	-	963
47	Aashique Hussain Shah Patthan Village Shakh, Fojot Taluka Bakrani, District Larkana	Aashique Hussain Shah 43201-6575972-7	Zamir Hussain Shah	1,151	-	-	1,151	1,151	-	-	1,151
48	Muhammad Arab Village Dhani Paryo P.O. Makhdum Bilawal Taluka, Dadu	Muhammad Arab 41201-773203-5	Muhammad Rajib Panthar	1,159	-	-	1,159	1,159	-	-	1,159
49	Shabir Ahmed Muhalla Scarp Colony, Larkana	Shabir Ahmed 43205-9266270-7	Inam Bux Mangarho	501	-	-	501	501	-	-	501
50	Waryaan Vairs RO Village Dadood Dero, PO Shan Panjo Sultan, Taluka Meher, Dadu	Waryaan Vairs 41205-2282856-9	Muhammad Alam	628	-	-	628	628	-	-	628
51	Muhammad Phanwar Muhallah Mehar, Taluka Mehar, District Dadu	Muhammad 41205-9300916-9	Muhammad Ibrahim Bhargar	1,244	-	-	1,244	1,244	-	-	1,244
52	Ali Anwar Soomro Mohalla Soomra, Mehar, District Dadu	Ali Anwar Soomro 41205-1683185-1	Rajib Ali Soomro	764	-	-	764	764	-	-	764
53	Ali Nawaz Near Nadar Shah Muhallah, Allahabad Rotodero, District Larkana	Ali Nawaz 43205-4831514-1	Samandar Khan Boddar	515	-	-	515	515	-	-	515
54	Parvez Ali Village Chandio Pitali, P.O. Koreja Taluka Ratodero, District Larkana	Parvez Ali 43205-5022809-3	Muhammad Ali Pitali	742	-	-	742	742	-	-	742
55	Late Muhammad Hashim Muhallah Ali Gohar Abad, Sameh Abad, Larkana	Late Muhammad Hashim 43203-4205146-5	Ghulam Rasool Hub	542	-	-	542	542	-	-	542
56	Nadir Ali Near Bhains Colony, Mohallah Nasir Colony, Larkana	Nadir Ali 43101-5289425-1	Jan Muhammad	1,081	-	-	1,081	1,081	-	-	1,081
57	Altat Hussain H.No.1738/68-A, Ghalib Nagar, Near Zulfiqar Bagh, Larkana	Altat Hussain 43203-6294353-5	Abdul Ghani Sangi	849	-	-	849	849	-	-	849
58	Saqib Commission Shop Ghalla Mandi Buchke Badday, District Narkana	Muhammad Saqib 35501-0161773-7	Ali Muhammad	2,973	405	3,777	7,155	-	-	541	541
59	Shakeel Ahmad Gillani Rakh Machine P.O. Khas Tehsil & District Shekhupura	Falk Sher 35402-9844569-3	Ali Muhammad	739	-	-	739	739	-	-	739



# Annexure 'I' as referred to in note 11.6 of the Bank's Unconsolidated Financial Statements

S. No.	Name & Address of the borrower	Name of Individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/ Mark-up written off	Other financial relief / waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
60	Ishtiaq Ahmed Muhallan Chan, Badraywala, Sharapur Sharif	Ishtiaq Ahmed 35401-1831896-5	Nazeer Ahmed	927	-	-	927	927	-	-	927
61	Ali Hassan Katto R-19, Sector-13, Scheme 33, Chattat Gabool Goth, Muslim Society, Karachi	Ali Hassan Katto 43102-8886571-7	Mithal Khan Katto	623	-	-	623	623	-	-	623
62	Yasir Abbas H # 461/A, Gali Daba Tabakhi, Mohallan Hatiz Miran Khan, D.I Khan	Yasir Abbas 12101-0944572-9	Khuda Baksh	1,354	-	-	1,354	1,354	-	-	1,354
63	Mosab Hussain Village Zaran Yousaf Khel, P.O Parachinar, District Khurram	Mosab Hussain 21303-5004445-9	Mukhtar Hussain	507	-	-	507	507	-	-	507
64	Khan Muhammad Qureshi Dak Khana Pepal Bazar, Bozi Khail, Tehsil & District Bannu	Khan Muhammad Qureshi 11101-0147145-3	Saqi Muhammad Qureshi	514	-	-	514	514	-	-	514
65	M.Ashad Khan H.No.41, Street No.9, Waris Khan Tali Muhallah, Rwalpindi	M.Ashad Khan 37405-8835883-1	Arif Khan	598	-	-	598	598	-	-	598
66	Muhammad Tariq Vill House No.12, Sector C-1, Mirpur Azad Kashmir	Muhammad Tariq 81302-3553428-5	Muhammad Hussain	658	-	-	658	658	-	-	658
67	Mirza Waqar Baig Staff Colony Near AG Office, Muhallah Roli Dhara Kotli, Azad Kashmir	Mirza Waqar Baig 81202-6620238-3	Mirza Aboul Rashid Baig	687	-	-	687	687	-	-	687
68	M. Basharat Rahat P.O Meri Khokhrian, Tehsil & District Gujrat	M. Basharat Rahat 34201-3310088-7	Muhammad Azam	997	-	-	997	997	-	-	997
69	Muhammad Zaigham Iqbal H.No.888/1, Gali Mirza Mukhtar Wali Mohallah, Piprianwala District Jhang	Muhammad Zaigham Iqbal 33202-1206528-7	Iqbal Ahmed	598	-	-	598	598	-	-	598
70	Syed Ghulam Mustafa Shah Gillani Noorgan Garhi, Dupatta, Muzaffarabad	Syed Ghulam Mustafa Shah Gillani 82203-8499019-9	Syed Ahmed Shah Gillani	1,110	-	11	1,121	1,110	-	11	1,121
71	Sher Afzal Darra Batangi, P.O Muzaffarabad, Azad Kashmir	Sher Afzal 82203-8593578-5	Jumma Khan	788	-	-	788	788	-	-	788
72	Ch. Muhammad Arif s/o Ahmed Khan Dardar Kallan Bhimber, Azad Kashmir	Ch. Muhammad Arif 81102-9389332-9	Ahmed Khan	638	-	-	638	638	-	-	638
73	Abdul Majeed Dudhnai, Sheikh Bela, Tehsil Sharda, District Neelum	Abdul Majeed 82201-4923321-9	Feroz Din	667	-	-	667	667	-	-	667
74	Choudhary Maqsood Ahmed Moj P.O Leepa, Tehsil Kamah, District Jhelum Valley	Choudhary Maqsood Ahmed 82202-6938852-1	Muhammad Yaqub	501	-	-	501	501	-	-	501
75	Riaz Muhammad Wach Khwar, Naway Kay, Khwaza khela, District Swat	Riaz Muhammad 15602-0390214-9	Gul Rahim	685	-	-	685	685	-	-	685
76	Said Akbar S/o Said Ghaffar Chaylar Tehsil Khuwaza Khala, District Swat	Said Akbar 15602-0319735-9	Said Ghaffar	692	-	-	692	692	-	-	692
77	Rehmat uddin Hingel Shaghpore, District Chitral	Rehmat uddin 15201-0569753-3	Mr Ghazabz	566	-	-	566	566	-	-	566
78	Asif Hussain S/o Raza Hussain Village & P.O Bande Sanb Khan, District Abbottabad	Asif Hussain 13101-7442913-7	Raza Hussain	594	-	-	594	594	-	-	594
79	Zamanbap Trans Ltd H.256, F.41, Sydykova str., Kyrgyzstan	Erebaeva AlynBolusheva NIC AN 2707107	Anarbak	2,629	1,714	-	4,343	-	-	1,076	1,076
80	Indirova Gulshat Melisovna H.14, F.28, Umetaleva str., Kyrgyzstan	Indirova Gulshat Melisovna NIC ID229498	Melis	638	1,173	-	1,811	-	-	1,084	1,084
81	Tabaladev Ularbek Kichikovich H.209, f.9, Ayni str., Kyrgyzstan	Tabaladev Ularbek Kichikovich NIC AN 3149383	Kichik	993	1,028	-	2,021	-	-	852	852
				572,254	295,229	933,967	1,801,450	128,797	-	1,181,600	1,310,397

## Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Unconsolidated Financial Statements

### ISLAMIC BANKING BUSINESS

The bank is operating 188 (2021: 189) Islamic banking branches and 50 (2021: nil) Islamic banking windows at year end December 31, 2022

	Note	2022 ------(Rupees in '000)-----	2021
<b>ASSETS</b>			
Cash and balances with treasury banks		6,096,555	6,591,139
Balances with other banks		13,766	12,531
Investments	1	53,920,119	49,548,760
Islamic financing and related assets - net	2	46,380,996	42,316,209
Fixed assets		87,489	100,620
Right of use assets (ROUA)		508,977	641,973
Other assets		2,294,054	1,686,568
<b>Total Assets</b>		<b>109,301,956</b>	<b>100,897,800</b>
<b>LIABILITIES</b>			
Bills payable		1,210,608	388,351
Deposits and other accounts	3	93,591,714	84,849,520
Due to head office		4,005,715	7,635,926
Lease liability against right of use assets		721,152	826,081
Other liabilities		1,490,182	455,249
		<b>101,019,371</b>	<b>94,155,127</b>
<b>NET ASSETS</b>		<b>8,282,585</b>	<b>6,742,673</b>
<b>REPRESENTED BY</b>			
Islamic Banking Fund		5,561,000	4,646,000
Surplus on revaluation of assets		424,444	594,005
Unappropriated / Unremitted profit	5	2,297,141	1,502,668
		<b>8,282,585</b>	<b>6,742,673</b>

The profit and loss account of the Bank's Islamic banking branches for the year ended December 31, 2022 is as follows:

	Note	2022 ------(Rupees in '000)-----	2021
Profit / return earned	6	12,661,168	7,212,495
Profit / return expensed	7	(7,600,260)	(3,180,849)
Net profit / return		<b>5,060,908</b>	<b>4,031,646</b>
<b>Other income</b>			
Fee and commission income		317,961	285,694
Foreign exchange income		155,195	37,404
Other income		2,025	13,218
Total other income		<b>475,181</b>	<b>336,316</b>
Total income		<b>5,536,089</b>	<b>4,367,962</b>
<b>Other expenses</b>			
Operating expenses		(3,050,827)	(2,742,428)
Other charges		(374)	(1,516)
Total other expenses		<b>(3,051,201)</b>	<b>(2,743,944)</b>
<b>Profit before provisions</b>		<b>2,484,888</b>	<b>1,624,018</b>
Provisions and write offs - net		(187,747)	(121,350)
<b>Profit before taxation</b>		<b>2,297,141</b>	<b>1,502,668</b>
Taxation		-	-
<b>Profit after taxation</b>		<b>2,297,141</b>	<b>1,502,668</b>

## Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Unconsolidated Financial Statements

1

Investments by segments:

2022				2021				
Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	
----- (Rupees in '000) -----								
Federal Government Securities:								
- Ijarah Sukuks	33,648,948	-	(339,589)	33,309,359	14,000,979	-	(31,279)	13,969,700
- Others (Bai Muajjal with GOP @ 13.30%)	-	-	-	-	10,914,185	-	-	10,914,185
	33,648,948	-	(339,589)	33,309,359	24,915,164	-	(31,279)	24,883,885
Non Government Debt Securities								
- Listed	8,200,000	-	303,132	8,503,132	8,200,000	-	340,000	8,540,000
- Unlisted	11,777,533	(130,807)	460,901	12,107,628	15,970,398	(130,807)	285,284	16,124,875
	19,977,533	(130,807)	764,033	20,610,760	24,170,398	(130,807)	625,284	24,664,875
Total Investments	53,626,481	(130,807)	424,444	53,920,119	49,085,562	(130,807)	594,005	49,548,760

2	Islamic financing and related assets	Note	2022	2021
			----- (Rupees in '000) -----	
	Ijarah	2.1	38,208	95,075
	Murabaha	2.2	1,713,901	903,901
	Diminishing Musharaka		22,062,256	21,834,074
	Other Islamic Modes (Wakala tul Istismar)		8,500,000	8,500,000
	Advance for Murabaha		2,127,000	1,285,000
	Advance for Diminishing Musharaka		100,894	60,720
	Advance for Istisna		9,396,236	9,881,261
	Inventories against Istisna		3,097,800	469,000
	Gross Islamic financing and related assets		47,036,295	43,029,031
	Less: provision against Islamic financings			
	- Specific		(654,980)	(712,763)
	- General		(319)	(59)
			(655,299)	(712,822)
	<b>Islamic financing and related assets - net of provision</b>		<b>46,380,996</b>	<b>42,316,209</b>

### 2.1 Ijarah

2022						
Cost			Accumulated Depreciation			Book Value as at December 31, 2022
At January 1, 2022	Additions / (deletions)	As at December 31, 2022	At January 1, 2022	Charge / Adjustment for the year	As at December 31, 2022	
----- (Rupees in '000) -----						
245,257	-	63,474	207,075	25,228	50,820	12,654
	(181,783)			(181,483)		
209,727	-	168,680	152,834	28,725	143,126	25,554
	(41,047)			(38,433)		
454,984	-	232,154	359,909	53,953	193,946	38,208
	(222,830)			(219,916)		



## Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Unconsolidated Financial Statements

2021						
Cost			Accumulated depreciation			Book Value as at December 31, 2021
At January 01, 2021	Additions / (deletions)	As at December 31, 2021	At January 01, 2021	Charge / Adjustment for the year	As at December 31, 2021	
----- (Rupees in '000) -----						
Plant & Machinery	249,123	-	245,257	175,050	35,566	207,075
		(3,866)			(3,541)	
Vehicles	239,219	-	209,727	144,504	37,241	152,834
		(29,492)			(28,911)	
Total	488,342	-	454,984	319,554	72,807	359,909
		(33,358)			(32,452)	

### Future Ijarah payments receivable

2022				2021			
Not later than 1 year	Later than 1 year & less than 5 years	Over five years	Total	Not later than 1 year	Later than 1 year & less than 5 years	Over five years	Total
----- (Rupees in '000) -----							
Ijarah rental receivables	36,438	9,802	-	46,240	71,589	54,398	-
							125,987

		Note	2022 ----- (Rupees in '000) -----	2021
<b>2.2</b>	<b>Murabaha</b>			
	Murabaha financing	2.2.1	1,713,901	903,901
	Advances for Murabaha		2,127,000	1,285,000
			3,840,901	2,188,901
<b>2.2.1</b>	Murabaha receivable - gross	2.2.2	1,868,953	982,249
	Less: Deferred murabaha income	2.2.4	73,359	25,980
	Less: Profit receivable shown in other assets		81,693	52,368
	Murabaha financings		1,713,901	903,901
<b>2.2.2</b>	The movement in Murabaha financing during the year is as follows:			
	Opening balance		982,249	3,629,825
	Sales during the year		12,721,419	7,905,588
	Adjusted during the year		11,834,715	10,553,164
	Closing balance		1,868,953	982,249

## Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Unconsolidated Financial Statements

	2022 ------(Rupees in '000)-----	2021 ------(Rupees in '000)-----
<b>2.2.3</b> Murabaha sale price	<b>12,721,419</b>	7,905,588
Murabaha purchase price	<b>12,234,017</b>	7,739,500
	<b>487,402</b>	166,088
<b>2.2.4</b> Deferred murabaha income		
Opening balance	<b>25,980</b>	47,306
Arising during the year	<b>487,539</b>	184,383
Less: Recognised during the year	<b>(440,160)</b>	(205,709)
Closing balance	<b>73,359</b>	25,980

3	Deposits	2022			2021		
		In Local currency	In Foreign currencies	Total	In Local currency	In Foreign currencies	Total
	Note	----- (Rupees in '000) -----					
	Customers						
	Current deposits	20,491,314	167,871	20,659,185	21,520,192	264,535	21,784,727
	Savings deposits	41,254,385	-	41,254,385	42,730,234	-	42,730,234
	Term deposits	15,137,438	-	15,137,438	8,148,745	-	8,148,745
		76,883,137	167,871	77,051,008	72,399,171	264,535	72,663,706
	Financial Institutions						
	Current deposits	354,951	-	354,951	700,103	-	700,103
	Savings deposits	14,114,989	-	14,114,989	6,064,983	-	6,064,983
	Term deposits	2,070,766	-	2,070,766	5,420,728	-	5,420,728
		16,540,706	-	16,540,706	12,185,814	-	12,185,814
	3.2	93,423,843	167,871	93,591,714	84,584,985	264,535	84,849,520

	2022 ------(Rupees in '000)-----	2021 ------(Rupees in '000)-----
<b>3.1 Composition of deposits</b>		
- Individuals	<b>45,084,725</b>	41,007,219
- Government / Public Sector Entities	<b>23,311,046</b>	21,697,189
- Banking Companies	<b>773,228</b>	6,873,275
- Non-Banking Financial Institutions	<b>15,767,478</b>	5,312,539
- Private Sector	<b>8,655,237</b>	9,959,298
	<b>93,591,714</b>	84,849,520

**3.2** This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 47,134 million (2021: Rs. 43,701 million).

## Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Unconsolidated Financial Statements

	2022	2021
	------(Rupees in '000)-----	
<b>4 Charity Fund</b>		
Opening Balance	64	621
<b>Additions during the period</b>		
Received from customers on account of delayed payment	286	79
Profit on charity saving account	3	14
	353	714
<b>Payments / utilization during the period</b>		
Health	-	650
Others	150	-
	150	650
Closing Balance	203	64
<b>5 Islamic Banking Business Unappropriated/ Unremitted Profit</b>		
Opening Balance	1,502,668	2,108,388
Add: Islamic Banking profit for the year	2,297,141	1,502,668
Less: Transferred / remitted to Head Office	(1,502,668)	(2,108,388)
Closing Balance	2,297,141	1,502,668
<b>6 Profit / Return Earned on Financing, Investments and Placement</b>		
Profit earned on:		
Financing	5,712,166	3,157,329
Investments	6,730,485	2,819,221
Placements	1,235	560
Others (Bai Muajjal)	217,282	1,235,385
	12,661,168	7,212,495



## Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Unconsolidated Financial Statements

	2022	2021
	------(Rupees in '000)-----	
<b>7 Profit on Deposits and other Dues Expensed</b>		
Deposits and other accounts	5,589,067	2,520,353
Amortisation of lease liability against - ROUA	79,103	82,908
Others (General Account)	1,932,090	577,588
	<b>7,600,260</b>	<b>3,180,849</b>

### 8 Pool Management

NBP-AIBG has managed following pools for profit and loss distribution.

a) General depositor pool

The General pool consists of all other remunerative deposits. NBP Aitemaad (the Mudarib) accept deposits on the basis of Mudaraba from depositors (Rabbulmaal). The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. The entire net return after paying equity share to Mudarib is considered as distributable profit of the pool.

b) Special depositor pools (Total 182 during the period and 51 as at Dec 31, 2022)

Special pool(s) are created where the customers desire to invest in high yield assets. These pool(s) rates are higher than the general pool depending on the assets. In case of loss in special pool, the loss will be borne by the special pool members. The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. From the net return, and after allocation of share of profit to commingled equity, profit is paid to the Mudarib in the ratio of the Mudarib's equity in the pool to the total pool. The balance represents the distributable profit

c) Equity pool

Equity pools include AIBG's fund and current account deposits. The equity pool may have constructive liquidation every month and risk associated with assets of pool includes operational, market, equity, return and Shariah.

#### Key features and risk & reward characteristics

Deposits are accepted from customers on the basis of Qard (current accounts) and Mudarabah (Saving and term deposits). No profit or loss is passed on to current account depositors.

For deposits accepted on Mudarabah basis from depositors (Rab ul Maal) the Bank acts as Manager (Mudarib) and invests the funds in the Shariah Compliant modes of financings. Rab ul Maal share is distributed among depositors according to weightages declared for a month before start of the period.

In case of loss in a pool during the profit calculation period, the loss is distributed among the depositors (remunerative) according to their ratio of investment.

For all pools, the Mudarib's share is deducted from the distributable profit to calculate the profit to be allocated to depositors. The allocation of the profit to various deposit categories is determined by the amount invested in that category relative to the total pool, as well as by the weightage assigned to the various deposit categories.

The assets, liabilities, equities, income and expenses are segregated for each of the pool. No pool investment is intermingled with each other. The risk associated with each pool is thus equally distributed among the pools.

## Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Unconsolidated Financial Statements

Avenues / sectors of economy / business where Mudaraba based deposits have been deployed.

	2022	2021
	------(Percentage)-----	
<b>Sector</b>		
Fertilizer	1.48%	1.12%
Textile	4.25%	4.60%
Fuel & energy	34.07%	40.71%
Leasing/Modarbas	0.03%	0.34%
Sugar	7.80%	7.94%
Cement	6.10%	7.43%
Gas	0.35%	0.91%
Financial	1.94%	1.59%
Federal Government	32.95%	24.61%
Real Estate	3.10%	2.98%
Agriculture	0.30%	0.34%
Others	7.64%	7.43%
<b>Total</b>	<b>100%</b>	<b>100%</b>

### Parameters for profit allocation and charging expenses

Profit of the pools has been distributed between Mudarib and Rab-ul-Mall by using preagreed profit sharing ratios. The share of Rab-ul-Mall's profit has been distributed among different customers using the various weightages assigned to the different categories of the pool.

No provision against any non performing asset of the pool is passed on to the pool except on the actual loss / write off of such non performing asset. Administrative expense are borne by mudarib and not charged to Mudaraba pool.

	31-Dec-22 (Rupees in '000)
<b>Mudarib Share</b>	
Gross Distributable Income	9,906,319
Mudarib (Bank) share of profit before Hiba	3,211,747
Mudarib Share in percentage	32%
<b>Hiba from Mudarib Share</b>	
Mudarib (Bank) share of profit before Hiba	3,211,747
Hiba from bank's share to depositors	708,244
Hiba from bank's share to depositors in percentage	22%

### Profit rates

During the year ended December 31, 2022 the average profit rate earned by NBP Islamic Banking Group is 12.82% and the profit distributed to the depositors is 8.92%.

## Notes

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# جایگاه دیجیتال

As newer ways of banking are introduced world over, NBP has brought changes in the way we do our banking, specially when it comes to digital investment. Our customers and their modern needs are the driving force behind our constant upgrading and improvement.

# Directors' Report to the Shareholders Consolidated Financial Statements

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present the Directors' Review together with audited consolidated financial statement of National Bank of Pakistan and its Group companies for the year ended December 31, 2022.

Consolidated after-tax profit of the Group for the year ended December 31, 2022 amounted to PKR 30.95 Bn, being 7.6% higher than PKR 28.8 Bn for the year ended December 31, 2021. For the year ended December 31, 2022, the subsidiary companies contributed PKR 0.807 Bn (2021: PKR 0.389 Bn) to the Group profitability; whereas the associates contributed a net loss of PKR 0.095 Bn (2021: Profit PKR 0.023 Bn). A share of profit of PKR 0.545 Bn (2021: PKR 0.218 Bn) was however recorded on account of UNBL-UK, a UK based Joint Venture in which NBP has 45% shareholding. Accordingly, consolidated after tax profit for the year stood at PKR 30.95 Bn translating into EPS of PKR 14.49 as compared to PKR 13.44 for the year ended December 31, 2021.

As of December 31, 2022, consolidated assets of the Group amounted to PKR 5,251.8 Bn being PKR 1,394.7 Bn or 36.2% higher than PKR 3,857.0 Bn of December 31, 2021.

Group after-tax profit for the year ended December 31, 2022 after carry forward of accumulated profit of 2021 is proposed to be appropriated as follows:

	(PKR 'Mn)
After-tax consolidated profit for the year ended December 31, 2022	30,949.0
Unappropriated profit brought forward	145,312.5
Other comprehensive income - net of tax	(3,114.2)
Non-controlling interest	(114.4)
Transfer from surplus on revaluation of fixed assets – net of tax	197.7
Transfer from general loan loss reserve	8,000.0
	150,281.6
Profit available for appropriations	181,230.6
Appropriation:	
Transfer to statutory reserve	(3,041.0)
Unappropriated profit carried forward	178,189.6

For and on behalf of the Board of Directors

Rehmat Ali Hasnie  
President & CEO (A)

Farid Malik  
Director

Karachi  
Dated: February 28, 2023

# شیئر ہولڈرز کیلئے ڈائریکٹرز کی رپورٹ مجموعی مالیاتی گوشوارے

معزز شیئر ہولڈرز،

بورڈ آف ڈائریکٹرز کی جانب سے، ہمیں 31 دسمبر 2022ء کو ختم ہونے والے سال کے لیے نیشنل بینک آف پاکستان اور اس کی گروپ کمپنیز کے آڈٹ شدہ مجموعی مالیاتی گوشوارے کے ساتھ ڈائریکٹرز کا جائزہ پیش کرتے ہوئے خوش محسوس ہو رہی ہے۔

31 دسمبر 2022ء کو ختم ہونے والے سال کے لیے گروپ کا مجموعی بعد از ٹیکس منافع 30.95 ارب روپے ہے، جو کہ 31 دسمبر 2021ء کو ختم ہونے والے سال کے 28.8 ارب روپے منافع سے %7.6 زیادہ ہے۔ 31 دسمبر 2022ء کو ختم ہونے والے سال کے لیے، سبسڈری کمپنیز نے گروپ کے منافع میں 0.807 ارب روپے (2021ء: 0.389 ارب روپے) شامل کیے؛ جبکہ ایسوسی ایٹس نے 0.095 ارب روپے (2021ء: منافع 0.023 ارب روپے) کا خالص نقصان ظاہر کیا ہے۔ تاہم 0.545 ارب روپے (2021ء: 0.218 ارب روپے) کے منافع کا حصہ یو این بی ایل - برطانیہ کے مطابق ریکارڈ کیا گیا ہے، جو کہ برطانیہ میں قائم ایک جوائنٹ وینچر ہے جس میں نیشنل بینک آف پاکستان کی شیئر ہولڈنگ %45 ہے۔ اس کے مطابق، اس سال کے لیے مجموعی بعد از ٹیکس منافع 30.95 ارب روپے رہا جو کہ 31 دسمبر 2021ء کو ختم ہونے والے پچھلے سال کے لیے 13.44 روپے فی حصص منافع (EPS) کے مقابلے میں اس سال 14.49 روپے فی حصص منافع (EPS) ہے۔

31 دسمبر 2022ء کے مطابق، گروپ کے مجموعی اثاثوں کی رقم 5,251.8 ارب روپے ہے جو کہ 31 دسمبر 2021ء کے 3,857.0 ارب روپے سے 1,394.7 ارب روپے یعنی %36.2 زیادہ ہے۔

2021ء کے جمع شدہ منافع کو آگے بڑھاتے ہوئے، 31 دسمبر 2022ء کو ختم ہونے والے سال کے لیے گروپ کے بعد از ٹیکس منافع کو اس طرح مختص کرنے کی تجویز دی گئی ہے:

(ملین روپے میں)

30,949.0

145,312.5

(3,114.2)

(114.4)

197.7

8,000.0

150,281.6

181,230.6

(3,041.0)

178,189.6

31 دسمبر 2022ء کو ختم ہونے والے سال کے لیے بعد از ٹیکس مجموعی منافع

آگے لایا گیا غیر مختص منافع

دیگر جامع آمدن - محصول کی خالص

کنٹرول نا ہونے والا سود

فلسڈ اثاثوں کی دوبارہ تشخیص پر سرپلس سے منتقلی - محصول کی خالص

عمومی قرض کے نقصان کے ذخائر سے منتقلی

اختصاص کے لیے دستیاب منافع

اختصاص

قانونی ذخائر کو منتقلی

آگے بڑھایا گیا غیر مختص منافع

بورڈ آف ڈائریکٹرز کے لیے اور کی جانب سے،

فرید ملک

ڈائریکٹر

رحمت علی حسنی

صدر اوری ای او (نگراں)

کراچی

تاریخ: 28 فروری 2023ء

**Yousuf Adil**  
Chartered Accountants  
Cavish Court, KCHSU  
Shahrah-e-Faisal  
Karachi, Pakistan

**A.F. Ferguson & Co.**  
Chartered Accountants  
State Life Building No. 1-C  
I.I Chundrigar Road  
P.O. Box 4716  
Karachi - 74000

## Independent Auditors' Report

To the members of National Bank of Pakistan

Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the annexed consolidated financial statements of **National Bank of Pakistan and its subsidiaries** (the Group), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter

We draw attention to note 26.3.4.1 to the consolidated financial statements which explains the contingency in relation to the pension obligation of the Group. The Group, based on the opinion of its legal counsel, is confident about a favorable outcome on this matter and hence, no provision has been made in these consolidated financial statements. Our opinion is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Correspondent Firm to  
Deloitte Touche Tohmatsu Limited

Member firm of PwC network



**Yousuf Adil**  
Chartered Accountants

**A.F. Ferguson & Co.**  
Chartered Accountants

Following are the Key Audit Matters:

S.No.	Key Audit Matter	How the matter was addressed in our audit
1	<p><b>Provision against advances</b> (Refer notes 5.8 and 11.4 to the consolidated financial statements)</p> <p>The Group makes provision against advances extended in Pakistan on a time-based criteria that involves ensuring that all non-performing advances are classified in accordance with the ageing criteria specified in the Prudential Regulations (PRs) issued by the State Bank of Pakistan (SBP).</p> <p>In addition to the above time-based criteria, the PRs require a subjective evaluation of the credit worthiness of borrowers to determine the classification of advances.</p> <p>The PRs also require the creation of general provision for certain categories of advances.</p> <p>Provision against advances of overseas locations is made as per the requirements of the respective regulatory regimes.</p> <p>The Group has recognized a net provision against advances amounting to Rs. 8,012 million in the consolidated profit and loss account in the current year. As at December 31, 2022, the Group holds a provision of Rs. 208,363 million against advances. This includes a general provision against the underperforming portfolio on a prudent basis.</p> <p>The determination of provision against advances based on the above criteria remains a significant area of judgement and estimation. Because of the significance of the impact of these judgements / estimations and the materiality of advances relative to the overall consolidated financial statements of the Group, we considered the area of provision against advances as a key audit matter.</p>	<p>Our audit procedures to verify provision against domestic advances included, amongst others, the following:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the management process to record provision and ensure that it is consistent with the requirements of PRs;</li> <li>• Evaluated the design and tested the operating effectiveness of the relevant controls established by the Group to identify loss events and for determining the extent of provisioning required against non-performing advances; and</li> <li>• Selected a sample of loan accounts and performed the following substantive procedures to evaluate the appropriateness of specific and general provision: <ul style="list-style-type: none"> <li>i) Checked credit documentation, repayments of loan / mark-up instalments, tested classification of non-performing advances based on the number of days overdue;</li> <li>ii) Evaluated the management's assessment for classification of a customer's loan facilities as performing or non-performing based on review of repayment pattern, inspection of credit documentation and thorough discussions with the management;</li> <li>iii) In case of restructured loans, we reviewed the detailed documentation of restructuring including approvals, legal opinions, terms of restructuring, payment records and any other relevant documents to ensure that restructuring was made in accordance with the PRs;</li> <li>iv) We also reviewed minutes of the meeting of credit, risk and compliance and audit committees to identify risky exposures; and</li> <li>v) We had discussions with management to challenge assumptions and judgements used in performing portfolio review and recording provisions.</li> </ul> </li> </ul> <p>We issued instructions to auditors of those overseas branches and a joint venture which were selected for audit, highlighting 'Provision against advances' as a significant risk. The auditors of those branches and joint venture performed audit procedures to check compliance with regulatory requirements and reported the results thereof to us. We, as auditors of the Group, evaluated the work performed by the component auditors and the results thereof.</p>

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S.No.	Key Audit Matter	How the matter was addressed in our audit
2	<p><b>Valuation of listed equity shares, units of mutual funds and term finance certificates classified as available-for-sale</b></p> <p>(Refer notes 5.4 and 10.1 to the consolidated financial statements)</p>	
	<p>The Group has significant investments in equity shares, units of mutual funds and term finance certificates (TFCs) classified as Available for Sale (AFS). As per the Group's policy, listed equity shares and units of mutual funds are required to be considered for impairment when there is a significant or prolonged decline in the fair value of investments. Further, TFCs are required to be assessed for impairment as per the SBP's Prudential Regulations which involves subjective criteria.</p> <p>The significance of the investment amount, subjectivity involved, and assumptions used in impairment make it significant to the consolidated financial statements. Therefore, we have considered this as a key audit matter.</p>	<p>On a sample basis, we have performed the following procedures:</p> <ul style="list-style-type: none"> <li>Each investment's cost was compared to its market value wherever available to determine decline / surplus in valuation;</li> <li>Checked whether, in case of listed equity shares and units of mutual funds classified as available for sale, impact of significant or prolonged decline was recognized consistently as per the policy of the Group as disclosed in note 5.27(c); and</li> <li>For TFCs, checked that listed TFCs were valued as per the quoted prices and unlisted TFCs were valued at cost less provision. Further, TFCs were also evaluated based on evidence of deterioration in the financial health of the investee and repayment pattern.</li> </ul>

#### Information Other than the Consolidated and Unconsolidated Financial Statements and Auditors' Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated and unconsolidated financial statements and our auditors' reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Yousuf Adil**  
Chartered Accountants

**A.F. Ferguson & Co.**  
Chartered Accountants

## **Responsibilities of Management and the Board of Directors for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of directors is responsible for overseeing the Group's financial reporting process.

## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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Deloitte Touche Tohmatsu Limited

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Yousuf Adil**  
Chartered Accountants

**A.F. Ferguson & Co.**  
Chartered Accountants

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Nadeem Yousuf Adil and Shahbaz Akbar on behalf of Yousuf Adil and A. F. Ferguson & Co. respectively.

**Yousuf Adil**  
Chartered Accountants

Karachi

Dated: March 6, 2023

UDIN: AR202210091GbFezuXtl

**A. F. Ferguson & Co.**  
Chartered Accountants

Karachi

Dated: March 6, 2023

UDIN: AR202210068wBdPux6sT

# Consolidated Statement of Financial Position

As at December 31, 2022

2021 ------(US Dollars in '000)-----	2022		Note	2022 ------(Rupees in '000)-----	2021
<b>ASSETS</b>					
1,231,584	<b>1,016,762</b>	Cash and balances with treasury banks	7	<b>230,226,311</b>	278,868,736
84,844	<b>86,663</b>	Balances with other banks	8	<b>19,623,124</b>	19,211,237
1,481,541	<b>138,110</b>	Lendings to financial institutions	9	<b>31,272,467</b>	335,466,675
8,579,841	<b>15,381,893</b>	Investments	10	<b>3,482,935,847</b>	1,942,741,191
4,916,794	<b>5,435,076</b>	Advances	11	<b>1,230,669,118</b>	1,113,314,128
241,179	<b>254,401</b>	Fixed assets	12	<b>57,604,343</b>	54,610,404
6,160	<b>9,280</b>	Intangible assets	13	<b>2,101,322</b>	1,394,843
31,316	<b>31,736</b>	Right of use assets	14	<b>7,186,067</b>	7,090,980
8,403	<b>98,954</b>	Deferred tax assets	15	<b>22,406,230</b>	1,902,811
452,385	<b>740,805</b>	Other assets	16	<b>167,741,065</b>	102,433,942
17,034,047	<b>23,193,680</b>			<b>5,251,765,894</b>	3,857,034,947
<b>LIABILITIES</b>					
96,490	<b>244,083</b>	Bills payable	17	<b>55,268,019</b>	21,848,270
1,381,989	<b>8,569,881</b>	Borrowings	18	<b>1,940,485,787</b>	312,925,106
13,329,222	<b>11,770,802</b>	Deposits and other accounts	19	<b>2,665,273,257</b>	3,018,147,709
590	<b>536</b>	Liabilities against assets subject to finance lease	20	<b>121,453</b>	133,598
36,924	<b>38,692</b>	Lease liability against right of use assets	21	<b>8,761,015</b>	8,360,755
885,903	<b>1,199,289</b>	Other liabilities	22	<b>271,556,131</b>	200,596,128
15,731,118	<b>21,823,283</b>			<b>4,941,465,662</b>	3,562,011,566
1,302,929	<b>1,370,397</b>	<b>NET ASSETS</b>		<b>310,300,232</b>	295,023,381
<b>REPRESENTED BY</b>					
93,959	<b>93,959</b>	Share capital	23	<b>21,275,131</b>	21,275,131
275,701	<b>298,055</b>	Reserves	24	<b>67,488,847</b>	62,427,269
287,041	<b>186,695</b>	Surplus on revaluation of assets	25	<b>42,273,537</b>	64,994,980
641,752	<b>786,949</b>	Unappropriated profit		<b>178,189,579</b>	145,312,547
1,298,453	<b>1,365,658</b>	Total Equity attributable to the equity holders of the Bank		<b>309,227,094</b>	294,009,927
4,476	<b>4,739</b>	Non-controlling interest		<b>1,073,138</b>	1,013,454
1,302,929	<b>1,370,397</b>			<b>310,300,232</b>	295,023,381

## CONTINGENCIES AND COMMITMENTS

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The annexed notes 1 to 52 and annexures I and II form an integral part of these consolidated financial statements.

**Ashraf Mahmood Wathra**  
Chairman

**Rehmat Ali Hasnie**  
President & CEO (A)

**Abdul Wahid Sethi**  
Chief Financial Officer

**Asif Jooma**  
Director

**Ahsan Ali Chughtai**  
Director



## Consolidated Profit and Loss Account

For the year ended December 31, 2022

2021 ------(US Dollars in '000)-----	2022		Note	2022 ------(Rupees in '000)-----	2021
1,024,826	<b>2,223,972</b>	Mark-up / return / interest earned	27	<b>503,575,915</b>	232,052,245
593,049	<b>1,706,809</b>	Mark-up / return / interest expensed	28	<b>386,474,248</b>	134,284,644
431,777	<b>517,163</b>	Net mark-up / interest income		<b>117,101,667</b>	97,767,601
		<b>NON MARK-UP / INTEREST INCOME</b>			
84,796	<b>99,622</b>	Fee and commission income	29	<b>22,557,400</b>	19,200,385
19,943	<b>22,392</b>	Dividend income		<b>5,070,140</b>	4,515,634
30,267	<b>36,577</b>	Foreign exchange income		<b>8,282,139</b>	6,853,433
27,393	<b>4,961</b>	Gain on securities - net	30	<b>1,123,216</b>	6,202,525
961	<b>2,408</b>	Share of profit from joint venture - net of tax	10.4	<b>545,161</b>	217,507
102	<b>(420)</b>	Share of (loss) / profit from associates - net of tax	10.4	<b>(95,084)</b>	23,057
8,198	<b>7,906</b>	Other income	31	<b>1,790,098</b>	1,856,263
171,660	<b>173,446</b>	Total non-markup / interest income		<b>39,273,070</b>	38,868,804
603,437	<b>690,609</b>	Total income		<b>156,374,737</b>	136,636,405
		<b>NON MARK-UP / INTEREST EXPENSES</b>			
269,659	<b>351,490</b>	Operating expenses	32	<b>79,588,284</b>	61,059,172
1,532	<b>322</b>	Other charges	33	<b>72,848</b>	346,979
271,191	<b>351,812</b>	Total non-markup / interest expenses		<b>79,661,132</b>	61,406,151
332,246	<b>338,797</b>	Profit before provisions		<b>76,713,605</b>	75,230,254
51,492	<b>57,927</b>	Provisions and write offs - net	34	<b>13,116,455</b>	11,659,325
43,187	<b>-</b>	Extra ordinary item	26.5	<b>-</b>	9,778,848
237,567	<b>280,870</b>	<b>PROFIT BEFORE TAXATION</b>		<b>63,597,150</b>	53,792,081
110,549	<b>144,186</b>	Taxation	35	<b>32,648,139</b>	25,031,700
127,018	<b>136,684</b>	<b>PROFIT AFTER TAXATION</b>		<b>30,949,011</b>	28,760,381
		<b>Attributable to:</b>			
126,312	<b>136,179</b>	Equity holders of the Bank		<b>30,834,587</b>	28,600,461
706	<b>505</b>	Non-controlling interest		<b>114,424</b>	159,920
127,018	<b>136,684</b>			<b>30,949,011</b>	28,760,381
------(US Dollars)-----				------(Rupees)-----	
0.06	<b>0.06</b>	Basic earnings per share	36	<b>14.49</b>	13.44
0.06	<b>0.06</b>	Diluted earnings per share	37	<b>14.49</b>	13.44

The annexed notes 1 to 52 and annexures I and II form an integral part of these consolidated financial statements.

Ashraf Mahmood Wathra  
Chairman

Rehmat Ali Hasnie  
President & CEO (A)

Abdul Wahid Sethi  
Chief Financial Officer

Asif Jooma  
Director

Ahsan Ali Chughtai  
Director



# Consolidated Statement of Comprehensive Income

For the year ended December 31, 2022

2021 ------(US Dollars in '000)-----	2022		2022 ------(Rupees in '000)-----	2021
127,018	<b>136,684</b>	Profit after taxation for the year	<b>30,949,011</b>	28,760,381
		Other comprehensive income / (loss)		
		Items that may be reclassified to profit and loss account in subsequent periods:		
8,988 (38,414) (29,426)	<b>44,254</b> <b>(111,763)</b> <b>(67,509)</b>	Effect of translation of net investments in foreign branches, subsidiaries and joint venture	<b>10,020,548</b> <b>(25,306,566)</b> <b>(15,286,018)</b>	2,035,053 (8,698,153) (6,663,100)
		Movement in deficit on revaluation of investments - net of tax		
		Items that will not be reclassified to profit and loss account in subsequent periods:		
(6,019) (818) 436 158 (6,243)	<b>(13,819)</b> <b>13,672</b> <b>(1,382)</b> <b>66</b> <b>(1,463)</b>	Remeasurement loss on defined benefit obligations - net of tax	<b>(3,129,095)</b> <b>3,095,713</b> <b>(312,906)</b> <b>14,886</b> <b>(331,402)</b>	(1,362,794) (185,241) 98,660 35,807 (1,413,568)
91,349	<b>67,712</b>	Total comprehensive income	<b>15,331,591</b>	20,683,713
		Total comprehensive income attributable to:		
90,643 706 91,349	<b>67,207</b> <b>505</b> <b>67,712</b>	Equity holders of the Bank	<b>15,217,167</b> <b>114,424</b> <b>15,331,591</b>	20,523,793 159,920 20,683,713
		Non-controlling interest		

The annexed notes 1 to 52 and annexures I and II form an integral part of these consolidated financial statements.

Ashraf Mahmood Wathra  
Chairman

Rehmat Ali Hasnie  
President & CEO (A)

Abdul Wahid Sethi  
Chief Financial Officer

Asif Jooma  
Director

Ahsan Ali Chughtai  
Director

# Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

	Share capital	Reserves				Surplus / (deficit) on revaluation of assets			Unappropriated profit	Sub Total	Non-Controlling Interest	Total	
		Exchange translation	Statutory reserve	General loan loss reserve	Revenue general reserve	Total	Investments	Fixed / Non-Banking Assets					Total
(Rupees in '000)													
Balances as at January 01, 2021	21,275,131	12,845,332	36,224,747	8,000,000	521,338	57,591,417	28,250,884	45,736,918	73,987,802	120,631,784	273,486,134	916,148	274,402,282
Profit after taxation for the year ended December 31, 2021	-	-	-	-	-	-	-	-	-	28,600,461	28,600,461	159,920	28,760,381
Other comprehensive income - net of tax	-	2,035,053	-	-	-	2,035,053	(8,698,153)	(86,581)	(8,784,734)	(1,326,987)	(8,076,668)	-	(8,076,668)
Transfer to statutory reserve	-	-	2,800,799	-	-	2,800,799	-	-	-	(2,800,799)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(208,088)	(208,088)	208,088	-	-	-
Transactions with owners, recorded directly in equity													
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(62,614)	(62,614)
Balance as at December 31, 2021													
Profit after taxation for the year ended December 31, 2022	-	-	-	-	-	-	-	-	-	30,834,587	30,834,587	114,424	30,949,011
Other comprehensive income - net of tax	-	10,020,548	-	-	-	10,020,548	(25,306,566)	2,782,807	(22,523,759)	(3,114,209)	(15,617,420)	-	(15,617,420)
Transfer to statutory reserve	-	-	3,041,030	-	-	3,041,030	-	-	-	(3,041,030)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(197,684)	(197,684)	197,684	-	-	-
Transfer to unappropriated profit	-	-	-	(8,000,000)	-	(8,000,000)	-	-	-	8,000,000	-	-	-
Transactions with owners, recorded directly in equity													
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(54,740)	(54,740)
Balance as at December 31, 2022													
	21,275,131	24,900,933	42,066,576	-	521,338	67,488,847	(5,753,835)	48,027,372	42,273,537	178,189,579	309,227,094	1,073,138	310,300,232

The annexed notes 1 to 52 and annexures I and II form an integral part of these consolidated financial statements.

**Ashraf Mahmood Wathra**  
Chairman

**Rehmat Ali Hasnie**  
President & CEO (A)

**Abdul Wahid Sethi**  
Chief Financial Officer

**Asif Jooma**  
Director

**Ahsan Ali Chughtai**  
Director



# Consolidated Cash Flow Statement

For the year ended December 31, 2022

2021 ------(US Dollars in '000)-----	2022		Note	2022 ------(Rupees in '000)-----	2021
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
237,567	<b>280,870</b>	Profit before taxation		<b>63,597,150</b>	53,792,081
(19,943)	<b>(22,392)</b>	Less: Dividend income		<b>(5,070,140)</b>	(4,515,634)
217,624	<b>258,478</b>			<b>58,527,010</b>	49,276,447
20,853	<b>21,151</b>	Adjustments:		<b>4,789,320</b>	4,721,808
1,894	<b>1,616</b>	Depreciation		<b>365,818</b>	428,807
51,492	<b>57,927</b>	Amortization		<b>13,116,455</b>	11,659,325
-	<b>(296)</b>	Provision and write-offs	34	<b>(67,007)</b>	-
(317)	<b>(75)</b>	Gain on disposal of subsidiary and branch		<b>(17,005)</b>	(71,702)
3,735	<b>4,192</b>	Gain on sale of fixed assets - net		<b>949,086</b>	845,616
538	<b>2,753</b>	Finance charges on leased assets		<b>623,477</b>	121,834
32,954	<b>37,215</b>	Unrealized loss on revaluation of investments classified as held-for-trading		<b>8,426,536</b>	7,461,902
(961)	<b>(2,408)</b>	Charge for defined benefit plans - net		<b>(545,161)</b>	(217,507)
(102)	<b>420</b>	Share of profit from joint venture - net of tax		<b>95,084</b>	(23,057)
110,086	<b>122,495</b>	Share of loss / (profit) from associates - net of tax		<b>27,736,603</b>	24,927,026
327,710	<b>380,973</b>			<b>86,263,613</b>	74,203,473
(837,744)	<b>1,250,687</b>	(Increase) / Decrease in operating assets		<b>283,194,208</b>	(189,691,077)
(103,748)	<b>153,651</b>	Lendings to financial institutions		<b>34,791,299</b>	(23,491,840)
(639,447)	<b>(591,017)</b>	Held-for-trading securities		<b>(133,824,495)</b>	(144,790,548)
23,966	<b>(298,307)</b>	Advances		<b>(67,545,828)</b>	5,426,628
(1,556,973)	<b>515,014</b>	Others assets (excluding advance taxation)		<b>116,615,184</b>	(352,546,837)
22,316	<b>147,594</b>	Increase / (Decrease) in operating liabilities		<b>33,419,749</b>	5,053,084
581,337	<b>7,277,222</b>	Bills payable		<b>1,647,788,025</b>	131,632,640
2,646,367	<b>(1,558,420)</b>	Borrowings from financial institutions		<b>(352,874,452)</b>	599,219,240
172,582	<b>302,160</b>	Deposits		<b>68,418,362</b>	39,077,967
3,422,602	<b>6,168,556</b>	Other liabilities		<b>1,396,751,684</b>	774,982,931
(98,908)	<b>(149,225)</b>	Income tax adjusted / paid		<b>(33,789,222)</b>	(22,395,757)
(13,391)	<b>(16,054)</b>	Payments on account of staff retirement benefits		<b>(3,635,107)</b>	(3,032,126)
2,081,040	<b>6,899,264</b>	Net cash flow generated from operating activities		<b>1,562,206,152</b>	471,211,684
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
(1,353,742)	<b>(6,773,740)</b>	Net investments in available-for-sale securities		<b>(1,533,784,118)</b>	(306,529,009)
(693,315)	<b>(385,503)</b>	Net investments in held-to-maturity securities		<b>(87,289,700)</b>	(156,987,867)
19,943	<b>22,392</b>	Dividends received		<b>5,070,140</b>	4,515,634
(10,229)	<b>(12,173)</b>	Investments in fixed assets and intangibles		<b>(2,756,355)</b>	(2,316,063)
609	<b>435</b>	Proceeds from sale of fixed assets		<b>98,556</b>	137,839
8,988	<b>44,254</b>	Effect of translation of net investment in foreign branches		<b>10,020,548</b>	2,035,053
-	<b>494</b>	Proceed from closure of subsidiary and branch		<b>111,822</b>	-
(2,027,746)	<b>(7,103,841)</b>	Net cash flow used in investing activities		<b>(1,608,529,107)</b>	(459,144,413)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
(12,159)	<b>(11,836)</b>	Payments of lease obligations		<b>(2,680,093)</b>	(2,753,249)
(16)	<b>(1)</b>	Dividend paid		<b>(146)</b>	(3,519)
(12,175)	<b>(11,837)</b>	Net cash flow used in financing activities	38.1	<b>(2,680,239)</b>	(2,756,768)
41,119	<b>(216,414)</b>	(Decrease) / increase in cash and cash equivalents		<b>(49,003,194)</b>	9,310,503
1,164,778	<b>1,205,896</b>	Cash and cash equivalents at beginning of the year		<b>273,052,207</b>	263,741,704
1,205,897	<b>989,482</b>	Cash and cash equivalents at end of the year	38	<b>224,049,013</b>	273,052,207

The annexed notes 1 to 52 and annexures I and II form an integral part of these consolidated financial statements.

Ashraf Mahmood Wathra  
Chairman

Rehmat Ali Hasnie  
President & CEO (A)

Abdul Wahid Sethi  
Chief Financial Officer

Asif Jooma  
Director

Ahsan Ali Chughtai  
Director

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

## 1. THE GROUP AND ITS OPERATIONS

### 1.1 The "Group" consists of:

#### Holding Company

- National Bank of Pakistan (the Bank)

#### Subsidiary Companies

	Percentage Holding	
	2022	2021
	%	%
- CJSC Subsidiary Bank of NBP in Kazakhstan	100.00	100.00
- CJSC Subsidiary Bank of NBP in Tajikistan	-	100.00
- NBP Exchange Company Limited, Pakistan	100.00	100.00
- National Bank Modaraba Management Company Limited, Pakistan	100.00	100.00
- First National Bank Modaraba, Pakistan	30.00	30.00
- Taurus Securities Limited, Pakistan	58.32	58.32
- NBP Fund Management Limited, Pakistan	54.00	54.00
- Cast-N-Link Products Limited (Note 10.16.1)	76.51	76.51

The subsidiary company of the Group, National Bank Modaraba Management Company Limited, Pakistan exercises control over First National Bank Modaraba, Pakistan as its management company and also has a direct economic interest in it. The Group has consolidated the financial statements of the modaraba as the ultimate holding company.

The Group is principally engaged in commercial banking, modaraba management, brokerage, leasing, foreign currency remittances, asset management, exchange transactions and investment advisory asset. Brief profile of the Holding Company and subsidiaries is as follows:

#### National Bank of Pakistan

National Bank of Pakistan (the Bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on the Pakistan Stock Exchange (PSX). Its registered and head office is situated at I.I. Chundrigar Road, Karachi. The Federal Government through State Bank of Pakistan (SBP) holds controlling interest (75.6% shareholding) in the Bank. 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 SBP. The Bank operates 1,512 (2021: 1,513) branches in Pakistan including 188 (2021: 189) Islamic Banking branches and 18 (2021: 19) overseas branches (including the Export Processing Zone branch, Karachi). The Bank also provides services in respect of Endowment Fund for students loan scheme and IPS accounts.

#### CJSC Subsidiary Bank of NBP in Kazakhstan

CJSC Subsidiary Bank of NBP in Kazakhstan (JSCK) is a joint-stock bank, which was incorporated in the Republic of Kazakhstan in 2001. CJSC conducts its business under license number 252 dated December 27, 2007 (initial license was dated December 14, 2001) and is engaged in providing commercial banking services. The registered office of JSCK is located at 105, Dostyk Ave, 050051, Almaty.

#### NBP Exchange Company Limited, Pakistan

NBP Exchange Company Limited (NBPECL) is a public unlisted company, incorporated in Pakistan on September 24, 2002 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). NBPECL obtained license for commencement of operations from State Bank of Pakistan (SBP) on November 25, 2002 and commencement of business certificate on December 26, 2003 from the Securities and Exchange Commission of Pakistan (SECP). The registered office of NBPECL is situated at Shaheen Complex, M.R. Kiyani Road, Karachi. NBPECL is engaged in foreign currency remittances and exchange transactions. NBPECL has 20 branches (2021: 21 branches) and 1 booth (2021: 1).

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

## National Bank Modaraba Management Company Limited, Pakistan

National Bank Modaraba Management Company Limited (NBMMCL) is a public unlisted company, incorporated in Pakistan on August 6, 1992 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The purpose of the NBMMCL is to float and manage modaraba funds. NBMMCL at present is managing First National Bank Modaraba. Its registered office is situated at Ground Floor, National Bank of Pakistan, Regional Headquarters Building, 26-Mc Lagon Road, Lahore.

## First National Bank Modarba, Pakistan

First National Bank Modaraba (the Modaraba) is a multi-purpose, perpetual and multi-dimensional Modaraba formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Rules framed thereunder. The Modaraba is managed by National Bank Modaraba Management Company Limited (a wholly owned subsidiary of National Bank of Pakistan), incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and registered with the Registrar of Modaraba Companies. The registered office of the Modaraba is situated at Ground Floor, National Bank of Pakistan, Regional Headquarters Building, 26-Mc Lagon Road, Lahore. The Modaraba is listed at Pakistan Stock Exchange Limited. It commenced its operations on December 04, 2003 and is currently engaged in various Islamic modes of financing and operations including ijarah, musharaka and murabaha arrangements.

## Taurus Securities Limited, Pakistan

Taurus Securities Limited (TSL) is a public unquoted company, incorporated in Pakistan on June 27, 1993 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The registered office of TSL is situated at 6th Floor, Progressive Plaza, Beaumont Road, Civil Lines, Karachi. It is engaged in the business of stock brokerage, investment counselling, and fund placements. TSL holds a Trading Right Entitlement (TRE) Certificate from Pakistan Stock Exchange Limited.

## NBP Fund Management Limited, Pakistan

NBP Fund Management Limited, Pakistan - NBP Funds, was incorporated in Pakistan as public limited company on August 24, 2005 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and obtained certificate for commencement of business on December 19, 2005. The main sponsors of NBP Funds are National Bank of Pakistan and Baltoro Growth Fund. Baltoro Growth Fund has acquired shareholding of NBP Funds which was previously held by Alexandra Fund Management Private Limited on October 08, 2018. NBP Funds is mainly involved in the business of asset management and investment advisory services. NBP Funds has been issued license by the Securities and Exchange Commission of Pakistan (SECP) to carry out business of asset management services and investment advisory services as a Non-Banking Finance Company (NBFC) under section 282C of the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and under the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The principal / registered office of the company is situated at 7th Floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi.

As at December 31, 2022 NBP Funds is managing the following funds and discretionary portfolio:

	Type of Fund
- NBP Income Opportunity Fund	Open end Fund
- NBP Savings Fund	Open end Fund
- NBP Islamic Savings Fund	Open end Fund
- NBP Islamic Sarmaya Izafa Fund	Open end Fund
- NBP Balanced Fund	Open end Fund
- NBP Stock Fund	Open end Fund
- NBP Financial Sector Income Fund	Open end Fund
- NBP Government Securities Liquid Fund	Open end Fund
- NBP Sarmaya Izafa Fund	Open end Fund



# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	Type of Fund
- NBP Mahana Amdani Fund	Open end Fund
- NBP Riba Free Savings Fund	Open end Fund
- NBP Money Market Fund	Open end Fund
- NBP Government Securities Savings Fund	Open end Fund
- NBP Islamic Stock Fund	Open end Fund
- NBP Islamic Active Allocation Equity Fund	Open end Fund
- NBP Islamic Energy Fund	Open end Fund
- NBP Islamic Money Market Fund	Open end Fund
- NBP Financial Sector Fund	Open end Fund
- NBP Islamic Mahana Amdani Fund	Open end Fund
- NAFA Islamic Active Allocation Fund-I	Open end Fund
- NAFA Islamic Active Allocation Fund-II	Open end Fund
- NAFA Islamic Active Allocation Fund-III	Open end Fund
- NAFA Pension Fund	Open end Fund
- NAFA Islamic Pension Fund	Open end Fund
- NBP Islamic Daily Dividend Fund	Open end Fund
- NBP Islamic Income Fund	Open end Fund
- NBP Pakistan Growth Exchange Traded Fund	Open end Fund

## 1.2 Basis of consolidation

- The consolidated financial statements include the financial statements of the Bank (Holding Company) and its subsidiary companies together - "the Group".
- Subsidiary companies are fully consolidated from the date on which more than 50% of voting rights are transferred to the Group or power to control the company is established and excluded from consolidation from the date of disposal or when the control is lost.
- The assets, liabilities, income and expenses of subsidiary companies have been consolidated on a line by line basis.
- Income and expenses of subsidiaries acquired during the year are included in the consolidated statement of the comprehensive income from the effective date of acquisition.
- Non-Controlling interest / (minority interest) in equity of the subsidiary companies are measured at fair value for all the subsidiaries acquired from period beginning on or after January 1, 2010 whereas minority interest of previously acquired subsidiaries are measured at the proportionate net assets of subsidiary companies attributable to interest which is not owned by holding company.
- Material intra-group balances and transactions have been eliminated.

## 2. BASIS OF PRESENTATION

- 2.1 In accordance with the directives of the Federal Government of Pakistan regarding the shifting of banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible forms of trade related mode of financing includes purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

Key financial figures of the Islamic banking branches have been disclosed in note annexure-II to these consolidated financial statements.

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

- 2.2** The US Dollar amounts shown on the statement of financial position, profit and loss account, statement of comprehensive income and cash flow statement are stated as additional information solely for the convenience of readers. For the purpose of conversion to US Dollars, the rate of Rs. 226.4309 to 1 US Dollar has been used for 2022 and 2021 as it was the prevalent rate as on December 31, 2022.

## **3. STATEMENT OF COMPLIANCE**

- 3.1** These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS), issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directive issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP);

Where the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017, or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

- 3.2** SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. Moreover, SBP vide BPRD circular no. 4, dated February 25, 2015, has deferred the applicability of Islamic Financial Accounting Standards (IFAS) 3, Profit and Loss Sharing on Deposits. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

- 3.3** The SECP vide SRO 56 (1) / 2016 dated January 28, 2016, has notified that the requirements of IFRS 10 (Consolidated Financial Statements) and section 228 of the Companies Act, 2017 will not be applicable with respect to the investment in mutual funds established under trust structure.

## **3.4 Application of new and revised International Financial Reporting Standards (IFRSs)**

- 3.4.1 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year.**

The following standards, amendments and interpretations are effective for the year ended December 31, 2022. These standards, amendments and interpretations are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's consolidated financial statements other than certain additional disclosures:

- Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021
- Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework
- Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract

## Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

- Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)

Certain annual improvements have also been made to a number of IFRSs

### 3.4.2 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective.

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments are either not relevant to the Group's operations or are not expected to have significant impact on the Group's consolidated financial statements other than certain additional disclosures:

	Effective from accounting period beginning on or after
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
Amendments to 'IAS 12 Income Taxes' deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023
Amendments to IFRS 16 'Leases' - Clarification on how seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely

There are certain new and amended standards and interpretations that are mandatory for the Group's accounting periods beginning on or after January 1, 2022 but are considered not to be relevant or do not have any significant effect on the Group's operations and are therefore not detailed in these consolidated financial statements.

### 3.4.3 The SBP vide its BPRD Circular No. 02 of 2023 dated February 9, 2023 has specified the new reporting format for financial statements of Banking Companies. The new format has revised the disclosure requirements and will become applicable for the financial statements of the Bank for the quarter ending March 31, 2023.

### 3.4.4 Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

### 3.4.5 The management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on these consolidated financial statements of the Bank in the period of initial application.



# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

## 3.4.6 IFRS 9 Financial Instruments:

As directed by SBP via BPRD Circular no 3 of 2022, IFRS 9 Financial Instruments is effective for periods beginning on or after 1 January 2023 for banks having asset base of more than Rs. 500 billion as at 31 December 2021. SBP via same circular has finalized the instructions on IFRS 9 (Application Instructions) for ensuring smooth and consistent implementation of the standard in the banks.

During the 2022, the management of the Bank has performed an impact assessment of IFRS 9 taking into account the SBP's IFRS 9 application instructions. The assessment is based on available information and may be subject to changes arising from further reasonable and supportable information being made available to the Bank at the time of finalizing the impact for initial application of IFRS 9. In addition, the Bank will implement changes in classification of certain financial instruments. These changes and impacts are discussed below:

An overview of the IFRS 9 requirements that are expected to have significant impact are discussed below along with the additional requirements introduced by the SBP:

### Governance, ownership and responsibilities

The Bank has adopted a governance framework requiring the Risk, Finance, Operations, Internal Audit and IT functions to effectively work together to ensure input from all business lines. IFRS 9 requires robust credit risk models that can predict Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

Risk Management Division has develop Models/ methodologies for PD, LGD and Credit Conversion Factor (CCF). These models shall be validated on annual basis considering the following aspects:

- Quantitative Validation: Expected credit loss (ECL) model design validation, data quality validation and benchmarking with external best practices.
- Quantitative Validation: Calibration testing which ensures the accuracy of the observed PDs.

Finance Division will ensure preparation of disclosures and incorporation of the impacts on the financial statements of the Bank. The function shall identify, prepare and extract the data required for the risk parameters modelling and ECL calculations. Finance Division shall ensure that all disclosures as required by the accounting standard and the SBP formats and guidelines are made.

The risk management division will perform the back testing of ECL at least on yearly basis and will be responsible for the independent validation of the risk parameters / risk models; including PD, LGD and CCF etc., that are used to compute the ECL which would be carried out as per the policy.

Internal Audit will carry out periodic review of IFRS 9 methodology and impacts calculated by the Management.

### Classification and measurement

The classification and measurement of financial assets will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. Financial assets that do not meet the SPPI criteria are measured at FVTPL regardless of the business model in which they are held. The Bank's s business model in which financial assets are held will determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL'). The classification of equity instruments is generally measured as Fair Value through Profit & Loss (FVTPL) unless the Bank elects for Fair Value through Other Comprehensive Income (FVTOCI) at initial recognition. The Bank has analyzed the impact of initial application of IFRS 9 on its financial assets as follows:

### Equity Securities

The Bank expects to continue measuring at fair value all financial assets currently held at fair value.

For certain listed equity securities currently classified as available-for-sale (AFS) with gains and losses recorded in OCI, the

## Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

Bank will apply the option to classify them as FVOCI. Therefore, the application of IFRS 9 will not have an impact on initial adoption. However, in accordance with the requirements of the standard, gains and losses recognized in OCI will not be recycled through the profit and loss account on derecognition of these securities.

The remaining listed equity securities will be measured at FVTPL. The AFS reserve related to those securities is currently part of Surplus on Revaluation of Assets and will be reclassified to retained earnings hence, there will be no impact on overall equity.

Unquoted equity securities are required to be measured at fair value under IFRS 9. However, the SBP has allowed banks to carry these investments under the current Prudential Regulations, i.e. at the lower of cost and break-up value, till accounting periods beginning on or after January 1, 2024.

### Debt securities and Loans and advances

Debt securities currently classified as AFS and those passes SPPI test, are expected to be measured at fair value through OCI under IFRS 9 as the Bank's business model is to hold the assets to collect contractual cash flows, but also to sell those investment. Debt securities currently classified as HTM and those passes SPPI test are expected to be measured at amortized costs under IFRS 9 as the Group business model is to hold the assets to collect contractual cash flows.

Cashflows of certain debt instruments classified in AFS or / and HTM categories, do not expect to give risk to cash flows representing solely payments of principal and interest and accordingly, these would be measured at fair value through profit and loss.

### Impairment

The impairment requirements apply to financial assets measured at amortised cost and FVOCI (other than equity instruments), lease receivables, and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are in 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment, so are considered to be in default or otherwise credit impaired, are in 'stage 3'.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

Based on the requirement of IFRS 9 and SBP's IFRS 9 application instructions, the Bank has performed an ECL assessment taking into account the key elements such as assessment of SCIR, Probability of Default, Loss Given Default and Exposure at Default. These elements are described below:

- PD: The probability that a counterparty will default, calibrated over the 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2) and incorporating forward looking information.
- LGD: An estimate of the loss incurred on a facility upon default by a customer. LGD is calculated as the difference between contractual cash flows due and those that the Bank expects to receive, including from the liquidation of any form of collateral. It is expressed as a percentage of the exposure outstanding on the date of classification of an obligor.
- EAD: the expected balance sheet exposure at the time of default, incorporating expectations on drawdowns, amortisation, pre-payments and forward-looking information where relevant.

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

For the purpose of calculation of ECL, the Bank has used 5 years data till 31 December 2022 and going forward, one more year's data shall be included until the Bank has at least 10 years data. For calculating ECL, the Bank shall classify its financial assets under three following categories:

- a) Stage 1: Performing Assets: Financial assets where there has not been a SICR since initial recognition, the Bank shall recognize an allowance based on the 12-month ECL.
- b) Stage 2: Under-Performing Assets: For financial assets where there has been a SICR since initial recognition, but which are not credit impaired, the Bank shall recognize an allowance based on lifetime ECL for all exposures categorized in this stage based on the actual maturity profile.
- c) Stage 3: Non-Performing Assets: For financial assets which have objective evidence of impairment at the reporting date, the Bank shall recognize ECL on these financial assets using the higher off approach, which means that lifetime ECL computed under IFRS 9 is compared with regulatory provision required as per Prudential regulations

As required by the Application Instructions, financial assets may be reclassified out of stage 3 if they meet the requirements of Prudential Regulations (PR) issued by SBP. Financial assets in stage 2 may be reclassified to stage 1 if the conditions that led to a SICR no longer apply.

## Significant increase in credit risk (SICR)

A SICR is assessed in the context of an increase in the risk of a default occurring over the life of the financial instrument when compared to that expected at the time of initial recognition. It is not assessed in the context of an increase in the ECL. The Bank uses a number of qualitative and quantitative measures in assessing SICR. Quantitative measures relate to deterioration of Obligor Risk Ratings (ORR) or where principal and / or interest payments are 60 days or more past due. Qualitative factors include unavailability of financial information and pending litigations.

Based on the level of increase in credit risk, the Bank shall calculate 12 month ECL for assets which did not have a SICR i.e., Stage 1 or a lifetime expected loss for the life of the asset (for assets which demonstrated a SICR) i.e., Stage 2.

At every reporting date, the Bank shall assess whether there has been a SICR since the initial recognition of the asset. If there is a SICR, the asset must be assigned to the appropriate stage of credit impairment (Stage 2 or 3).

Under the SBP's instructions, credit exposure (in local currency) guaranteed by the Government and Government Securities are exempted from the application of ECL Framework. Moreover, until implementation of IFRS 9 has stabilized, Stage 1 and stage 2 provisions would be made as per IFRS 9 ECL and stage 3 provision would be made considering higher of IFRS 9 ECL or provision computed under existing PRs' requirements.

## Presentation and disclosure

IFRS 9 also introduces expanded disclosure requirements and changes in presentation which will be incorporated as per the SBP's revised format.

## Loan / financing related fee

Loan origination / commitment fees that are regarded as compensation to the lender for an ongoing involvement with the acquisition of a financial instrument would be recognized over the life of the related loan. However, if the commitment expires without the lender making the loan, the fee would be recognised as revenue as earned.

## Impact of adoption of IFRS 9

The actual impact of adopting IFRS 9 on the Bank's financial statements in the year 2023 may not be accurately estimated because it will be dependent on the financial instruments that the Bank would hold during 2023 and economic conditions at that time as well as accounting elections and judgements that it will make in future. Nevertheless, the Bank has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its statement of financial position as at December 31, 2022.



# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

## Classification and measurement

Based on the bank's assessment, the IFRS 9 requirements are expected to have the following impact on the classification and measurement of its financial assets and financial liabilities:

1. Debt instruments amounting to Rs. 12,805 million have been reclassified from Available for Sale to Fair Value through Profit or Loss.
2. Equity instruments amounting to Rs. 20,024 million have been reclassified from Available for Sale to Fair Value through Profit or Loss.

## Impairment

The total estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Bank's equity at 1 January 2023 is reduction in equity of approximately Rs. 10,555 million, representing corresponding impact related to impairment requirements;

## Impact on regulatory capital

The implementation of IFRS 9 is expected to result in reduced regulatory capital of the Bank, which is likely to reduce their lending capacity and ability to support their clients. In order to mitigate the impact of expected credit loss (ECL) models on capital, SBP has determined that it may be appropriate for the Financial Institutions (FIs) to follow a transitional arrangement for the impact on regulatory capital from the application of ECL accounting. Annexure B of the 'Application Instructions' issued by SBP vide BPRD Circular No.3 of 2022 dated July 05, 2022, have detailed the transitional arrangement.

The transitional arrangement must apply only to provisions for stage 1 and 2 financial assets. The transitional arrangement must only adjust CET1 capital. Where there is a reduction in CET1 capital due to new provisions, net of tax effect, upon adoption of an ECL accounting model, the decline in CET1 capital (the "transitional adjustment amount") must be partially included (i.e. added back) to CET1 capital over the "transition period" of five years.

The impact of adoption of IFRS 9 on the capital ratios of the Group are as follows:

	As per adopted IFRS 9	As per current ARS
Common Equity Tier 1 Capital Adequacy ratio	16.52%	16.56%
Tier 1 Capital Adequacy Ratio	16.52%	16.56%
Total Capital Adequacy Ratio	21.98%	22.02%
CET1 available to meet buffers (as a percentage of risk weighted assets)	7.52%	7.56%

## 4. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except for revaluation of land and buildings and non-banking assets acquired in satisfaction of claims which are stated at revalued amount and certain investments and derivative financial instruments that are carried at fair value. In addition, obligations in respect of defined benefit plan are carried at the present values.

## 5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policy adopted in preparation of these consolidated financial statements are consistent with those of the previous financial year.

### 5.1 Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit and loss account as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit and loss account as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the Group's net assets in the event of liquidation is measured at fair value at the date of the acquisition.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit and loss account.

## 5.2 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the subsidiary company.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or entities of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit and loss account. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

## 5.3 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks, balances with other banks and call money lendings, less call borrowings and overdrawn nostro accounts.

## 5.4 Investments

Investments other than those categorised as held-for-trading are initially recognised at fair value which includes transactions costs associated with the investments. Investments classified as held-for-trading are initially recognised at fair value, and transaction costs are expensed in the profit and loss account.

All regular way purchases / sales of investments are recognised on the trade date, i.e., the date the Group commits to purchase / sell the investments. Regular way purchases or sales of investments require delivery of securities within the time frame generally established by regulation or convention in the market place.

The Group has classified its investment portfolio, except for investments in subsidiaries, associates and joint ventures into 'held-for-trading', 'held-to-maturity' and 'available-for-sale' as follows:

- Held-for-trading – These are securities which are acquired with the intention to trade by taking advantage of short-term market / interest rate movements and are to be sold within ninety (90) days. These are carried at market value, with the

## Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

related unrealized gain / (loss) on revaluation being taken to profit and loss account.

- Held-to-maturity – These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortised cost.
- Available-for-sale – These are investments that do not fall under the held-for-trading or held-to-maturity categories. These are carried at market value except in case of unquoted securities where market value is not available, which are carried at cost less provision for diminution in value, if any. Surplus / (deficit) on revaluation is taken to 'surplus / (deficit) on revaluation of assets' account shown in equity. Provision for diminution in value of investments in respect of unquoted shares is calculated with reference to break-up value of the same. On derecognition or impairment in quoted available-for-sale investments, the cumulative gain or loss previously reported as 'surplus / (deficit) on revaluation of assets' in equity is included in the profit and loss account for the year.
- Provision for diminution in value of investments in unquoted debt securities is calculated as per the SBP's Prudential Regulations.

Held-for-trading and quoted available-for-sale securities are marked to market with reference to ready quotes on Reuters page or MUFAP (PKRV / PKISRV / PKFRV) or the Stock Exchanges, as the case may be.

Associates – Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for under the equity method of accounting. However, in case where associates are considered as fully impaired and financial statements are not available, these investments are stated at cost less provision.

Under the equity method, the Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated profit and loss account, its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Joint venture - The Group has interests in joint venture which is jointly controlled entity. A joint venture is contractual arrangement whereby two or more parties undertake in economic activity that is subject to a joint control and includes a jointly controlled entity that involves the establishment of separate entity in which each venturer has an interest. The Group accounts for its interest in joint venture using the equity method of accounting.

The carrying values of investments are reviewed for impairment when indications exist that the carrying value may exceed the estimated recoverable amount. Provision is made for impairment in value, if any.

### 5.5 Repurchase and resale agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of financial position and are measured in accordance with accounting policies for investment securities. The counterparty liability for amounts received under these agreements is included in borrowings. The difference between sale and repurchase price is treated as mark-up / return / interest expense and accrued over the life of the repo agreement using effective yield method.

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the statement of financial position, as the Group does not obtain control over the securities. Amounts paid under these agreements are included in lendings to financial institutions. The difference between purchase and resale price is treated as mark-up / return / interest income and accrued over the life of the reverse repo agreement using effective yield method.

### 5.6 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the dates on which the derivative contracts are entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial



# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative instruments during the year is taken to the profit and loss account.

## 5.7 Financial instruments

All financial assets and financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. A financial asset is derecognised where (a) the rights to receive cash flows from the asset have expired; or (b) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (i) the Group has transferred substantially all the risks and rewards of the asset, or (ii) the Group has neither transferred nor retained substantially all the risk and rewards of the asset, but has transferred control of the asset. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account.

## 5.8 Advances

Advances are stated net of specific and general provisions. Provisions are made in accordance with the requirements of Prudential Regulations issued by the SBP and charged to the profit and loss account. These regulations prescribe a time based criteria (as supplemented by subjective evaluation of advances by the Group) for classification of non-performing loans and advances and computing provision there against. Such regulations also require the Group to maintain general provision against consumer and Small and Medium Enterprises (SME) advances at specified percentage of such portfolio. General provision for loan losses of overseas branches is made as per the requirements of the respective central banks. Advances are written off where there are no realistic prospects of recovery. The amounts so written off is a book entry and does not necessarily prejudice the Group's right of recovery against the customers. The Group determines write-offs in accordance with the criteria as prescribed by SBP vide BPRD circular no. 06 dated June 05, 2007.

### 5.8.1 Islamic financing and related assets

Under Murabaha financing, funds disbursed for the purchase of goods are recorded as advance against Murabaha finance and the financing is recorded at the deferred sale price. Goods purchased but remaining unsold at the statement of financial position date are recorded as inventories.

Assets given on Ijarah are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Ijarah assets are depreciated on a reducing balance basis over the term of the Ijarah after taking into account the estimated residual value. Impairment of Ijarah assets is recognized in line with the Prudential Regulations or upon the occurrence of an impairment event which indicates that the carrying value of the Ijarah asset may exceed its recoverable amount.

In Running Musharakah, the Group and the customer enter a Musharakah agreement where the Group agrees to finance the operating activities of the customer's business and share in the profit or loss in proportion to an agreed ratio at an agreed frequency.

Under Diminishing Musharakah financing, the Group creates joint ownership with the customer over the tangible assets to fulfill capital expenditure / project requirements. The Group receives periodic payments from the customer against the gradual transfer of its share of ownership to the customer.

In Istisna transactions, the Group finances the cost of goods manufactured by the customer. Once the goods are manufactured, these are sold by the customer as an agent of the Group to recover the cost plus the agreed profit.

Under Tijarah, the Group purchases the finished goods from the customer against payment, takes possession and appoint customer as an agent to sell these goods to ultimate buyer on deferred payment basis. Profit is recognized on accrual basis over the period of transaction.

Wakalah is an agency contract in which Group provides funds to the customer who invests it in a Shariah compliant manner.

In Musawamah financing, the Group purchases the goods and after taking the possession, sells them to the customer either in spot or credit transaction, without disclosing the cost.

## Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

### 5.9 Fixed assets and depreciation

#### 5.9.1 Property and equipment

##### 5.9.1.1 Owned assets

Property and equipment except land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Land is stated at revalued amount. Buildings are stated at revalued amount less accumulated depreciation and impairment, if any. The cost and the accumulated depreciation of property and equipment of foreign branches include exchange differences arising on currency translation at the year-end rates. Depreciation is charged to profit and loss account applying the straight line method except buildings, which are depreciated on diminishing balance method at the rates stated in note 12.2. Depreciation on additions is charged from the month in which the assets are available for use and no depreciation is charged for the month the assets are disposed off.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

Assets are derecognised when disposed off or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property and equipment are included in profit and loss account.

The assets' residual values and useful lives are reviewed annually, and adjusted if appropriate, at statement of financial position date.

Land and buildings' valuations are carried out by professionally qualified valuers with sufficient regularity to ensure that their carrying amounts do not differ materially from their fair value.

- Any revaluation increase arising on the revaluation of such assets is recognised in the statement of comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit and loss account, in which case the increase is credited to profit and loss account to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such assets is recognised in profit and loss account to the extent that it exceeds the balance, if any, held in "Surplus on Revaluation of Fixed Assets" relating to a previous revaluation of that asset.
- Depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account.
- An amount equal to incremental depreciation for the year net of associated deferred tax is transferred from "Surplus on Revaluation of Fixed Assets account" to unappropriated profit through statement of changes in equity to record realization of surplus to the extent of the incremental depreciation charge for the year.
- On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to unappropriated profit.

##### 5.9.1.2 Leased assets (as lessee)

Assets subject to finance lease are accounted for by recording the asset and the related liability. These are recorded at lower of fair value and the present value of minimum lease payments at the inception of lease and subsequently stated net of accumulated depreciation. Depreciation is charged on the straight line basis at rates disclosed in note 12.2. Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding liability.

##### 5.9.1.3 Ijarah (as lessor)

Assets leased out under 'Ijarah' are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Assets under Ijarah are depreciated over the period of lease term. However, in the event the asset is expected to be available for re-Ijarah, depreciation is charged over the economic life of the asset using straight line basis.

Ijarah income is recognised on a straight line basis over the period of Ijarah contract.

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

## 5.9.2 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. These are transferred to specific assets as and when assets are available for use.

## 5.9.3 Impairment

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, fixed assets are written down to their recoverable amounts.

The resulting impairment loss is taken to profit and loss account except for impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of assets. Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognized as income in profit and loss account.

## 5.10 Lease liability and right-of-use assets

The lease liabilities are initially measured at the present value of lease payments that includes:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees, if any;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are to be discounted using the incremental borrowing rate being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

On initial recognition Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs incurred; and
- an estimate of restoration costs.

The Group leases various offices / branches for the purpose of its operational activities. Rental contracts are typically made for fixed periods of 3 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

## 5.11 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. The cost and the accumulated amortisation of intangible assets of foreign branches include exchange differences arising on currency translation at the year-end rates. Amortisation is charged to profit and loss account applying the straight-line method at the rates stated in note 13. Amortisation on addition is charged from the month in which the assets are available for use and no amortisation is charged in the month the intangible assets are disposed off. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful life are carried at cost less impairment losses, if any.



## Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

### 5.12 Non-banking assets acquired in satisfaction of claims

In accordance with the requirements of the 'Regulations for Debt Property Swap' (the regulations) issued by SBP vide its BPRD Circular No. 1 of 2016, dated January 1, 2016, the non-banking assets acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation is credited to the 'surplus on revaluation of assets' account and any deficit arising on revaluation is taken to the profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property is charged to profit and loss account and not capitalized. Depreciation on non-banking assets acquired in satisfaction of claims is charged to the profit and loss account on the same basis as depreciation charged on the Group's owned fixed assets.

### 5.13 Deposits and their cost

Deposits are recorded at the fair value of proceeds received.

Deposit costs are recognised as an expense in the period in which these are incurred using effective yield method.

### 5.14 Taxation

#### 5.14.1 Current

Provision of current taxation is based on taxable income for the year determined in accordance with the prevailing laws of taxation on income earned for local as well as foreign operations, as applicable to the respective jurisdictions. The charge for the current tax also includes adjustments wherever considered necessary relating to prior years, arising from assessments framed during the year.

#### 5.14.2 Deferred

Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised. Deferred tax is not recognised on differences relating to investment in subsidiaries, branches and associates and interest in joint arrangements to the extent the deductible temporary difference probably will not reverse in the foreseeable future.

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit or deductible temporary differences will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to gain / loss recognized on surplus on revaluation of assets is charged / credited to such account.

### 5.15 Employee benefits

#### 5.15.1 Defined benefit plans

The Group operates an approved funded pension scheme, an un-funded post retirement medical benefits scheme and an un-funded benevolent scheme for its eligible employees. The Group also operates an un-funded gratuity scheme for its eligible contractual employees. An actuarial valuation of all defined benefit schemes is conducted every year. The valuation uses the Projected Unit Credit method. Remeasurements of the net defined benefit liability / assets which comprise actuarial gains and losses, return on plan assets (excluding interest) and the effect of asset ceiling (if any, excluding interest) are recognized immediately in other comprehensive income. Past-service costs are recognized immediately in profit and loss account when the plan amendment occurs.

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

## 5.15.2 Other employee benefits

### Employees' compensated absences

The Group also makes provision in the financial statements for its liability towards compensated absences. This liability is estimated on the basis of actuarial advice under the Projected Unit Credit method.

## 5.15.3 Retirement and other benefit obligations

### In respect of CJSC Subsidiary Bank of NBP in Kazakhstan (CJSC)

The CJSC withholds amounts of pension contributions from employee salaries and pays them to state pension fund. The requirements of the Kazakhstan's legislation state pension system provides for the calculation of current payments by the employer as a percentage of current total payments to staff. This expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by pension funds selected by employees.

## 5.16 Revenue recognition

Income on loans and advances and debt security investments are recognized on a time proportion basis that takes into account effective yield on the asset. In case of advances and investments classified under the Prudential Regulations, interest / mark-up is recognized on receipt basis.

Interest / mark-up on rescheduled / restructured advances and investments is recognized in accordance with the Prudential Regulations of SBP.

Fee, brokerage and commission income other than commission on letter of credit and guarantees and remuneration for trustee services are recognized upon performance of services.

Commission on letters of credit and guarantees is recognized on time proportion basis.

Dividend income on equity investments and mutual funds is recognized when right to receive is established.

Premium or discount on debt securities classified as held-for-trading, available-for-sale and held-to-maturity securities is amortised using the effective interest method and taken to profit and loss account.

Gains and losses on disposal of investments and fixed assets are dealt with through the profit and loss account in the year in which they arise.

Income from lease financing is accounted for using the financing method. Under this method, the unearned lease income (defined as the sum of total lease rentals and estimated residual value less the cost of the leased assets) is deferred and taken to income over the term of the lease so as to produce a constant periodic rate of return on the outstanding net investment in the lease. Gains or losses on termination of lease contracts are recognized through the profit and loss account when these are realized. Unrealized lease income and other fees on classified leases are recognized on a receipt basis.

## 5.17 Net investment in finance lease

Leases where the group transfers substantially all the risk and rewards incidental to ownership of the assets to the lessee are classified as finance leases. Net investment in finance lease is recognised at an amount equal to the aggregate of present value of minimum lease payment including any guaranteed residual value and excluding unearned finance income, write-offs and provision for doubtful lease finances, if any.

## 5.18 Foreign currencies translation

The Group's financial statements are presented in Pak Rupees (Rs.) which is the Group's functional and presentation currency.

Foreign currency transactions are converted into Rupees applying the exchange rate at the date of the respective transactions. Monetary assets and liabilities in foreign currencies and assets / liabilities of foreign branches are translated into Rupees at the rates of exchange prevailing at the statement of financial position date. Forward foreign exchange

## Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

contracts are valued at the rates applicable to their respective maturities. All gains or losses on dealing in foreign currencies are taken to the profit and loss account.

Profit and loss account balances of foreign branches and subsidiaries are translated at average exchange rate prevailing during the year. Gains and losses on translation are included in the profit and loss account except gains / losses arising on translation of net assets of foreign branches and subsidiaries, which are credited to the statement of comprehensive income.

Statement of financial position balances of foreign branches and subsidiaries are translated at exchange rate prevailing at statement of financial position date. Gains and losses on translation are included in the profit and loss account except gains / losses arising on translation of net assets of foreign branches and subsidiaries, which is credited to the statement of comprehensive income.

Commitments for outstanding forward foreign exchange contracts are disclosed in these consolidated financial statements at committed amounts. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the statement of financial position date.

### 5.19 Provision for off balance sheet obligations

Provision for guarantees, claims and other off balance sheet obligations is made when the Group has legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of amount can be made. Charge to profit and loss account is stated net of expected recoveries.

### 5.20 Off setting

Financial assets and financial liabilities are only set off and the net amount is reported in the consolidated financial statements when there is a legally enforceable right to set off and the Group intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

### 5.21 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Group in the statement of financial position.

### 5.22 Dividend and other appropriations

Dividend and other appropriation to reserves, except appropriations which are required by the law, are recognised in the Group's financial statements in the year in which these are approved.

### 5.23 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no dilutive potential ordinary shares in issue at December 31, 2022.

### 5.24 Bai Muajjal

Bai Muajjal transactions represent sales of Sukuks on a deferred payment basis and are shown in lendings to financial institutions except for transactions undertaken directly with the Government of Pakistan which are disclosed as investments.

The difference between the deferred payment amount receivable and the carrying value at the time of sale is accrued and recorded as income over the life of the transaction.

### 5.25 Acceptances

Acceptances comprise undertakings by the Bank to pay bill of exchange drawn on customers. Acceptances are recognised as financial liability in the statement of financial position with a contractual right of reimbursement from the



# Notes to and forming part of the Consolidated Financial Statements

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customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as on balance sheet financial assets and financial liabilities.

## 5.26 Segment reporting

A segment is a distinguishable component of the Group that is subject to risks and rewards that are different from those of other segments. A business segment is one that is engaged either in providing certain products or services, where as a geographical segment is one engaged in providing certain products or services within a particular economic environment. Segment information is presented as per the Group's functional and management reporting structure.

### Business segments

The Group's primary segment reporting is based on the following business segments:

- I. **Retail Banking Group** includes retail lending and deposits, banking services, cards and branchless banking.
- II. **Inclusive Development Group** consists of loans to individuals, agriculture, SME, commodity and commercial customers.
- III. **Corporate and Investment Banking Group** offers a wide range of financial services to medium and large sized public and private sector entities. These services include, providing and arranging tenured financing, corporate advisory, underwriting, cash management, trade products, corporate finance products and customer services.
- IV. **Treasury** includes fixed income, equity, foreign exchange, credit, funding, own position securities, lendings and borrowings and derivatives for hedging and market making.
- V. **International Financial Institution and Remittance Group** includes the results of all international branches, correspondent banking business and global remittances. This represents Group's operations in 13 countries including Pakistan and 18 branches including one branch in export processing zone in Pakistan.
- VI. **Aitemaad and Islamic Banking Group** provides shariah compliant services to customers including loans, deposits and other transactions
- VII. **Head Office / Others** includes the head office related activities and other functions which cannot be classified in any of the above segments.

### Geographical segments

The Group is managed along the following geographic lines for monitoring and reporting purposes:

- I. Pakistan (including branch in Export Processing Zone)
- II. Asia Pacific (including South Asia)
- III. Europe
- IV. United States of America
- V. Middle East

## 5.27 Accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with Approved Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The estimates, judgments and associated assumptions used in the preparation of these consolidated financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas of estimates and judgments in relation to these consolidated financial statements are as follows:

### a) Provision against non-performing loans and advances

The Group reviews its loan portfolio to assess amount of non-performing loans and determine provision required there

## Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

against on a quarterly basis. While assessing this requirement, various factors including the past dues, delinquency in the account, financial position and future business / financial plan of the borrower, value of collateral held and requirements of Prudential Regulations are considered. The Group also considers the effect of Forced Sale Value (FSV) of collaterals in determining the amount of provision, however, no benefit of FSV of collateral has been taken during the year in determining provisioning amount.

General provision for loan losses of overseas branches is made as per the requirements of the respective central banks.

The amount of general provision against domestic consumer and SME advances is determined in accordance with the relevant Prudential Regulations and SBP directives.

In addition, the Group has also made general provision in respect of its corporate portfolio on prudent basis. This general provision is in addition to the requirements of Prudential Regulations.

### b) Fair value of derivatives

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant interest and exchange rates over the term of the contract.

### c) Impairment of available-for-sale investments

The Group considers that available-for-sale equity investments and mutual funds are impaired when there has been a significant or prolonged decline in the fair value below its cost except for investments where relaxation has been allowed by SBP. This determination of what is significant or prolonged requires judgment. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

Further the Group has developed internal criteria according to which a decline of 30% in the market value of any scrip below its cost shall constitute as a significant decline and where market value remains below the cost for a period of one year shall constitute as a prolonged decline.

### d) Held-to-maturity investments

The Group follows the guidance provided in the SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. In making this judgment, the Group evaluates its intention and ability to hold such investments till maturity.

### e) Income taxes

In making the estimates for current and deferred taxes, the management looks at the income tax law and the decisions of appellate authorities on certain issues in the past. There are certain matters where the Group's view differs with the view taken by the income tax department and such amounts are shown as contingent liability.

### f) Fixed asset and intangible assets, revaluation, depreciation and amortization

In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Group. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the change in pattern.

The Group also revalues its properties on a periodic basis. Such revaluations are carried out by independent valuer and involves estimates / assumptions and various market factors and conditions.

### g) Employees' benefit plans

The liabilities for employees' benefits plans are determined using actuarial valuations. The actuarial valuations involve assumptions about discount rates, expected rates of return on assets, future salary increases, future inflation rates and future pension increases as disclosed in note 40. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

## h) Provision against contingencies

Provision against contingencies is determined based on the management judgement regarding the probability of future outflows of resources embodying economic benefits to settle an obligation arising from past events.

## i) Determination of control over investees

The Group's management applies its judgement to determine whether the control exists over the investee entities.

## 6. CLOSURE OF FOREIGN SUBSIDIARIES AND OPERATIONS

In line with SBP Governance Framework 2018, the Board of Directors (BoD) in its 302nd meeting held on January 20 & 21, 2020 has accorded the approval of International Strategy. As per approved Strategy, the BoD allowed closure of six (06) Central Asian (CA) locations i.e. Azerbaijan (Baku), Kyrgyzstan (Bishkek); Kazakhstan (Almaty); Tajikistan (Dushanbe); Uzbekistan (Tashkent); Turkmenistan (Ashgabat) and Afghanistan (Jalalabad). The Board of Directors in its 316th meeting held on January 6 & 11, 2021 has accorded its approval to scale down Bangladesh operations by closing Sylhet, Chittagong and Gulshan branches.

The BoD in its 317th meeting held on February 24, 2021 has also given its recommendation to the shareholders to approve voluntary closure and delegation of powers to President / CEO. Further, the shareholders in their 72nd meeting held on March 29, 2021 also accorded their concurrence for closure of operations at above locations.

While processing the Bank's request of capital injection of Euro 3.08 Million to Paris Branch, SBP directed the Bank to close its operations at Paris Branch. On the basis of SBP's directive, the BoD in its 327th meeting held on January 17, 2022 accorded their approval. Subsequently, SBP per their letter dated April 20, 2022 also approved the capital injection of Euro 3.08 Million to Paris Branch.

On the basis of the aforementioned framework and after completing all the requirements of SBP and as well as the requirement of host countries' regulators, operations at following international locations have been closed on the dates mentioned there against.

S.No.	Name of International Locations	Date of Closure
1	Toronto Representative Office, Canada	31.12.2020
2	Jalalabad Branch, Afghanistan	15.08.2021
3	Tashkent Representative Office, Uzbekistan	31.08.2021
4	Sylhet Branch, Bangladesh	30.09.2021
5	CJSC Subsidiary Bank of NBP in Dushanbe, Tajikistan	28.09.2022
6	Ashgabat Branch, Turkmenistan	07.11.2022

Closure process at Central Asian locations have been delayed due to settlement of NPLs portfolio. Operations at the following locations are under the process of closure. Tentative closure dates are also mentioned there against.

S.No.	Name of International Locations	Tentative Date of Closure
1	CJSC Subsidiary Bank of NBP in Almaty, Kazakhstan	31.12.2023
2	Bishkek Branch, Kyrgyzstan	30.09.2023
3	Baku Branch, Azerbaijan	31.12.2023
4	Paris Branch, France	31.03.2023
5	Chittagong Branch, Bangladesh	31.12.2023



## Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

Particulars	As at December 31, 2022					Total
	CJSC Subsidiary Bank of NBP in Almaty (Kazakhstan) (Subsidiary)	Chittagong Branch, (Bangladesh)	Baku (Azerbaijan)	Bishkek (Kyrgyzstan)	Paris (France)	
	----- (Branches) ----- ----- (Rupees in '000)-----					
Total Assets	2,169,879	749,876	1,182,751	2,223,156	1,645,595	7,971,257
Total Liabilities	9,777	839,113	30,452	15,539	598,472	1,493,353
Profit / (Loss) for the year	115,896	(89,672)	(40,606)	84,920	(517,193)	(446,655)

			2022	2021
		Note	-----	-----
			(Rupees in '000)	
7.	CASH AND BALANCES WITH TREASURY BANKS			
	In hand:			
	Local currency		52,750,990	56,039,638
	Foreign currency		7,436,911	6,924,389
			60,187,901	62,964,027
	With State Bank of Pakistan in:			
	Local currency current accounts	7.1	106,933,909	133,688,708
	Foreign currency current accounts	7.2	15,661,453	11,738,428
	Foreign currency deposit accounts	7.2	15,623,732	24,098,591
	Foreign currency collection accounts		1,135,059	1,226,824
			139,354,153	170,752,551
	With other central banks in:			
	Foreign currency current accounts	7.3	26,631,693	40,265,103
	Foreign currency deposit accounts	7.3	3,725,602	2,920,706
			30,357,295	43,185,809
	Prize bonds		326,962	1,966,349
			230,226,311	278,868,736

- 7.1** This includes statutory liquidity reserves maintained with the SBP under Section 22 of the Banking Companies Ordinance, 1962.
- 7.2** These represent mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.
- 7.3** These balances pertain to the foreign branches and are held with central banks of respective countries. These include balances to meet the statutory and regulatory requirements in respect of liquidity and capital requirements of respective countries. The deposit accounts carry interest at the rate of 0% to 4.50% per annum (2021: 0% to 6.30% per annum).

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

		2022	2021
	Note	------(Rupees in '000)-----	
<b>8. BALANCES WITH OTHER BANKS</b>			
In Pakistan:			
In current account		537,182	171,930
In deposit accounts	8.1	501,303	595,236
		<b>1,038,485</b>	767,166
Outside Pakistan:			
In current accounts		12,395,611	12,797,681
In deposit accounts	8.2	6,189,028	5,646,390
		<b>18,584,639</b>	18,444,071
		<b>19,623,124</b>	19,211,237

**8.1** These include various deposits with banks and carry interest at the rates ranging from 3.5% to 9.5% per annum (2021: 2.5% to 8% per annum).

**8.2** These include various deposits with correspondent banks outside Pakistan and carry interest at the rates ranging from 0% to 4% per annum (2021: 0% to 1.5% per annum).

		2022	2021
	Note	------(Rupees in '000)-----	
<b>9. LENDINGS TO FINANCIAL INSTITUTIONS</b>			
Call / clean money lendings	9.1	9,723	21,009,723
Repurchase agreement lendings (Reverse Repo)	9.2 & 9.8	31,262,744	282,051,308
Musharaka Lending	9.3	-	30,000,000
Placements with State Bank of Pakistan	9.4	-	2,405,644
Letters of placement	9.5	174,150	174,150
	9.6	31,446,617	335,640,825
Less: provision held against lendings to financial institutions	9.7 & 9.9	(174,150)	(174,150)
Lendings to financial institutions - net of provision		<b>31,272,467</b>	335,466,675

**9.1** This includes zero rate lending to a financial institution amounting to Rs. 9.7 million (2021: Rs. 9.7 million) which is guaranteed by the SBP.

**9.2** These carry mark-up at rates ranging from 16% to 16.5% per annum (2021: 8.7% to 10.7% per annum) with maturities ranging from January 3, 2023 to January 12, 2023.

**9.3** This represents Musharaka agreements entered into with Meezan Bank Limited and carrying profit at the rate of Nil (2021: 10.65%) per annum.

**9.4** These represent placements made with the SBP as a result of shortfall in respect of time-based mandatory targets of disbursements under Government's scheme "Mera Pakistan Mera Ghar". However, the government has ceased the low-cost housing scheme in July 2022 and announced through the State Bank of Pakistan to continue it for the customers after necessary amendments and revisions of its features.

**9.5** These are overdue placements and full provision has been made against these placements as at December 31, 2022.

## Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	2022	2021
	------(Rupees in '000)-----	
<b>9.6 Particulars of lending</b>		
In local currency	31,446,617	335,640,825
In foreign currencies	-	-
	<b>31,446,617</b>	<b>335,640,825</b>
<b>9.7 Movement in provision held against lendings is as follows:</b>		
Opening balance	174,150	176,150
Reversal for the year	-	(2,000)
Closing balance	<b>174,150</b>	<b>174,150</b>

### 9.8 Securities held as collateral against lendings to financial institutions

	2022			2021		
	Held by Group	Further given as collateral	Total	Held by Group	Further given as collateral	Total
	------(Rupees in '000)-----					
Market Treasury Bills	18,699,589	-	18,699,589	163,594,180	-	163,594,180
Pakistan Investment Bonds	12,563,155	-	12,563,155	118,457,128	-	118,457,128
Total	<b>31,262,744</b>	<b>-</b>	<b>31,262,744</b>	<b>282,051,308</b>	<b>-</b>	<b>282,051,308</b>

9.8.1 Market value of the securities under repurchase agreement lendings amounts to Rs. 31,027 million (2021: Rs. 279,633 million).

### 9.9 Category of classification

	2022		2021	
	Classified Lending	Provision held	Classified Lending	Provision held
	------(Rupees in '000)-----			
<b>Domestic</b>				
Loss	174,150	174,150	174,150	174,150
Total	<b>174,150</b>	<b>174,150</b>	<b>174,150</b>	<b>174,150</b>



## 10. INVESTMENTS

## 10.1 Investments by type:

## Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

Note

## Held-for-trading securities

Market Treasury Bills  
Pakistan Investment Bonds  
Ordinary shares of listed companies  
Investment in mutual funds  
Foreign Government Securities

## Available-for-sale securities

Market Treasury Bills  
Pakistan Investment Bonds  
Ijarah Sukuks  
Ordinary shares of listed companies  
Ordinary shares of unlisted companies  
Preference shares  
Term finance certificates / Musharaka and Sukuk bonds  
GoP Foreign Currency Bonds  
Foreign Government Securities  
Investments in mutual funds  
Ordinary shares of a bank outside Pakistan

## Held-to-maturity securities

Market Treasury Bills  
Pakistan Investment Bonds  
Ijarah Sukuks  
Debentures, bonds, sukuk, participation term certificates and term finance certificates  
Bai Muajjal with Government of Pakistan  
GoP Foreign Currency Bonds  
Foreign Government Securities  
Foreign Currency Debt Securities

Associates  
Joint Venture  
Subsidiaries  
Total Investments

	2022				2021			
	Cost / Amortised Cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
(Rupees in '000)								
Held-for-trading securities	22,269,343	-	(2,665)	22,266,678	90,744,281	-	(55,659)	90,688,622
	61,942,656	-	(1,031,197)	60,911,459	29,114,020	-	(65,016)	29,049,004
	424,708	-	(20,939)	403,769	139,329	-	-	139,329
	623,941	-	(10,996)	612,945	451,492	-	(1,160)	450,332
	1,771,813	-	-	1,771,813	1,374,638	-	-	1,374,638
	87,032,461	-	(1,065,797)	85,966,664	121,823,760	-	(121,835)	121,701,925
Available-for-sale securities	828,957,708	-	(2,354,400)	826,603,308	721,736,763	-	(430,492)	721,306,271
	1,972,276,787	-	(27,509,276)	1,944,767,511	571,528,321	-	(8,147,316)	563,381,005
	20,518,238	-	(339,589)	20,178,649	14,000,979	-	(31,279)	13,969,700
	41,606,225	(10,159,936)	4,821,267	36,267,556	34,150,987	(6,110,939)	11,765,469	39,805,517
	1,882,463	(427,951)	-	1,454,512	1,882,198	(410,893)	-	1,471,305
	2,006,756	(845,730)	209,451	1,370,477	1,706,823	(539,708)	98,614	1,265,729
	52,146,989	(5,990,161)	1,047,326	47,204,154	55,505,182	(5,200,180)	959,516	51,264,518
	33,045,353	-	(18,622,514)	14,422,839	20,778,528	-	26,435	20,804,963
	1,914,312	-	(30,359)	1,883,953	880,932	-	26,372	907,304
	2,219,646	(41,167)	941,952	3,120,431	619,646	(41,167)	1,289,705	1,868,184
	483,294	-	34,380,951	34,864,245	483,294	-	27,060,912	27,524,206
	2,957,037,771	(17,464,945)	(7,455,191)	2,932,117,635	1,423,253,653	(12,302,887)	32,617,936	1,443,568,702
Held-to-maturity securities	29,519,190	-	-	29,519,190	-	-	-	-
	375,285,244	-	-	375,285,244	324,726,185	-	-	324,726,185
	13,130,709	-	-	13,130,709	-	-	-	-
	404,585	(404,585)	-	-	407,164	(407,134)	-	30
	2,992,408	-	-	2,992,408	10,914,185	-	-	10,914,185
	36,096,507	-	-	36,096,507	34,091,600	-	-	34,091,600
	871	-	-	871	680	-	-	680
	457,429,514	(404,585)	-	457,024,929	370,139,814	(407,134)	-	369,732,680
Associates	1,127,609	(742,298)	-	385,311	1,271,766	(674,785)	-	596,981
	7,441,308	-	-	7,441,308	7,140,903	-	-	7,140,903
	1,245	(1,245)	-	-	1,245	(1,245)	-	-
	3,510,069,908	(18,613,073)	(8,520,988)	3,482,935,847	1,923,631,141	(13,386,051)	32,496,100	1,942,741,191

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	2022				2021			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
(Rupees in '000)								
<b>Investments by segments:</b>								
<b>Federal Government Securities:</b>								
Market Treasury Bills	880,746,241	-	(2,357,065)	878,389,176	812,481,044	-	(486,151)	811,994,893
Pakistan Investment Bonds	2,409,504,687	-	(28,540,473)	2,380,964,214	925,368,526	-	(8,212,332)	917,156,194
Bai Muajjal Government of Pakistan	-	-	-	-	10,914,185	-	-	10,914,185
Ijarah Sukuks	33,648,947	-	(339,589)	33,309,358	14,000,979	-	(31,279)	13,969,700
	3,323,899,875	-	(31,237,127)	3,292,662,748	1,762,764,734	-	(8,729,762)	1,754,034,972
<b>Shares</b>								
Listed Companies	42,030,933	(10,159,936)	4,800,328	36,671,325	34,290,316	(6,110,939)	11,765,469	39,944,846
Unlisted Companies	1,882,463	(427,951)	-	1,454,512	1,882,198	(410,893)	-	1,471,305
	43,913,396	(10,587,887)	4,800,328	38,125,837	36,172,514	(6,521,832)	11,765,469	41,416,151
<b>Non Government Debt Securities</b>								
Term Finance Certificates/Musharaka/Bonds/								
Debtentures and Sukuk Bonds								
Listed	14,962,715	(130,027)	335,083	15,167,771	15,671,286	(130,027)	515,523	16,056,782
Unlisted	37,588,859	(6,264,719)	712,243	32,036,383	40,241,060	(5,477,287)	443,993	35,207,766
	52,551,574	(6,394,746)	1,047,326	47,204,154	55,912,346	(5,607,314)	969,516	51,264,548
<b>Foreign Securities</b>								
<b>Government securities</b>								
GoP Foreign Currency Bonds	36,037,761	-	(18,622,514)	17,415,247	20,778,528	-	26,435	20,804,963
Foreign Government Securities	39,782,632	-	(30,359)	39,752,273	36,347,170	-	26,372	36,373,542
	871	-	-	871	680	-	-	680
<b>Non Government Debt securities</b>								
Foreign Currency Debt Securities	75,821,264	-	(18,652,873)	57,168,391	57,126,378	-	52,807	57,179,185
<b>Preference shares</b>								
<b>Investments in mutual funds</b>								
Ordinary shares of a bank outside Pakistan	2,006,756	(845,730)	209,451	1,370,477	1,706,823	(539,708)	98,614	1,265,729
	2,843,587	(41,167)	930,956	3,733,376	1,071,138	(41,167)	1,288,545	2,318,516
	463,294	-	34,380,951	34,844,245	463,294	-	27,060,912	27,524,206
<b>Associates</b>								
<b>- Listed</b>								
First Credit and Investment Bank Limited	210,771	(47,429)	-	163,342	211,537	(17,229)	-	194,308
Land Mark Spinning Mills Limited	39,710	(39,710)	-	-	39,710	(39,710)	-	-
SG Allied Businesses Limited	218,534	(218,534)	-	-	218,534	(218,534)	-	-
Nina Industries Limited	49,060	(49,060)	-	-	49,060	(49,060)	-	-
Agriotech Limited	-	-	-	-	-	-	-	-
NBP Stock Fund	413,825	(191,856)	-	221,969	512,401	(109,728)	-	402,673
	931,900	(546,589)	-	385,311	1,031,242	(434,261)	-	596,981

10.2

Note

10.13 &amp; 10.14

**Non Government Debt Securities**  
Term Finance Certificates/Musharaka/Bonds/  
Debtentures and Sukuk Bonds

Listed  
Unlisted

**Foreign Securities**

**Government securities**  
GoP Foreign Currency Bonds  
Foreign Government Securities

**Non Government Debt securities**  
Foreign Currency Debt Securities

**Preference shares**

**Investments in mutual funds**

Ordinary shares of a bank outside Pakistan

**Associates**

**- Listed**

First Credit and Investment Bank Limited  
Land Mark Spinning Mills Limited  
SG Allied Businesses Limited  
Nina Industries Limited  
Agriotech Limited  
NBP Stock Fund

10.15

10.8

10.9

For the year ended December 31, 2022

		2022				2021			
		Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
------(Rupees in '000)-----									
- Unlisted									
	Pakistan Emerging Venture Limited	50,565	(50,565)	-	-	50,565	(50,565)	-	-
	National Fructose Company Limited	6,500	(6,500)	-	-	6,500	(6,500)	-	-
	National Assets Insurance Company Limited	-	-	-	-	44,815	(44,815)	-	-
	Dadabhoy Energy Supply Company Limited	32,105	(32,105)	-	-	32,105	(32,105)	-	-
	Pakistan Mercantile Exchange Limited	106,539	(106,539)	-	-	106,539	(106,539)	-	-
10.11		195,709	(195,709)	-	-	240,524	(240,524)	-	-
		1,127,609	(742,298)	-	385,311	1,271,766	(674,765)	-	596,981
10.12	Joint Venture								
	United National Bank Limited	7,441,308	-	-	7,441,308	7,140,903	-	-	7,140,903
10.16	Subsidiaries								
	Cast-N-Link Products Limited	1,245	(1,245)	-	-	1,245	(1,245)	-	-
	Total Investments	3,510,069,908	(18,613,073)	(8,520,988)	3,482,935,847	1,923,631,141	(13,386,051)	32,496,101	1,942,741,191
10.2.1	Investments given as collateral								
	Pakistan Investment Bonds							1,136,497,472	30,682,290
	Market Treasury Bills							689,709,291	96,128,050
								1,826,206,763	126,810,340



# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	Number of shares	Percentage of holding	Country of Incorporation	Based on the financial statements as at	Assets	Liabilities	Revenue	Profit / (loss) after taxation	Total comprehensive income / (loss)
(Rupees in '000)									
<b>10.2.2 Associates</b>									
<b>Listed</b>									
First Credit and Investment Bank Limited	20,000,000	30.77	Pakistan	June 30, 2022	2,052,274	1,330,436	134,082	8,189	(26,210)
National Fibres Limited	17,030,231	20.19	Pakistan	N/A	-	-	-	-	-
Land Mark Spinning Mills Limited	3,970,859	32.79	Pakistan	June 30, 2022	144,598	254,888	-	(14,291)	(14,291)
SG Allied Businesses Limited	3,754,900	25.03	Pakistan	June 30, 2022	1,233,803	552,420	14,247	(10,794)	(9,407)
Nina Industries Limited	4,906,000	20.27	Pakistan	N/A	-	-	-	-	-
Agritech Limited	106,014,565	27.01	Pakistan	December 31, 2021	67,216,574	63,460,781	10,100,924	(2,681,238)	(2,684,871)
NBP Stock Fund	31,347,444	3.16	Pakistan	June 30, 2022	13,817,269	149,653	(1,801,489)	(2,370,780)	(2,370,780)
<b>Unlisted</b>									
Pakistan Emerging Venture Limited	12,500,000	33.33	Pakistan	June 30, 2022	478	404	56	(385)	(385)
National Fructose Company Limited	1,300,000	39.50	Pakistan	N/A	-	-	-	-	-
Venture Capital Fund Management	33,333	33.33	Pakistan	N/A	-	-	-	-	-
Kamal Enterprises Limited	11,000	20.37	Pakistan	N/A	-	-	-	-	-
Mehran Industries Limited	37,500	32.05	Pakistan	N/A	-	-	-	-	-
Tharparkar Sugar Mills Limited	2,500,000	21.52	Pakistan	N/A	-	-	-	-	-
Youth Investment Promotion Society	644,508	25.00	Pakistan	N/A	-	-	-	-	-
Dadabhai Energy Supply Company Limited	9,900,000	23.11	Pakistan	N/A	-	-	-	-	-
K-Agricole Limited	5,000	20.00	Pakistan	N/A	-	-	-	-	-
New Pak Limited	200,000	20.00	Pakistan	N/A	-	-	-	-	-
Pakistan Mercantile Exchange Limited	10,653,860	33.98	Pakistan	June 30, 2022	3,019,257	2,912,866	373,107	56,725	56,725
Prudential Fund Management Limited	150,000	20.00	Pakistan	N/A	-	-	-	-	-
<b>10.2.3 Joint Venture</b>									
United National Bank Limited	20,250,000	45.00	United Kingdom	December 31, 2021	159,345,751	140,263,527	3,617,398	657,400	894,233
<b>10.2.4 Subsidiaries</b>									
Cast-N-Link Products Limited	1,245,000	76.51	Pakistan	N/A	-	-	-	-	-
N/A: Not available									

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	2022	2021
	------(Rupees in '000)-----	
<b>10.3 Provision for diminution in value of investments</b>		
Opening balance	13,386,051	12,862,773
Charge / (reversals)		
Charge for the year	5,226,348	1,242,251
Reversals for the year	(850,070)	(718,973)
	4,376,278	523,278
Transfers - net	850,744	-
Closing Balance	18,613,073	13,386,051

## 10.3.1 Particulars of provision against debt securities

Category of classification

2022		2021	
NPI	Provision	NPI	Provision
------(Rupees in '000)-----			
Domestic			
Loss	6,525,731	5,607,314	5,607,314
Total	6,525,731	5,607,314	5,607,314

## 10.4 Movement Schedule for Associates and Joint Venture

2022									
Opening balance	Addition	Disposal	Dividend paid	Share of profit / (loss) for the year - net of tax	Exchange translation reserve	Surplus / (deficit) on revaluation properties	Surplus / (deficit) on revaluation securities	Share of other comprehensive income	Closing balance
------(Rupees in '000)-----									

### Joint Venture

United National Bank Limited

7,140,903	-	-	(114,405)	545,161	999,833	8,444	(1,153,514)	14,886	7,441,308
7,140,903	-	-	(114,405)	545,161	999,833	8,444	(1,153,514)	14,886	7,441,308

### Associates

#### Unlisted

Pakistan Emerging Venture Limited  
National Fructose Company Limited  
National Assets Insurance Company Limited  
Dadabhoj Energy Supply Company Limited  
Pakistan Mercantile Exchange Limited

50,565	-	-	-	-	-	-	-	-	50,565
6,500	-	-	-	-	-	-	-	-	6,500
44,815	-	(44,815)	-	-	-	-	-	-	-
32,105	-	-	-	-	-	-	-	-	32,105
106,539	-	-	-	-	-	-	-	-	106,539

#### Listed

First Credit and Investment Bank Limited  
Land Mark Spinning Mills Limited  
SG Allied Business Limited  
Nina Industries Limited  
Agritech Limited  
NBP Stock Fund

211,537	-	-	-	3,492	-	-	(4,258)	-	210,771
39,710	-	-	-	-	-	-	-	-	39,710
218,534	-	-	-	-	-	-	-	-	218,534
49,060	-	-	-	-	-	-	-	-	49,060
-	-	-	-	-	-	-	-	-	-
512,401	-	-	-	(98,576)	-	-	-	-	413,825

1,271,766	-	(44,815)	-	(95,084)	-	-	(4,258)	-	1,127,609
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# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	2021									
	Opening Balance	Addition	Disposal	Dividend paid	Share of profit / (loss) for the year - net of tax	Exchange translation reserve	Surplus / (deficit) on Revaluation Properties	Surplus / (deficit) on Revaluation Securities	Share of other comprehensive income	Closing Balance
	(Rupees in '000)									
<b>Joint Venture</b>										
United National Bank Limited	6,054,005	-	-	-	217,507	601,092	309,500	(77,008)	35,807	7,140,903
	6,054,005	-	-	-	217,507	601,092	309,500	(77,008)	35,807	7,140,903
<b>Associates</b>										
<b>Unlisted</b>										
Pakistan Emerging Venture Limited	50,565	-	-	-	-	-	-	-	-	50,565
National Fructose Company Limited	6,500	-	-	-	-	-	-	-	-	6,500
National Assets Insurance Company Limited	44,815	-	-	-	-	-	-	-	-	44,815
Dadabhoy Energy Supply Company Limited	32,105	-	-	-	-	-	-	-	-	32,105
Pakistan Mercantile Exchange Limited	106,539	-	-	-	-	-	-	-	-	106,539
<b>Listed</b>										
First Credit and Investment Bank Limited	210,505	-	-	-	4,381	-	-	(3,349)	-	211,537
Land Mark Spinning Mills Limited	39,710	-	-	-	-	-	-	-	-	39,710
SG Allied Business Limited	218,534	-	-	-	-	-	-	-	-	218,534
Nina Industries Limited	49,060	-	-	-	-	-	-	-	-	49,060
Agritech Limited	-	-	-	-	-	-	-	-	-	-
NBP Stock Fund	500,734	-	-	(7,009)	18,676	-	-	-	-	512,401
	1,259,067	-	-	(7,009)	23,057	-	-	(3,349)	-	1,271,766



# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

		2022	2021
		------(Rupees in '000)-----	
<b>10.5</b>	<b>Quality of available for sale securities</b>		
Details regarding quality of available for sale securities are as follows:			
<b>Federal government securities - government guaranteed</b>			
Market Treasury Bills		828,957,708	721,736,763
Pakistan Investment Bonds		1,972,276,787	571,528,321
Ijarah Sukuks		20,518,238	14,000,979
<b>Cost</b>		<b>2,821,752,733</b>	<b>1,307,266,063</b>
<b>Shares</b>			
<b>Listed companies sector-wise</b>			
Automobile Assembler		1,775,528	614,233
Automobile Parts and Accessories		1,115,685	1,113,967
Cable and Electrical Goods		384,069	295,523
Cement		4,249,593	2,919,974
Chemical		627,704	788,003
Commercial Banks		6,575,004	3,648,181
Engineering		1,422,047	1,096,335
Fertilizer		2,985,056	1,929,148
Food and Personal Care		1,208,649	1,218,036
Glass and Ceramics		64,314	72,522
Insurance		1,642,671	1,642,720
Investment Banks / Investment companies / Securities companies		513,566	513,566
Leasing Companies		12,594	13,738
Leather and Tanneries		214,868	297,568
Oil and Gas Exploration Companies		2,686,730	2,702,776
Oil and Gas Marketing Companies		5,719,991	6,117,686
Paper and Board		718,972	675,319
Pharmaceuticals		1,000,104	995,798
Power Generation and Distribution		3,046,397	3,000,787
Real Estate Investment Trust		305,972	305,972
Refinery		756,715	447,422
Sugar and Allied Industries		259,483	260,476
Synthetic and Rayon		15,499	32,622
Technology and Communication		1,040,079	754,027
Textile Composite		1,918,908	1,552,549
Textile Spinning		655,195	655,364
Transport		236,225	32,068
Miscellaneous		454,607	454,607
<b>Cost</b>		<b>41,606,225</b>	<b>34,150,987</b>
<b>Unlisted companies entity - wise</b>			
		2022	2021
		Cost	Breakup value
		------(Rupees in '000)-----	
Digri Sugar Mills Limited		4,063	135,585
Gelcaps Pakistan Limited		4,665	8,842
Pakistan Agriculture Storage Service Corporation		5,500	3,557,522

## Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

Unlisted companies entity - wise	2022		2021	
	Cost	Breakup value	Cost	Breakup value
	------(Rupees in '000)-----			
Al Ameen Textile	327	N/A	327	N/A
Professional Management Modaraba (Formerly Al Zamin Modarba Management (Private) Limited)	1,000	2,134	1,000	2,134
AMZ Venture Limited Class A	121	N/A	121	N/A
Arabian Sea Country Club	6,500	(7,664)	6,500	(6,810)
Atlas Power Limited	375,000	1,282,850	375,000	1,544,905
Attock Textile Mills Limited	200	N/A	200	N/A
Pakistan Mortgage Refinance Company Limited	600,000	1,510,050	600,000	1,006,700
F.T.C. Management Company Private Limited	250	42,759	250	40,094
Fauji Akbar Portia Marines Terminal Limited	321,076	593,184	321,076	570,681
Fauji Oil Terminals and Distribution Limited	10,886	130,687	10,886	119,741
First Women Bank Limited	21,100	79,733	21,100	79,733
Fortune Securities Limited	5,000	8,804	5,000	11,411
Frontier Textile Mills Limited	500	272	500	272
Gulistan Power Generation Limited	2,200	8,096	2,200	8,096
Hazara Woolen Mills Limited	200	N/A	200	N/A
Industrial Development Bank of Pakistan	107	N/A	107	N/A
Inter Asia Leasing Company Limited	500	N/A	500	N/A
ISE Towers REIT Management Company Limited	30,346	52,988	30,346	50,902
Junaid Cotton Mills Limited	327	N/A	327	N/A
Kaisar Arts and Krafts Limited	8,395	N/A	8,395	N/A
Kaytex Mills Limited	3,778	N/A	3,778	N/A
Mian Mohammad Sugar Mills Limited	15	N/A	15	N/A
Muslim Ghee Mills Limited	1,810	N/A	1,810	N/A
Myfip Video Industries Limited	5,373	N/A	5,373	N/A
Mutual Fund Association of Pakistan	265	N/A		
National Asset Leasing Corporation Limited	14	N/A	14	N/A
National Construction Limited	250	597	250	597
National Institution of Facilitation Technology (Private) Limited	1,526	64,687	1,526	35,899
National Investment Trust Limited	100	910,231	100	1,003,283
National Woolen Mills Limited	183	N/A	183	N/A
Natover Lease and Refinance	2,602	N/A	2,602	N/A
Nowshehra Engineering Works Limited	41	N/A	41	N/A
Pakistan Export Finance Guarantee Agency Limited	11,529	1,152	11,529	1,152
Pakistan Paper Corporation Limited	373	N/A	373	N/A
Pakistan Telephone Cables	143	N/A	143	N/A
Pakistan Textile City	100,000	12,410	100,000	12,410
Pakistan Tourism Development Corporation	100	138	100	82
People Steel Mills Limited	3,276	N/A	3,276	N/A
Qadri Textile Mills Limited	500	N/A	500	N/A
Rehman Cotton Mills Limited	16,958	107,895	16,958	107,895
Refrigerator Manufacturing Company Limited	4,589	N/A	4,589	N/A
Rousch Power Pakistan Limited	132,888	1,089,730	132,888	1,503,561
Ruby Rice and General Mills Limited	750	N/A	750	N/A
Sahrish Textile Mills	21	N/A	21	N/A
Shoaib Capital	272	544	272	544
SME Bank Limited	26,950	(318)	26,950	(318)
South Asia Regional Fund	287	N/A	287	N/A
Star Salica Industries Limited	267	N/A	267	N/A
Syed Match Industries	2	N/A	2	N/A
Union Insurance Company of Pakistan	4	N/A	4	N/A
Unity Modaraba	28	N/A	28	N/A
Zafar Textiles Mills Limited	257	N/A	257	N/A

N/A: Not available

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

Unlisted companies entity - wise	2022		2021	
	Cost	Breakup value	Cost	Breakup value
------(Rupees in '000)-----				
Zulsham Engineering Works Limited	330	N/A	330	N/A
Information System Associates Limited	1,719	N/A	1,719	N/A
1 Link (Pvt) Limited	50,000	428,290	50,000	267,895
Pakistan Corporate Restructuring Company Limited	96,000	N/A	96,000	N/A
Pakvitae (Private) Limited	21,000	N/A	21,000	N/A
	<b>1,882,463</b>		<b>1,882,198</b>	

N/A: Not available

	2022	2021
	----- (Rupees in '000) -----	
Non Government Debt Securities		
Listed		
- AAA	21,818	42,055
- AA+, AA, AA-	8,010,870	8,665,870
- A+, A, A-	800,000	833,334
- Unrated	6,130,027	6,130,027
Cost	14,962,715	15,671,286
Unlisted		
- AAA	18,927,154	22,132,940
- AA+, AA, AA-	5,151,626	4,609,273
- A+, A, A-	2,147,091	2,745,811
- BBB+, BBB, BBB-	299,760	299,760
- Unrated	10,658,643	10,046,112
Cost	37,184,274	39,833,896

## Foreign Securities

Government Securities	2022		2021	
	Cost	Rating	Cost	Rating
(Rupees in '000)			(Rupees in '000)	
USA	<b>1,914,312</b>	<b>AA+</b>	<b>880,932</b>	<b>AA+</b>



# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	2022	2021
	------(Rupees in '000)-----	
<b>10.6 Particulars relating to Held to Maturity securities are as follows:</b>		
<b>Federal Government Securities - Government guaranteed</b>		
Market Treasury Bills	29,519,190	-
Pakistan Investment Bonds	375,285,244	324,726,185
Ijarah Sukuks	13,130,709	-
Bai Muajjal with Government of Pakistan	-	10,914,185
<b>Cost</b>	<b>417,935,143</b>	<b>335,640,370</b>
<b>Non Government Debt securities</b>		
<b>Unlisted</b>		
- Unrated	404,585	407,164
<b>Cost</b>	<b>404,585</b>	<b>407,164</b>
<b>Foreign Securities</b>		
	2022	2021
	Cost Rating	Cost Rating
	(Rupees in '000)	(Rupees in '000)
<b>Government Securities</b>		
Azerbaijan	826,514 BB+	204,494 BB+
Bangladesh	31,087,653 Ba3	29,672,064 Ba3
Kyrgyzstan	814,349 B2	841,944 B2
Kingdom of Saudi Arabia	3,367,991 A+	2,631,097 A
Korea	- -	742,001 AA
	<b>36,096,507</b>	<b>34,091,600</b>
<b>Non Government Debt Securities</b>		
	2022	2021
	------(Rupees in '000)-----	
<b>Listed</b>		
- Unrated - Cost	871	680

**10.6.1** The market value of securities classified as held-to-maturity as at December 31, 2022 amounted to Rs. 436,150 million (2021: Rs. 366,869 million).

## 10.7 Investment in shares of a bank incorporated outside Pakistan - Bank Al-Jazira

The Bank holds 30,333,333 (2021: 30,333,333) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 3.7% (2021: 3.7%) holding in total equity of BAJ. The investment has been marked to market using closing price as quoted on the Saudi Stock Exchange in accordance with SBP concurrence vide letter No. BSD/SU-13/331/685/2006 dated February 17, 2006. BAJ's Viability Rating is bb+ with short term and long term IDR at F2 and BBB+ respectively by Fitch Rating Agency.

**10.8** Out of 106,014,565 shares, 94,273,510 shares of Agritech Limited were acquired from Azgard Nine Limited as part of multiple agreements including the Master Restructuring Agreement (MRA). These shares were acquired at an agreed price of Rs. 35 per share. The market value of the shares at December 31, 2022 amounted to Rs. 4.39 per share resulting in an impairment of Rs. 3,200 million (2021: Rs. 3,264 million) which has been fully recorded in these unconsolidated financial statements.

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

- 10.9** Aggregate market value of investment in associates (quoted) on the basis of quoted prices amounts to Rs. 1,742 million (2021: Rs. 1,880 million).
- 10.10** Associates with zero carrying amount, represent the investments acquired from former National Development Finance Corporation (NDFC) which have negative equity or whose operations were closed at the time of amalgamation.
- 10.11** The details of break-up value based on latest available financial statements of unlisted investments in associates are as follows:

	Year / Period ended	Break-up value Rupees in '000
Pakistan Emerging Venture Limited	June 30, 2022	25
Mehran Industries Limited	June 30, 2001	5,681
Tharparkar Sugar Mills Limited	September 30, 2001	(83,140)
Prudential Fund Management	June 30, 2007	(2,482)
Dadabhoy Energy Supply Company Limited	June 30, 2007	103,952
Pakistan Mercantile Exchange Limited	June 30, 2022	36,149

	Note	2022 ------(Rupees in '000)-----	2021
<b>10.12 Investment in joint venture</b>			
United National Bank Limited (UNBL) (Incorporated in United Kingdom)	10.1 / 10.2 / 10.12.1	<b>7,441,308</b>	7,140,903

- 10.12.1** Under a joint venture agreement, the Bank holds 20.25 million ordinary shares (45%) and United Bank Limited (UBL) holds 23.25 million ordinary shares (55%) in UNBL. In addition to ordinary shares, four preference shares categories as "A", "B", "C" and "D" have been issued and allotted. The "B" and "D" category shares are held by the Bank and category "A" and "C" are held by UBL. Dividends payable on "A" and "B" shares are related to the ability of the venture to utilize tax losses that have been surrendered to it on transfer of business from the Bank or UBL as appropriate. Dividends payable on "C" and "D" shares are related to loans transferred to the venture by the Bank or UBL that have been written-off or provided for at the point of transfer and the ability of the venture to realize in excess of such loan value.
- 10.13** The investments also include shares acquired under tri-partite consent agreement dated June 29, 2011. These strategic investments comprise of the shares of Pakistan State Oil (38,055,247 shares), shares of Sui Northern Gas Pipeline Limited (18,805,318 shares) and Pakistan Engineering Company (135,242 shares). The cost of these shares amounts to Rs. 4,603 million and market value as at December 31, 2022 amounts to Rs. 6,224 million. These shares have been frozen by the Government of Pakistan for sale in the equity market due to their proposed privatization and can not be sold without concurrence of privatization commission.
- 10.14** The investments also include 31,665,000 shares of Pakistan Reinsurance. The cost of these shares amounts to Rs. 220 million and market value as at December 31, 2022 amounts to Rs. 217 million. These shares can not be sold without concurrence of privatization commission.
- 10.15** The investment also include 20,000,000 shares of First Credit and Investment Bank. The cost of these shares amounts to Rs. 157 million and market value as at December 31, 2022 amounts to Rs. 110 million. These shares can not be disinvested without prior consultation with Ministry of Finance.

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

2022 2021  
------(Rupees in '000)-----

## 10.16 Investments in subsidiaries

Cast-N-Link Products Limited	1,245	1,245
Less: provision for diminution in value of investments	(1,245)	(1,245)
	-	-

**10.16.1** The financial statements of Cast-N-Link Products Limited (CNL) are not available since the year 1997. Accordingly, the management of the Group had applied to the Securities and Exchange Commission of Pakistan (SECP) for the exemption from the requirements of section 228 of the Companies Act, 2017 (the Act) in respect of consolidating its subsidiary CNL. The SECP, vide its letter EMD/233/627/2002-103 dated November 18, 2019, has not acceded the Bank's request from the exemption from consolidation of CNL in its consolidated financial statements for the year ended December 31, 2019 and further directed to comply with the requirement of section 228 of the Act. However the Bank, based on the fact that investment of the Group in CNL is not material and comprise of 0.000024% of the total assets of the Bank and the investment have been fully provided for, has not consolidated the financial statements of CNL.

## 11. ADVANCES

	Performing		Non Performing		Total	
	2022	2021	2022	2021	2022	2021
Note ------(Rupees in '000)-----						
Loans, cash credits, running finances, etc.	1,168,292,452	1,045,532,093	190,934,209	183,456,102	1,359,226,661	1,228,988,195
Islamic financing and related assets	46,381,315	42,316,269	654,980	712,762	47,036,295	43,029,031
Net Investment in finance lease	35,384	47,548	28,944	28,944	64,328	76,492
Bills discounted and purchased	18,598,616	19,199,730	14,106,504	14,147,881	32,705,120	33,347,611
Advances - gross	1,233,307,767	1,107,095,640	205,724,637	198,345,689	1,439,032,404	1,305,441,329
Provision against advances						
- Specific	-	-	191,014,747	179,654,610	191,014,747	179,654,610
- General	17,348,539	12,472,591	-	-	17,348,539	12,472,591
	17,348,539	12,472,591	191,014,747	179,654,610	208,363,286	192,127,201
Advances - net of provision	1,215,959,228	1,094,623,049	14,709,890	18,691,079	1,230,669,118	1,113,314,128

## 11.1 Net Investment in Finance Lease

	2022				2021			
	Not later than one year	Later than one and upto five years	Over five years	Total	Not later than one year	Later than one and upto five years	Over five years	Total
------(Rupees in '000)-----								
Lease rentals receivable	52,152	-	-	52,152	51,796	64	-	51,860
Residual value	36,505	-	-	36,505	48,804	185	-	48,989
Minimum lease payments	88,657	-	-	88,657	100,600	249	-	100,849
Less: Financial charges for future periods	24,329	-	-	24,329	24,356	1	-	24,357
Present value of minimum lease payments	64,328	-	-	64,328	76,244	248	-	76,492

The leases executed are for a term of 1 to 5 years. Security deposit is generally obtained upto 10% of the cost of leased assets at the time of disbursement. The Group requires the lessee to insure the leased assets in favour of the Group. Additional surcharge is charged on delayed rentals. The average return implicit ranges from 10.19% to 14.85% (2021: 10.19% to 14.85%) per annum.



# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	2022	2021
	------(Rupees in '000)-----	
<b>11.2 Particulars of advances (Gross)</b>		
In local currency	1,316,066,358	1,178,144,911
In foreign currencies	122,966,046	127,296,418
	<b>1,439,032,404</b>	<b>1,305,441,329</b>

**11.3** Advances include Rs. 205,725 million (2021: Rs. 198,346 million) which have been placed under non-performing status as detailed below:

Category of Classification	2022		2021	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	------(Rupees in '000)-----			
<b>Domestic</b>				
Other Assets Especially Mentioned	1,789,957	73,114	1,950,183	94,550
Substandard	5,888,114	1,439,917	5,245,094	1,230,458
Doubtful	8,883,354	4,648,305	17,048,217	8,455,999
Loss	135,113,451	132,837,538	127,537,486	124,864,376
	<b>151,674,876</b>	<b>138,998,874</b>	<b>151,780,980</b>	<b>134,645,383</b>
<b>Overseas</b>				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	331,133	165,567	286,746	143,373
>365 days	53,718,628	51,850,306	46,277,963	44,865,854
	<b>54,049,761</b>	<b>52,015,873</b>	<b>46,564,709</b>	<b>45,009,227</b>
<b>Total</b>	<b>205,724,637</b>	<b>191,014,747</b>	<b>198,345,689</b>	<b>179,654,610</b>

## 11.4 Particulars of provision against advances

Note	2022			2021		
	Specific	General	Total	Specific	General	Total
	------(Rupees in '000)-----					
Opening balance	179,654,610	12,472,591	192,127,201	154,587,769	22,473,748	177,061,517
Exchange adjustments	8,349,754	107,952	8,457,706	4,293,544	50,984	4,344,528
Charge for the year	5,227,345	9,553,101	14,780,446	15,680,535	513,602	16,194,137
Reversals	(5,011,542)	(1,757,105)	(6,768,647)	(4,238,039)	(952,785)	(5,190,824)
	<b>215,803</b>	<b>7,795,996</b>	<b>8,011,799</b>	<b>11,442,496</b>	<b>(439,183)</b>	<b>11,003,313</b>
Amounts written off	(177,162)	-	(177,162)	(171,425)	-	(171,425)
Amounts charged off- agriculture financing	(56,258)	-	(56,258)	(110,733)	-	(110,733)
Transfer from general to specific provision	3,028,000	(3,028,000)	-	9,612,958	(9,612,958)	-
Closing balance	<b>191,014,747</b>	<b>17,348,539</b>	<b>208,363,286</b>	<b>179,654,610</b>	<b>12,472,591</b>	<b>192,127,201</b>

## Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

### 11.4.1 Particulars of provision against advances

	2022			2021		
	Specific	General	Total	Specific	General	Total
----- (Rupees in '000) -----						
In local currency	138,998,874	16,741,242	155,740,116	134,645,383	12,220,748	146,866,131
In foreign currencies	52,015,873	607,297	52,623,170	45,009,227	251,843	45,261,070
	191,014,747	17,348,539	208,363,286	179,654,610	12,472,591	192,127,201

**11.4.1.1** General provision includes provision amounting to Rs. 5,211 million (2021: Rs. 5,618 million) against consumer & SME finance portfolio as required by the Prudential Regulations issued by the SBP. General provision also includes Rs. 607 million (2021: Rs. 252 million) pertaining to overseas advances to meet the requirements of regulatory authorities of the respective countries in which the Group operates.

Keeping in view the portfolio assessment and the estimated impact of adoption of IFRS 9, the Bank has also maintained a general provision of Rs. 11,530 million (2021: Rs. 6,603 million) against underperforming portfolio on prudent basis, in view of prevailing economic conditions. This general provision is in addition to the requirements of Prudential Regulations.

**11.4.1.2** The SBP has allowed specific relaxation to the Bank for non-classification of overdue loans of certain Public Sector Entities (PSEs) which are guaranteed by Government of Pakistan as non-performing loans up till December 31, 2022. No provision is required against these loans; however, mark-up is being suspended as required by the Prudential Regulations.

**11.4.1.3** These represent non-performing advances for agriculture finance which have been classified as loss and fully provided for more than 3 years. These non-performing advances have been charged off by extinguishing them against the provision held in accordance with Prudential Regulations for Agriculture Financing issued by the SBP. This charge off does not, in any way, prejudice the Group's right of recovery from these customers.

Note	2022	2021
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
<b>11.5 Particulars of write-offs</b>		
<b>11.5.1</b> Against provisions	11.5.2 <b>170,824</b>	171,425
<b>11.5.2</b> Write-offs of Rs. 500,000 and above		
- Domestic	128,797	44,536
- Overseas	1,649	81,364
	11.6 <b>130,446</b>	125,900
Write-offs of below Rs. 500,000	<b>40,378</b>	45,525
	<b>170,824</b>	171,425
Total Reversals	<b>6,338</b>	-

### 11.6 Details of loan write-off of Rs. 500,000/- and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the Statement in respect of written-off loans or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended December 31, 2022 is given in Annexure-I to the consolidated financial statements. (except where such disclosure is restricted by overseas regulatory authorities).

**11.7** Information related to Islamic financing and related assets is given in note 2 of Annexure II and is an integral part of these consolidated financial statements.

Note	2022	2021
	----- (Rupees in '000) -----	----- (Rupees in '000) -----
<b>12. FIXED ASSETS</b>		
Capital work-in-progress	12.1 <b>1,086,001</b>	1,405,413
Property and equipment	12.2 <b>56,518,342</b>	53,204,991
	<b>57,604,343</b>	54,610,404

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

## 12.1 Capital work-in-progress

Civil works  
Equipment  
Advances to suppliers and contractors

	2022	2021
	(Rupees in '000)	(Rupees in '000)
	1,010,529	1,335,603
	10,825	10,825
	64,647	58,985
	1,086,001	1,405,413

## 12.2 Property and equipment

	2022										2021									
	Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Furniture and fixture	Computer and peripheral equipment	Electrical, office equipment	Vehicles	Assets held under finance lease - Vehicles	Assets held under finance lease - Office Equipment	Assets held under Ijarah - Machinery	Assets held under Ijarah - Vehicle	Total							
At January 1, 2022																				
Cost / revalued amount	20,370,446	19,465,743	6,526,538	5,146,223	7,123,227	5,184,275	7,887,505	2,015,331	454,953	9,627	192,094	14,367	74,190,329							
Accumulated depreciation	-	-	(1,523,658)	(1,239,456)	(5,382,205)	(4,690,269)	(6,550,566)	(1,127,562)	(284,744)	(3,377)	(172,342)	(1,159)	(20,985,338)							
Net book value	20,370,446	19,465,743	5,002,880	3,906,767	1,731,022	494,006	1,136,939	887,769	170,209	6,250	19,752	13,208	53,204,991							
Year ended December 2022																				
Opening net book value	20,370,446	19,465,743	5,002,880	3,906,767	1,731,022	494,006	1,136,939	887,769	170,209	6,250	19,752	13,208	53,204,991							
Additions	-	-	192,827	337,325	648,311	299,428	325,542	235,871	93,001	-	-	-	2,132,305							
Movement in surplus on assets revalued	1,110,306	1,622,180	791,946	167,353	-	-	-	-	-	-	-	-	3,691,785							
Disposals	-	-	-	(61)	(19,998)	(16,493)	(11,336)	(186,098)	(80,855)	(962)	(28)	(4)	(314,841)							
Depreciation charge	-	-	(262,362)	(195,858)	(654,955)	(393,592)	(525,724)	(315,499)	(64,057)	(962)	(28)	(4)	(2,413,051)							
Depreciation adjustment - disposal	-	-	-	61	16,566	16,021	11,063	135,560	54,019	-	-	-	233,290							
Exchange rate adjustments	-	-	-	(11,024)	3,652	-	3,611	2,644	-	-	-	-	(1,117)							
Other adjustments / transfers - cost	(7,995)	-	(44,223)	(21,787)	(263)	(1,538)	55,230	(3,138)	-	-	81,154	-	57,440							
Other adjustments / transfers - depreciation	-	-	1	850	288	1,216	3,789	2,550	-	-	(81,154)	-	(72,460)							
Closing net book value	21,472,757	21,087,923	5,681,069	4,183,626	1,724,613	399,048	999,114	759,659	172,317	5,288	19,724	13,204	56,518,342							
At December 31, 2022																				
Cost / revalued amount	21,472,757	21,087,923	7,467,088	5,618,029	7,754,929	5,465,672	8,060,552	2,064,610	467,099	9,627	273,248	14,367	79,755,901							
Accumulated depreciation	-	-	(1,786,019)	(1,434,403)	(6,030,316)	(5,066,624)	(7,061,438)	(1,304,951)	(294,782)	(4,339)	(253,524)	(1,163)	(23,237,559)							
Net book value	21,472,757	21,087,923	5,681,069	4,183,626	1,724,613	399,048	999,114	759,659	172,317	5,288	19,724	13,204	56,518,342							
Rate of depreciation (percentage)	Nil	Nil	5% on book value	5% on book value	20% on cost	33.33% on cost	20%-50% on cost	20% on cost	20% on cost	10% on cost	25% to 33% on cost	20% on book value								



# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

2021												
Free hold land	Lease hold land	Building on Free hold land	Building on Lease hold land	Furniture and fixture	Computer and peripheral equipment	Electrical, office equipment	Vehicles	Assets held under finance lease - Vehicles	Assets held under finance lease - Office Equipment	Assets held under lease - Machinery	Assets held under lease - Vehicle	Total
(Rupees in '000)												
20,370,446	19,673,159	6,499,638	4,381,195	6,793,647	4,587,414	6,320,774	1,316,025	450,232	9,827	96,571	299,418	70,798,146
-	-	(1,242,781)	(911,172)	(4,734,748)	(4,343,448)	(6,220,437)	(923,581)	(244,651)	(2,415)	(42,808)	(277,297)	(17,943,338)
20,370,446	19,673,159	5,256,857	3,470,023	2,058,899	243,966	1,100,337	392,444	205,581	7,212	53,763	22,121	52,854,808
20,370,446	19,673,159	5,256,857	3,470,023	2,058,899	243,966	1,100,337	392,444	205,581	7,212	53,763	22,121	52,854,808
-	-	26,900	71,046	545,315	527,110	532,614	865,250	46,007	-	-	-	2,614,242
-	-	-	712,882	42,560	-	841,822	-	-	-	-	-	1,597,264
-	-	-	(132,235)	(34,048)	-	(685,393)	-	-	-	-	-	(851,676)
-	(193,330)	-	-	-	-	-	-	-	-	-	-	(193,330)
-	-	-	-	(25,841)	(24,670)	(10,397)	(167,874)	(41,286)	-	(988)	(6,612)	(277,688)
-	-	(280,879)	(196,061)	(643,298)	(666,707)	(653,369)	(338,800)	(63,393)	(962)	(233)	(13)	(2,543,715)
-	-	-	-	19,883	19,154	7,848	134,976	23,300	-	988	5,383	211,532
-	-	-	(18,900)	46,337	26,726	2,726	1,977	-	-	-	-	58,866
-	(14,086)	-	-	(278,791)	67,695	(34)	(47)	-	-	96,511	(278,439)	(407,191)
-	-	2	12	6	733	786	(157)	-	-	(130,289)	270,768	141,861
20,370,446	19,465,743	5,002,880	3,906,767	1,731,022	494,007	1,136,940	887,769	170,209	6,250	19,752	13,208	53,204,993
20,370,446	19,465,743	6,526,538	5,146,223	7,123,227	5,184,275	7,687,505	2,015,331	454,953	9,827	192,094	14,367	74,190,329
-	-	(1,523,658)	(1,239,456)	(5,392,205)	(4,690,269)	(6,550,566)	(1,127,562)	(284,744)	(3,377)	(172,342)	(1,159)	(20,985,338)
20,370,446	19,465,743	5,002,880	3,906,767	1,731,022	494,006	1,136,939	887,769	170,209	6,250	19,752	13,208	53,204,991
Nil	Nil	5% on book value	5% on book value	20% on cost	33.33% on cost	20%-50% on cost	20% on cost	20% on cost	10% on cost	25% to 33% on cost	20% on book value	
At January 1, 2021												
Cost / revalued amount												
Accumulated depreciation												
Net book value												
Year ended December 2021												
Opening net book value												
Additions												
Cost - Adjustments												
Accumulated Depreciation - Adjustments												
Movement in surplus on assets revalued												
Disposals												
Depreciation charge												
Depreciation adjustment - disposal												
Exchange rate adjustments												
Other adjustments / transfers - cost												
Other adjustments / transfers - depreciation												
Closing net book value												
At December 31, 2021												
Cost / revalued amount												
Accumulated depreciation												
Net book value												
Rate of depreciation (percentage)												

## 12.2.1

### Revaluation of Properties

The properties of the Bank have been revalued by the independent professional valuer as at December 31, 2022. The revaluation was carried out by an independent professional valuer, RBS Associates (Private) Limited (PBA registered valuer) on the basis of professional assessment of present market values. The total surplus against revaluation of fixed assets as at December 31, 2022, amounts to Rs. 47,734 million. Had there been no revaluation, the carrying amount of the revalued assets at December 31, 2022, would have been as follows:

	2022	2021
	----- (Rupees in '000) -----	
Freehold land	1,132,637	1,132,637
Leasehold land	890,025	890,025
Building on freehold land	1,013,440	820,613
Building on leasehold land	1,909,929	1,575,994
	<u>4,946,031</u>	<u>4,419,269</u>
Carrying amount of temporarily idle property of the Group	<u>5,319,961</u>	<u>4,795,454</u>
The cost of fully depreciated assets still in use		
Furniture and fixtures	2,152,106	2,147,654
Computer and peripheral equipment	3,282,996	3,249,228
Electrical and office equipment	3,278,441	3,274,617
Vehicles	<u>1,333,988</u>	<u>1,333,474</u>
	<u>10,047,531</u>	<u>10,004,973</u>

## 12.2.2

### Carrying amount of temporarily idle property of the Group

## 12.2.3

### The cost of fully depreciated assets still in use

Furniture and fixtures  
Computer and peripheral equipment  
Electrical and office equipment  
Vehicles

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

## 12.3 Details of disposals of fixed assets to related parties

The particulars of disposal of fixed assets to related parties (Employees/Ex-Employees) are given below:

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Buyers name
------(Rupees in '000)-----							
Vehicles	1,969	394	394	-	As per Entitlement	Employee	Mr.Khawaja Amin Ul Azam
Vehicles	1,658	166	166	-	As per Entitlement	Employee	Mr.Ghulam Hussain Azhar
Vehicles	5,857	2,928	2,928	-	As per Entitlement	Ex-Employee	Mr.Muhammad Faraz Haider
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Imran Fayyaz
Vehicles	1,764	353	353	-	As per Entitlement	Employee	Mr.Saad Salman Dar
Vehicles	1,664	333	333	-	As per Entitlement	Ex-Employee	Mr.Sohail Hassan Butt
Vehicles	2,525	1,641	1,641	-	As per Entitlement	Ex-Employee	Mr.Manzur Ahmad
Vehicles	1,824	486	486	-	As per Entitlement	Ex-Employee	Mr.Jamil Ahmed
Vehicles	2,380	1,309	1,309	-	As per Entitlement	Ex-Employee	Ms.Rizwana Ammar
Vehicles	1,673	84	335	251	As per Entitlement	Employee	Muhammad Tariq Khattak
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Maj Shabbir Ahmed
Vehicles	1,764	353	353	-	As per Entitlement	Employee	Mr.Asir Hassan
Vehicles	18,450	1,845	1,845	-	As per Entitlement	Ex-President	Mr.Arif Usmani
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.M.Masood Rizwan
Vehicles	5,857	1,171	1,171	-	As per Entitlement	Employee	Mr.Fouad Farrukh
Vehicles	5,857	1,171	1,171	-	As per Entitlement	Employee	Mr.Faisal Ahmed Topra
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Arshad Zia
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Asim Nizam Siddiqui
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Aurangzeb Ahmed Shaikh
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Jalil Ahmed Tariq
Vehicles	1,664	-	166	166	As per Entitlement	Ex-Employee	Mr.Muhammad Sultan Jaffer
Vehicles	2,229	743	743	-	As per Entitlement	Ex-Employee	Mr.Amin Qazi,
Vehicles	2,723	2,133	2,133	-	As per Entitlement	Employee	Mr.Muhammad Amjad
Vehicles	2,875	1,725	1,725	-	As per Entitlement	Ex-Employee	Mr.Hidayat Ali Shar
Vehicles	2,525	1,431	1,431	-	As per Entitlement	Employee	Mr.Muhammad Akram Khan
Vehicles	2,380	1,190	1,190	-	As per Entitlement	Employee	Mr.Muhammad Saleem Tahir
Vehicles	2,525	1,263	1,263	-	As per Entitlement	Employee	Mr.Syed Waseem Akhtar
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Rana Muhammad Asif Wakeel
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Nasir Mahmood
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Parkash
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Ghazanfar Abbas Khan
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Muhammad Shafqat Fateen
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Munir Khan
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Syed M.Shahid
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Nafees Ahmed
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Rasheed Ahmed
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Ibrahim M.Sadiq
Vehicles	2,380	1,150	1,150	-	As per Entitlement	Ex-Employee	Mr.Abdul Wajid
Vehicles	1,658	-	166	166	As per Entitlement	Ex-Employee	Mr.Wajid Ali
Vehicles	2,695	1,976	1,976	-	As per Entitlement	Employee	Mr.Kaleemullah Shaikh
Vehicles	2,525	1,305	1,305	-	As per Entitlement	Employee	Mr.Naveed Asghar
Vehicles	1,824	304	365	61	As per Entitlement	Employee	Mr.Abid Sharif
Vehicles	1,824	304	365	61	As per Entitlement	Employee	Mr.Syed Zamin Raza
Vehicles	1,824	304	365	61	As per Entitlement	Employee	Mr.Tariq Mehmood Rashid
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Muhammad Farooq
Vehicles	1,824	334	365	30	As per Entitlement	Employee	Mr.Amir Faraz

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Buyers name
------(Rupees in '000)-----							
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Zia Ul Haq
Vehicles	2,695	2,066	2,066	-	As per Entitlement	Ex-Employee	Mr.Muhammad Saifuddin
Vehicles	1,673	-	167	167	As per Entitlement	Employee	Mr.Faisal Haq Khan
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Ms.Fauzia Mumtaz
Vehicles	1,949	357	390	32	As per Entitlement	Employee	Mr.Khalid Pervaiz
Vehicles	1,899	348	380	32	As per Entitlement	Employee	Mr.M.Shoaib Qaisrani
Vehicles	1,824	334	365	30	As per Entitlement	Employee	Mr.Iqbal Wahid
Vehicles	2,029	406	406	-	As per Entitlement	Employee	Mr.Wajahat Aziz Qureshi
Vehicles	2,229	446	446	-	As per Entitlement	Employee	Mr.Abdul Rahim Haroon
Vehicles	1,949	390	390	-	As per Entitlement	Employee	Mr.Ahsan Raza
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Naeem Malik
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Mumtaz Ali Bhutto
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Tanvir Ahmad
Vehicles	1,824	334	365	30	As per Entitlement	Employee	Mr.Waqar Ahmed Zakori
Vehicles	1,899	348	380	32	As per Entitlement	Employee	Mr.Syed Imran Ghani
Vehicles	1,824	334	365	31	As per Entitlement	Employee	Ms.Munazza Abdul Majeed
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.M.Naseem Yousuf
Vehicles	2,029	304	406	101	As per Entitlement	Employee	Mr.Zubaid Ali Shaikh
Vehicles	2,029	372	406	34	As per Entitlement	Employee	Mr.Ehtesham Rashid
Vehicles	1,949	357	390	32	As per Entitlement	Employee	Mr.Chaudhry M.Waseef Aslam
Vehicles	2,695	1,931	1,931	-	As per Entitlement	Employee	Mr.Muhammad Arshad
Vehicles	2,703	1,982	1,982	-	As per Entitlement	Employee	Mr.Fouad Mohsin
Vehicles	2,525	1,094	1,094	-	As per Entitlement	Ex-Employee	Mr.Muhammad Iqbal Malik
Vehicles	2,229	483	483	-	As per Entitlement	Ex-Employee	Mr.Shahid Majeed,
Vehicles	2,855	1,142	1,142	-	As per Entitlement	Ex-Employee	Mr.Shahid Iqbal Dar
	171,299	48,182	49,500	1,318			
Computer & peripheral equipments	112	-	11	11	As per Entitlement	Ex-Employee	Mr.Muhammad Hassan Zahid
Computer & peripheral equipments	96	-	10	10	As per Entitlement	Ex-Employee	Mr.Syed Muhammad Raza
Computer & peripheral equipments	64	-	6	6	As per Entitlement	Employee	Mr. Mashood Shahid
Computer & peripheral equipments	107	-	11	11	As per Entitlement	Ex-Employee	Mr.Muhammad Noman Siddiqui
Computer & peripheral equipments	124	-	12	12	As per Entitlement	Employee	Mr.Khawar Saeed
Computer & peripheral equipments	99	-	10	10	As per Entitlement	Ex-Employee	Ms.Rizwana Ammar
Computer & peripheral equipments	106	-	11	11	As per Entitlement	Employee	Mr.Maj (R) Shabbir Ahmed
Computer & peripheral equipments	123	-	12	12	As per Entitlement	Employee	Mr.Heera Nand Khatri
Computer & peripheral equipments	64	-	6	6	As per Entitlement	Employee	Mr.Waseem Azhar
Computer & peripheral equipments	94	-	9	9	As per Entitlement	Employee	Mr.Shoaib Ahmed Chaudry
Computer & peripheral equipments	104	-	10	10	As per Entitlement	Employee	Mr.Mukesh Kumar Jeswani
Computer & peripheral equipments	50	-	5	5	As per Entitlement	Employee	Mr.Tahir Sartaj
Computer & peripheral equipments	64	-	6	6	As per Entitlement	Employee	Mr.Awais Memon
Computer & peripheral equipments	123	-	12	12	As per Entitlement	Employee	Mr.Haris Muzaffar
Computer & peripheral equipments	99	-	10	10	As per Entitlement	Employee	Mr.Syed Alay Raza
Computer & peripheral equipments	67	-	7	7	As per Entitlement	Employee	Mr.Fawad Ahsan
Computer & peripheral equipments	64	-	6	6	As per Entitlement	Employee	Mr.Asif Ishaq
Computer & peripheral equipments	114	-	11	11	As per Entitlement	Employee	Mr.Ahmed Naseem
Computer & peripheral equipments	106	-	11	11	As per Entitlement	Employee	Mr.Abdul Majid Sheikh
Computer & peripheral equipments	120	-	12	12	As per Entitlement	Employee	Mr.Muhammad Arshad Khan
Computer & peripheral equipments	109	-	11	11	As per Entitlement	Employee	Mr.Muhammad Shoaib
Computer & peripheral equipments	127	-	13	13	As per Entitlement	Employee	Mr.Arsalan Abdul Samad
Computer & peripheral equipments	122	-	12	12	As per Entitlement	Employee	Mr.Hakim Ali Laghari



# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Buyers name
------(Rupees in '000)-----							
Computer & peripheral equipments	64	-	6	6	As per Entitlement	Employee	Mr.Muhammad Hasnain Raza
Computer & peripheral equipments	100	-	10	10	As per Entitlement	Employee	Mr.Tanvir Ahmed
Computer & peripheral equipments	121	-	12	12	As per Entitlement	Employee	Mr.Shakir Ahmed Lakhana
Computer & peripheral equipments	64	-	6	6	As per Entitlement	Employee	Mr.Akif Badar
Computer & peripheral equipments	112	-	11	11	As per Entitlement	Employee	Mr.Muhammad Rizwan Yasin
Computer & peripheral equipments	100	-	10	10	As per Entitlement	Employee	Mr.Javed Ashraf
Computer & peripheral equipments	109	-	11	11	As per Entitlement	Employee	Mr.Qazafi Soomro
Computer & peripheral equipments	146	-	0	-	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Computer & peripheral equipments	95	-	0	-	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Computer & peripheral equipments	192	-	19	19	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Computer & peripheral equipments	101	-	10	10	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Computer & peripheral equipments	96	-	10	10	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Computer & peripheral equipments	285	-	29	28	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
	3,841	-	360	360			
Electrical & Office equipments	50	-	-	-	As per Entitlement	Ex-Employee	Mr.Muhammad Hassan Zahid
Electrical & Office equipments	50	-	-	-	As per Entitlement	Ex-Employee	Mr.Kaleemullah Shaikh
Electrical & Office equipments	50	-	-	-	As per Entitlement	Ex-Employee	Ms.Rizwana Ammar
Electrical & Office equipments	115	-	-	-	As per Entitlement	Ex-Employee	Mr.Amin Qazi,
Electrical & Office equipments	115	-	-	-	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Electrical & Office equipments	52	-	-	-	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Electrical & Office equipments	97	-	-	-	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Electrical & Office equipments	115	-	-	-	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Electrical & Office equipments	35	-	-	-	As per Entitlement	Ex-Employee	Mr.Parkash Lal Khetpal
	678	-	-	-			
Furniture and fixture	190	1	1	-	As per Entitlement	Ex-Employee	Mr.Muhammad Hanif
Furniture and fixture	190	43	43	-	As per Entitlement	Ex-Employee	Mr.Sajid Mirza
Furniture and fixture	160	68	68	-	As per Entitlement	Ex-Employee	Mr.Syed Shad Ahmed
Furniture and fixture	160	141	141	-	As per Entitlement	Ex-Employee	Mr.Atta Ullah Zia
Furniture and fixture	160	64	64	-	As per Entitlement	Ex-Employee	Mr.Muhammad Shoaib
Furniture and fixture	160	30	30	-	As per Entitlement	Ex-Employee	Mr.Sultan Ahmed
Furniture and fixture	200	85	85	-	As per Entitlement	Ex-Employee	Mr.Sohail Hassan Butt
Furniture and fixture	160	69	69	-	As per Entitlement	Ex-Employee	Mr.Muhammad Iqbal
Furniture and fixture	200	-	-	-	As per Entitlement	Ex-Employee	Mr.Sohail Ahmed
Furniture and fixture	200	80	80	-	As per Entitlement	Ex-Employee	Mr.Rizwana Ammar
Furniture and fixture	200	52	52	-	As per Entitlement	Ex-Employee	Mr.Ghulam Hussain Azhar
Furniture and fixture	200	19	19	-	As per Entitlement	Ex-Employee	Mr.Jamil Ahmed
Furniture and fixture	160	68	68	-	As per Entitlement	Ex-Employee	Mr.Muhammad Khalid Awa
Furniture and fixture	160	47	47	-	As per Entitlement	Ex-Employee	Mr.Amjad Ali Abbasi
Furniture and fixture	190	32	32	-	As per Entitlement	Ex-Employee	Mr.Aftab Ghani
Furniture and fixture	200	58	58	-	As per Entitlement	Ex-Employee	Mr.Nadeem Khan
Furniture and fixture	160	61	61	-	As per Entitlement	Ex-Employee	Mr.Muhammad Younas Raz
Furniture and fixture	160	45	45	-	As per Entitlement	Ex-Employee	Mr.Noor Ahmed Memon
Furniture and fixture	190	13	13	-	As per Entitlement	Ex-Employee	Mr.Muhammad Qasim
Furniture and fixture	160	11	11	-	As per Entitlement	Ex-Employee	Mr.Hadi Bakhsh S Memon
Furniture and fixture	200	37	37	-	As per Entitlement	Ex-Employee	Mr.Muhammad Akram Khan
Furniture and fixture	200	20	20	-	As per Entitlement	Ex-Employee	Mr.Muhammad Amjad
Furniture and fixture	160	11	11	-	As per Entitlement	Ex-Employee	Mr.Humayun Naseer Khan
Furniture and fixture	190	12	12	-	As per Entitlement	Ex-Employee	Mr.Imtiaz Ahmed Arain

## Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Buyers name
------(Rupees in '000)-----							
Furniture and fixture	160	69	69	-	As per Entitlement	Ex-Employee	Ms.Late Naheed Kausar
Furniture and fixture	190	9	9	-	As per Entitlement	Ex-Employee	Mr.Sadaqat Hussain Shah
Furniture and fixture	200	10	10	-	As per Entitlement	Ex-Employee	Mr.Muhammad Sultan Jaffar
Furniture and fixture	200	80	80	-	As per Entitlement	Ex-Employee	Mr.Nazir Ahmed Dayo
Furniture and fixture	160	79	79	-	As per Entitlement	Ex-Employee	Mr.Abdul Hameed
Furniture and fixture	160	79	79	-	As per Entitlement	Ex-Employee	Mr.Ghulam Qadir Chand
Furniture and fixture	200	33	33	-	As per Entitlement	Ex-Employee	Mr.Muhammad Saleem Tahir
Furniture and fixture	160	44	44	-	As per Entitlement	Ex-Employee	Mr.Muhammad Ashraf
Furniture and fixture	160	40	40	-	As per Entitlement	Ex-Employee	Mr.Fahimuddin
Furniture and fixture	200	73	73	-	As per Entitlement	Ex-Employee	Mr.Muhammad Saifuddin
Furniture and fixture	200	35	35	-	As per Entitlement	Ex-Employee	Mr.Abdul Wajid
Furniture and fixture	200	34	34	-	As per Entitlement	Ex-Employee	Mr.Syed Wasim Akhtar
Furniture and fixture	200	58	58	-	As per Entitlement	Ex-Employee	Mr.Syed Naveed Asghar
Furniture and fixture	200	32	32	-	As per Entitlement	Ex-Employee	Mr.Ijaz Ahmed
Furniture and fixture	190	48	48	-	As per Entitlement	Ex-Employee	Mr.Muhammad Naeem Baig
Furniture and fixture	200	75	75	-	As per Entitlement	Ex-Employee	Mr.Wajid Ali
Furniture and fixture	200	75	75	-	As per Entitlement	Ex-Employee	Mr.Allah Ditta Naul
Furniture and fixture	160	45	45	-	As per Entitlement	Ex-Employee	Mr.Badar Munir
Furniture and fixture	160	21	21	-	As per Entitlement	Ex-Employee	Mr.Zafar Ali
Furniture and fixture	160	36	36	-	As per Entitlement	Ex-Employee	Mr.Rooh Ullah Jan
Furniture and fixture	160	152	152	-	As per Entitlement	Ex-Employee	Ms.Saira Farman
Furniture and fixture	160	19	19	-	As per Entitlement	Ex-Employee	Mr.Humayun Shafiq
Furniture and fixture	160	7	7	-	As per Entitlement	Ex-Employee	Mr.Muhammad Fuad Mohsin
Furniture and fixture	160	60	60	-	As per Entitlement	Ex-Employee	Mr.Muhammad Taqi Leghari
Furniture and fixture	190	-	-	-	As per Entitlement	Ex-Employee	Mr.Akbar Hussain
Furniture and fixture	160	120	120	-	As per Entitlement	Ex-Employee	Mr.Syed Zafar Ali
Furniture and fixture	160	51	51	-	As per Entitlement	Ex-Employee	Mr.Javed Iqbal
Furniture and fixture	335	45	45	-	As per Entitlement	Ex-Employee	Mr.Shahid Iqbal Bar
Furniture and fixture	160	35	35	-	As per Entitlement	Ex-Employee	Mr.Aftab Gul
Furniture and fixture	160	3	3	-	As per Entitlement	Ex-Employee	Mr.Merajuddin Shaikh
Furniture and fixture	335	5	5	-	As per Entitlement	Ex-Employee	Mr.Shahid Majeed
Furniture and fixture	200	6	6	-	As per Entitlement	Ex-Employee	Mr.Muhammad Iqbal Malik
Furniture and fixture	200	72	72	-	As per Entitlement	Ex-Employee	Mr.Muhammad Arshad
Furniture and fixture	160	71	71	-	As per Entitlement	Ex-Employee	Mr.Fazal Ur Rehman
Furniture and fixture	160	35	35	-	As per Entitlement	Ex-Employee	Mr.Jahangir Ahmad
Furniture and fixture	190	74	74	-	As per Entitlement	Ex-Employee	Mr.Tanveer Ahmad
Furniture and fixture	190	76	76	-	As per Entitlement	Ex-Employee	Mr.Shahid Iqbal
Furniture and fixture	190	42	42	-	As per Entitlement	Ex-Employee	Mr.Tahir Mahmood
Furniture and fixture	160	123	123	-	As per Entitlement	Ex-Employee	Mr.Sheraz Ashraf Bajwa
Furniture and fixture	160	33	33	-	As per Entitlement	Ex-Employee	Mr.Muhammad Afzal
Furniture and fixture	190	8	8	-	As per Entitlement	Ex-Employee	Mr.Muhammad Javed Hassan
Furniture and fixture	160	44	44	-	As per Entitlement	Ex-Employee	Mr.Muhammad Aftab
Furniture and fixture	190	3	3	-	As per Entitlement	Ex-Employee	Mr.Shoukat Ali
Furniture and fixture	160	53	53	-	As per Entitlement	Ex-Employee	Mr.Saddique Akbar
Furniture and fixture	200	49	49	-	As per Entitlement	Ex-Employee	Mr.Muhammad Sultan Jaffar Svp
Furniture and fixture	160	7	7	-	As per Entitlement	Ex-Employee	Ms.Naila Zafar
	12,780	3,236	3,236	-			
	188,598	51,418	53,096	1,678			

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

		2022	2021
	Note	----- (Rupees in '000) -----	
<b>13. INTANGIBLE ASSETS</b>			
Capital work-in-progress		<b>869,907</b>	223,397
Intangible assets	13.1	<b>1,231,415</b>	1,171,446
		<b>2,101,322</b>	1,394,843

## 13.1 Intangible Assets

### At January 1, 2022

Cost	2,913,953	1,870,623	1,041	655,146	-	5,440,763
Accumulated amortisation and impairment	(2,913,953)	(1,261,730)	(1,041)	(92,593)	-	(4,269,317)
Net book value	-	608,893	-	562,553	-	1,171,446

### Year ended December 2022

Opening net book value	-	608,893	-	562,553	-	1,171,446
Additions:						
- developed internally	-	57,315	-	-	-	57,315
- through acquisitions / purchase	-	296,952	-	-	-	296,952
Adjustments - addition	-	28,750	-	-	-	28,750
Amortisation charge	-	(365,818)	-	-	-	(365,818)
Exchange rate adjustments	-	42,770	-	-	-	42,770
Closing net book value	-	668,862	-	562,553	-	1,231,415

### At December 31, 2022

Cost	2,913,953	2,296,410	1,041	655,146	-	5,866,550
Accumulated amortisation and impairment	(2,913,953)	(1,627,548)	(1,041)	(92,593)	-	(4,635,135)
Net book value	-	668,862	-	562,553	-	1,231,415

Rate of amortisation (percentage)	33.33 % on cost	33.33 % on cost	33.33 % on cost	Nil	Nil	
Useful life	3 years	3 years	3 years			

### At January 1, 2021

Cost	2,913,953	1,499,470	1,041	655,146	4,774	5,074,384
Accumulated amortisation and impairment	(2,913,953)	(1,041,912)	(1,041)	(92,593)	(2,742)	(4,052,241)
Net book value	-	457,558	-	562,553	2,032	1,022,143

### Year ended December 2021

Opening net book value	-	457,558	-	562,553	2,032	1,022,143
Additions:						
- developed internally	-	39,043	-	-	-	39,043
- directly purchased	-	305,012	-	-	-	305,012
Adjustments - addition	-	223,556	-	-	-	223,556
Disposals	-	(69,040)	-	-	-	(69,040)
Amortisation charge	-	(428,807)	-	-	-	(428,807)
Amortisation adjustment - disposal	-	68,406	-	-	-	68,406
Other adjustments - cost	-	(127,418)	-	-	(4,774)	(132,192)
Other adjustments - amortization	-	140,583	-	-	2,742	143,325
Closing net book value	-	608,893	-	562,553	-	1,171,446

### At December 31, 2021

Cost	2,913,953	1,870,623	1,041	655,146	-	5,440,763
Accumulated amortisation and impairment	(2,913,953)	(1,261,730)	(1,041)	(92,593)	-	(4,269,317)
Net book value	-	608,893	-	562,553	-	1,171,446

Rate of amortisation (percentage)	33.33 % on cost	33.33 % on cost	33.33 % on cost	Nil	Nil	
Useful life	3 years	3 years	3 years			



## Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

- 13.2** For the purpose of impairment testing of goodwill, management has considered discounted cash flow method using cost of equity of 20% and terminal growth of 4.0% considering five years cash flows. Further, discount for lack of marketability is also considered at the rate of 20%. Other key assumption used in the method are management fees, growth rates on asset under management keeping in view of industry growth, expenses based on the historic growth trends, short term investment with the assumption of reinvestment and discount rate which is based on risk free rate, sector beta and market equity risk premium.

For the past 5 years, the company has provided sustainable profitability. As a result, the recoverable amount exceeds the carrying value as at December 31, 2022, therefore, management did not identify any impairment.

	2022	2021
	------(Rupees in '000)-----	
<b>13.3</b> The cost of fully amortised intangible assets that are still in use.		
Core Banking Application	2,913,952	2,913,952
Computer software	873,310	430,570
Website	1,041	1,041
	<b>3,788,303</b>	<b>3,345,563</b>
<b>14. RIGHT OF USE ASSETS</b>		
Opening balance	7,090,980	7,017,020
Additions during the year	2,421,546	2,201,551
Derecognition during the year	(19,860)	(37,767)
Depreciation charged for the year	(2,306,599)	(2,089,824)
<b>Closing balance</b>	<b>7,186,067</b>	<b>7,090,980</b>

### 15. DEFERRED TAX ASSETS

	2022		
	At January 1, 2022	Recognised in profit and loss account	Recognised in other comprehensive income
			At December 31, 2022
	------(Rupees in '000)-----		

#### Deductible temporary differences on

- Tax losses carried forward
- Post retirement employee benefits
- Provision for diminution in the value of investments
- Provision against loans and advances
- Provision against off-balance sheet obligations
- Fixed assets
- Other provisions
- Right of use assets

10,705	-	-	10,705
5,072,768	34,236	2,360,545	7,467,549
236,751	-	-	236,751
10,457,938	2,467,259	-	12,925,197
115,222	-	-	115,222
1,079,805	315,919	-	1,395,724
107,841	-	-	107,841
502,538	168,066	-	670,604
<b>17,583,568</b>	<b>2,985,480</b>	<b>2,360,545</b>	<b>22,929,593</b>

#### Taxable temporary differences on

- Surplus on revaluation of fixed assets
- Excess of accounting book value of leased assets over lease liabilities
- Surplus on revaluation of investments
- Surplus on revaluation of non-banking assets
- Exchange translation reserve

(2,446,324)	149,134	(671,197)	(2,968,387)
796	(8,655)	(31)	(7,890)
(12,715,501)	82	15,924,335	3,208,916
(52,732)	-	30,980	(21,752)
(466,996)	-	(267,254)	(734,250)
<b>(15,680,757)</b>	<b>140,561</b>	<b>15,016,833</b>	<b>(523,363)</b>
<b>1,902,811</b>	<b>3,126,041</b>	<b>17,377,378</b>	<b>22,406,230</b>

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

2021			
At January 1, 2021	Recognised in profit and loss account	Recognised in other comprehensive income	At December 31, 2021
------(Rupees in '000)-----			
Deductible temporary differences on			
- Tax losses carried forward	10,705	-	10,705
- Post retirement employee benefits	4,188,201	13,272	5,072,768
- Provision for diminution in the value of investments	236,751	-	236,751
- Provision against loans and advances	9,084,601	1,373,337	10,457,938
- Provision against off-balance sheet obligations	115,222	-	115,222
- Fixed assets	1,025,894	53,911	1,079,805
- Other provision	105,416	2,425	107,841
- Right of use assets	-	502,538	502,538
- Others	3,058	(3,058)	-
	14,769,848	1,942,425	17,583,568
Taxable temporary differences on			
- Surplus on revaluation of fixed assets	(2,298,739)	123,756	(2,446,324)
- Excess of accounting book value of leased assets over lease liabilities	(12,680)	11,581	796
- Surplus on revaluation of investments	(15,346,840)	(82)	(12,715,501)
- Surplus on revaluation of non-banking assets	(44,713)	-	(52,732)
- Exchange translation reserve	-	-	(466,996)
	(17,702,972)	135,255	(15,680,757)
	(2,933,124)	2,077,680	1,902,811

## 16. OTHER ASSETS

Note	2022	2021
------(Rupees in '000)-----		
Income / return / mark-up accrued in local currency - net of provision	99,446,324	41,787,103
Income / return / mark-up accrued in foreign currency - net of provision	4,012,820	2,842,699
Advances, deposits, advance rent and other prepayments	3,176,299	4,047,973
Advance taxation (payments less provisions) and Income tax refunds receivable	11,063,715	12,983,211
Compensation for delayed tax refunds	20,809,580	19,221,431
Non-banking assets acquired in satisfaction of claims	1,179,943	1,195,660
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)	208,423	208,423
Mark to market gain on forward foreign exchange contracts	-	3,058,205
Acceptances	20,644,122	10,311,259
Commission receivable on Government treasury transactions	5,253,389	5,006,019
Stationery and stamps on hand	437,900	470,402
Barter trade balances	195,399	195,399
Receivable on account of Government transactions	323,172	323,172
Receivable from Government under VHS scheme	418,834	418,834
Receivable against sale / purchase of shares	823,140	435,422
Receivable from Pakistan Stock Exchange	173,941	159,949
Receivable from mutual funds	985,894	896,162
Others	8,312,213	7,718,051
	177,465,108	111,279,374
Less: Provision held against other assets	12,244,043	11,709,318
Other assets (net of provision)	165,221,065	99,570,056
Surplus on revaluation of non-banking assets acquired in satisfaction of claims	2,520,000	2,863,886
<b>Other assets - total</b>	<b>167,741,065</b>	<b>102,433,942</b>

## Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

- 16.1** This includes Rs. 1,400 million (2021: Rs. 2,800 million) advance against Pre-IPO placement of Term Finance Certificates and REIT Fund
- 16.2** This represents amount receivable from GoP on account of encashment of various instruments handled by the Group for GoP as an agent of the SBP. Due to uncertainty about its recoverability, full amount has been provided for.
- 16.3** This represents payments made under the Voluntary Handshake Scheme (VHS), recoverable from GoP. Due to uncertainty about its recoverability, full amount has been provided for.

	2022 ------(Rupees in '000)-----	2021 ------(Rupees in '000)-----
<b>16.4</b> Market value of Non-banking assets acquired in satisfaction of claims	<b>3,699,943</b>	4,059,546

An independent valuation of the Bank's non-banking assets was performed by an independent professional valuer to determine the fair value of the assets as at December 31, 2022. The valuation was carried out by RBS Associates (Private) Limited (PBA registered valuer) on the basis of an assessment of present market values.

	2022 ------(Rupees in '000)-----	2021 ------(Rupees in '000)-----
<b>16.4.1 Non-banking assets acquired in satisfaction of claims</b>		
Opening balance	4,059,546	3,968,329
(Deficit) / surplus	(343,886)	106,679
Depreciation	(15,717)	(15,462)
Closing Balance	<b>3,699,943</b>	4,059,546
<b>16.5 Provision held against other assets</b>		
Income / mark-up accrued in local currency	152,607	152,607
Advances, deposits, advance rent and other prepayments	837,949	837,949
Stationery and stamps on hand	96,542	96,542
Barter trade balances	195,399	195,399
Receivable on account of Government transactions	323,172	323,172
Receivable from Government under VHS scheme	418,834	418,834
Protested bills	4,297,516	4,164,485
Ex-MBL / NDFC	770,398	770,398
Assets acquired from Corporate and Industrial Restructuring Corporation asset (CIRC)	208,423	208,423
Others	4,943,203	4,541,509
	<b>12,244,043</b>	11,709,318
<b>16.5.1 Movement in provision held against other assets</b>		
Opening balance	11,709,318	11,882,119
Charge for the year	562,955	70,781
Adjustment against provision	(28,230)	(243,582)
Closing balance	<b>12,244,043</b>	11,709,318

- 16.6** During the year, the Bank has adjusted an amount of Rs. 7,475 million (2021: Rs. 11,322 million) against its advance tax liability and demand of previous tax year against income tax refunds receivables. Further, refunds amounting to Rs. 5,404 million were also determined.



# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	Note	2022 ------(Rupees in '000)-----	2021 -----
<b>17. BILLS PAYABLE</b>			
In Pakistan		54,969,587	21,775,348
Outside Pakistan		298,432	72,922
		<b>55,268,019</b>	<b>21,848,270</b>
<b>18. BORROWINGS</b>			
<b>Secured</b>			
Borrowings from State Bank of Pakistan			
Under Export Refinance Scheme	18.2	38,217,784	34,250,502
Financing Scheme for Renewable Energy	18.3	1,019,611	740,493
Refinance Facility for Modernization of SMEs	18.4	43,824	130,288
Financing Facility for storage of Agriculture Produce (FFSAP)	18.5	667,327	526,479
Under Long Term Financing Facility (LTFF)	18.6	20,254,808	19,465,068
Refinance Scheme for Payment of Wages and Salaries	18.7	35,950	566,315
Temporary Economic Refinance Facility	18.8	24,126,421	12,122,947
Refinance Facility for Combating Covid-19	18.9	66,159	79,976
		<b>84,431,884</b>	<b>67,882,068</b>
Repurchase agreement borrowings	18.10	1,826,206,763	126,810,340
Bai Muajjal		-	72,195,209
<b>Total secured</b>		<b>1,910,638,647</b>	<b>266,887,617</b>
<b>Unsecured</b>			
Call borrowings	18.10	25,810,145	46,011,009
Overdrawn nostro accounts		-	26,480
Bai Muajjal		4,036,995	-
<b>Total unsecured</b>		<b>29,847,140</b>	<b>46,037,489</b>
		<b>1,940,485,787</b>	<b>312,925,106</b>
<b>18.1 Particulars of borrowings with respect to currencies</b>			
In local currency		1,923,848,931	275,739,772
In foreign currencies		16,636,856	37,185,334
		<b>1,940,485,787</b>	<b>312,925,106</b>

## Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

- 18.2** The Bank has entered into an agreement with the SBP for extending export finance to customers. As per the terms of the agreement, the Bank has granted the SBP the right to recover the outstanding amounts from the Bank at the date of maturity of the finances by directly debiting the Bank's current account maintained with the SBP. These borrowings are repayable within 180 days. These carry mark-up at rates ranging from 0% to 12.00% (2021: 2.00%) per annum.
- 18.3** These borrowings have been obtained from the SBP for providing financing facilities to address challenges of energy shortage and climate change through promotion of renewable energy. These borrowings shall be repayable for a maximum period of twelve (12) years. These carry mark-up at rates ranging from 2.00% to 3.00% (2021: 2.00% to 3.00%) per annum.
- 18.4** These borrowings have been obtained from the SBP under a scheme to finance modernization of Small and Medium Enterprises by providing financing facilities for setting up of new units, purchase of new plant and machinery for Balancing, Modernization and Replacement (BMR) of existing units and financing for import / local purchase of new generators upto a maximum capacity of 500 KVA. These borrowings shall be repayable for a maximum period of ten years and carry mark-up at rates upto 2.00% (2021: 6.00%) per annum.
- 18.5** These borrowings have been obtained from the SBP for providing financing facilities to develop the agricultural produce marketing and enhance storage capacity, to encourage Private Sector to establish Silos, Warehouses and Cold Storages. These borrowings shall be repayable for a maximum period of ten years. These carry mark-up at rates ranging from 2.5% to 3.5% (2021: 2.5% to 3.5%) per annum.
- 18.6** These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These borrowings shall be repayable for a maximum period of ten years. These carry mark-up at rates ranging from 2.00% to 4.00% (2021: 1.50% to 3.00%) per annum.
- 18.7** These borrowings have been obtained from the SBP with a view to support businesses to continue payment of wages and salaries to their workers and employees in the aftermath corona virus (COVID-19) outbreak. These borrowings are repayable for a maximum period of 2.5 years. These carry mark-up at rates ranging from 1.00% to 2.00% (2021: 1.00% to 2.00%) per annum.
- 18.8** These borrowings have been obtained from the SBP under a scheme to provide concessionary refinance for setting up new industrial units in the backdrop of challenges faced by the industries during the pandemic. These borrowings are repayable for a maximum period of 10 years. These carry mark-up at rates ranging at 3.00% (2021: 3.00%) per annum.
- 18.9** These borrowings have been obtained from the SBP with a view to provide long term local currency finance for imported and locally manufactured medical equipment to be used for combating COVID – 19. The facility will be available to all the Hospitals and Medical Centres duly registered with respective provincial / federal agencies / commissions and engaged in controlling & eradication of COVID – 19. These borrowings are repayable for a maximum period of 5 years. These carry mark-up at rates at 0.00% (2021: 0.00%) per annum.
- 18.10** Mark-up / interest rates and other terms are as follows:
- Repurchase agreement borrowings carry mark-up ranging from 15.2% to 17% per annum (2021: 9.7% to 10.21% per annum) having maturity on January 03, 2023 to March 03, 2023.
  - Call borrowings carry interest ranging from 3% to 16.5% per annum (2021: 0.63% to 4.15% per annum).
- 18.11** Bai Muajjal borrowings carry mark-up rate of 16.42% per annum (2021: Nil) having maturity on January 03, 2023.
- 18.12** Borrowings from the SBP under export oriented projects refinance schemes of the SBP are secured by the Bank's cash and security balances held by the SBP.
- 18.13** Pakistan Investment Bonds and Market Treasury Bills having maturity of 2 - 10 Years and 3 - 12 Months respectively, are pledged as security under borrowing having carrying amount of Rs. 1,826,206 million (2021: Rs.126,810 million).

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

## 19. DEPOSITS AND OTHER ACCOUNTS

	2022			2021		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
Note	----- (Rupees in '000) -----					
<b>Customers</b>						
Current deposits - remunerative	733,037,562	-	733,037,562	648,854,267	-	648,854,267
Current deposits - non-remunerative	408,169,670	159,575,493	567,745,163	476,510,388	145,931,064	622,441,452
Savings deposits	681,287,543	108,029,851	789,317,394	675,591,525	79,434,496	755,026,021
Term deposits	400,618,865	116,541,863	517,160,728	400,905,240	70,853,064	471,758,304
Others	9,563,715	7,855	9,571,570	-	6,463	6,463
	2,232,677,355	384,155,062	2,616,832,417	2,201,861,420	296,225,087	2,498,086,507
<b>Financial Institutions</b>						
Current deposits	5,795,356	3,492,893	9,288,249	444,904,430	1,169,235	446,073,665
Savings deposits	15,190,328	2,924,782	18,115,110	7,075,299	3,842,651	10,917,950
Term deposits	9,716,964	6,442,283	16,159,247	21,470,450	5,760,597	27,231,047
Others	4,878,234	-	4,878,234	35,838,540	-	35,838,540
	35,580,882	12,859,958	48,440,840	509,288,719	10,772,483	520,061,202
19.3	2,268,258,237	397,015,020	2,665,273,257	2,711,150,139	306,997,570	3,018,147,709

### 19.1 Composition of deposits

	2022	2021
	----- (Rupees in '000) -----	
Individuals	990,051,893	1,032,316,946
Government (Federal and Provincial)	1,101,408,344	931,199,067
Public Sector Entities	244,103,310	279,984,059
Banking Companies	20,352,975	460,090,410
Non-Banking Financial Institutions	28,087,865	59,970,792
Private Sector	281,268,870	254,586,435
	2,665,273,257	3,018,147,709

19.2 Foreign currencies deposits include deposit of foreign branches amounting to Rs. 75,917 million (2021: Rs. 75,485 million).

19.3 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 870,538 million (2021: Rs. 1,132,236 million) including islamic branches.

## 20. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2022			2021		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
	----- (Rupees in '000) -----					
Not later than one year	55,683	10,935	44,748	83,418	5,302	78,116
Later than one year and upto five years	85,093	8,388	76,705	57,804	2,322	55,482
Over five years	-	-	-	-	-	-
	140,776	19,323	121,453	141,222	7,624	133,598



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For the year ended December 31, 2022

The Group has entered into lease agreements with various financial institutions for lease of vehicles. Lease rentals are payable in monthly installments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rate of 6M KIBOR + 1.5% per annum (2021: 6M KIBOR + 1.5% per annum). At the end of lease term, the Group has option to acquire the assets, subject to adjustment of security deposits.

		2022	2021
	Note	------(Rupees in '000)-----	
<b>21. LEASE LIABILITIES AGAINST RIGHT-OF-USE ASSETS</b>			
Lease liabilities included in the statement of financial position As at December 31		<b>8,761,015</b>	<b>8,360,755</b>
Of which are:			
Current lease liability		<b>1,734,848</b>	1,646,939
Non-current lease liability		<b>7,026,167</b>	6,713,816
		<b>8,761,015</b>	<b>8,360,755</b>
<b>Maturity analysis - contractual undiscounted cashflows</b>			
Less than one year		<b>2,557,743</b>	2,379,333
One to five years		<b>6,963,768</b>	6,387,263
More than five years		<b>7,969,041</b>	6,504,031
Total undiscounted lease liabilities as at December 31,		<b>17,490,552</b>	<b>15,270,627</b>
<b>22. OTHER LIABILITIES</b>			
Mark-up / Return / Interest payable in local currency		<b>126,228,969</b>	48,801,768
Mark-up / Return / Interest payable in foreign currency		<b>655,802</b>	384,638
Unearned commission and income on bills discounted		<b>271,126</b>	440,231
Accrued expenses		<b>13,955,633</b>	21,168,039
Advance payments		<b>372,406</b>	387,576
Acceptances		<b>20,644,122</b>	10,311,259
Unclaimed dividends		<b>181,851</b>	181,997
Mark to market loss on forward foreign exchange contracts		<b>125,371</b>	-
Unrealised loss on put option		-	306,339
Branch adjustment account		<b>1,916,850</b>	1,342,640
Payable to defined benefit plan:			
Pension fund	40.4	<b>23,063,894</b>	17,834,945
Post retirement medical benefits	40.4	<b>29,176,898</b>	24,516,717
Benevolent scheme	40.4	<b>1,697,838</b>	1,778,825
Gratuity scheme	40.4	<b>4,100,617</b>	3,467,939
Compensated absences	40.4	<b>8,734,235</b>	9,952,554
Provision against off-balance sheet obligations		<b>627,494</b>	627,494
Provision against contingencies	22.1	<b>4,170,799</b>	3,805,376
Staff welfare fund		<b>371,257</b>	371,257
Liabilities relating to barter trade agreements		<b>3,629,389</b>	3,006,122
Payable to brokers		<b>350,446</b>	155,001
Payable to customers		<b>940,854</b>	781,522
PIBs shortselling		<b>11,043,029</b>	34,144,415
Others		<b>19,297,251</b>	16,829,474
		<b>271,556,131</b>	<b>200,596,128</b>

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	Note	2022 ------(Rupees in '000)-----	2021 ------(Rupees in '000)-----
<b>22.1 Provision against contingencies</b>			
Opening balance		3,805,376	4,180,071
Charge during the year		165,423	53,239
Other movement		200,000	200,000
Adjustment		-	(627,934)
Closing balance	22.1.1	<u>4,170,799</u>	<u>3,805,376</u>

22.1.1 This represents provision made on account of regulatory violations and reported instances of financial improprieties for which investigations are in progress.

## 23. SHARE CAPITAL

### 23.1 Authorized Capital

2022 ------(Number of shares)-----	2021 ------(Number of shares)-----		2022 ------(Rupees in '000)-----	2021 ------(Rupees in '000)-----
<u>2,500,000,000</u>	<u>2,500,000,000</u>	Ordinary shares of Rs. 10 each	<u>25,000,000</u>	<u>25,000,000</u>

### 23.2 Issued, subscribed and paid up

2022 ------(Number of shares)-----	2021 ------(Number of shares)-----		2022 ------(Rupees in '000)-----	2021 ------(Rupees in '000)-----
<u>140,388,000</u>	<u>140,388,000</u>	Ordinary shares	<u>1,403,880</u>	<u>1,403,880</u>
<u>1,987,125,026</u>	<u>1,987,125,026</u>	Fully paid in cash	<u>19,871,251</u>	<u>19,871,251</u>
<u>2,127,513,026</u>	<u>2,127,513,026</u>	Issued as bonus shares	<u>21,275,131</u>	<u>21,275,131</u>

The Federal Government and the SBP hold 75.60% (2021: 75.60%) shares of the Bank.

	2022 ------(Number of shares)-----	2021 ------(Number of shares)-----
<b>23.3 Shares of the Bank held by subsidiary and associate</b>		
Following shares were held by the associate of the Bank as of year end:		
First Credit & Investment Bank Limited	<u>70,000</u>	<u>70,000</u>
	<u>70,000</u>	<u>70,000</u>

## 24. RESERVES

### 24.1 Exchange translation reserve

This comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

### 24.2 Statutory reserve

Every bank incorporated in Pakistan is required to transfer 20% of their profits to a statutory reserve until the reserve equals share capital, thereafter 10% of the profits of the Bank are to be transferred to this reserve.

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

## 24.3 General loan loss reserve

During the year ended December 31, 2022, the Board of Directors in their meeting held on April 23, 2022 have approved transfer of Rs. 8 billion from general loss reserve to unappropriated profit.

## 25. SURPLUS ON REVALUATION OF ASSETS

Surplus / (deficit) on revaluation of :

	Note	2022 ------(Rupees in '000)-----	2021 ------(Rupees in '000)-----
- Available for sale securities	10.1	(7,455,191)	32,617,936
- Fixed Assets	25.1	48,590,472	45,168,797
- Non-banking assets acquired in satisfaction of claims	25.2	2,520,000	2,863,886
- On securities of associates and joint venture		(1,507,560)	(349,787)
		<b>42,147,721</b>	<b>80,300,833</b>

Deferred tax on surplus on revaluation of:

- Available for sale securities		3,208,915	(12,715,419)
- Fixed Assets	25.1	(3,061,347)	(2,537,701)
- Non-banking assets acquired in satisfaction of claims	25.2	(21,752)	(52,732)
		<b>125,816</b>	<b>(15,305,852)</b>
		<b>42,273,537</b>	<b>64,994,980</b>

### 25.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets as at January 1		44,320,452	44,882,399
Recognised during the year		3,691,785	-
Realised on disposal during the year - net of deferred tax		-	(220,819)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		(197,684)	(208,088)
Adjustment		68,260	-
Related deferred tax liability on incremental depreciation charged during the year		(149,130)	(133,040)
Surplus on revaluation of fixed assets as at December 31		<b>47,733,683</b>	<b>44,320,452</b>
Less: related deferred tax liability on:			
- revaluation as at January 1		(2,537,701)	(2,396,819)
- revaluation recognised during the year		(412,499)	-
- rate adjustment		(260,277)	(273,922)
- incremental depreciation charged during the year		149,130	133,040
		<b>(3,061,347)</b>	<b>(2,537,701)</b>
Share of surplus on revaluation of fixed assets of associates and joint venture		<b>856,789</b>	<b>848,345</b>
		<b>45,529,125</b>	<b>42,631,096</b>

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	Note	2022 ------(Rupees in '000)-----	2021
<b>25.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims</b>			
Surplus on revaluation as at January 1		2,863,886	2,757,207
(Deficit) / surplus recognised during the year		(343,886)	106,679
Surplus on revaluation as at December 31		2,520,000	2,863,886
Less: related deferred tax liability on:			
- revaluation as at January 1		(52,732)	(44,713)
- revaluation recognised during the year		42,022	(8,019)
- Rate adjustment		(11,042)	-
		(21,752)	(52,732)
		2,498,248	2,811,154
<b>26. CONTINGENCIES AND COMMITMENTS</b>			
Guarantees	26.1	377,561,372	261,356,068
Commitments	26.2	2,373,285,184	2,213,570,534
Other contingent liabilities	26.3	26,619,691	36,196,804
		2,777,466,247	2,511,123,406
<b>26.1 Guarantees:</b>			
Financial guarantees		287,741,990	197,024,912
Performance guarantees		89,819,382	64,331,156
		377,561,372	261,356,068
<b>26.2 Commitments:</b>			
Documentary credits and short-term trade-related transactions			
- letters of credit		1,696,635,726	1,582,757,532
Commitments in respect of:			
- forward foreign exchange contracts	26.2.1	570,881,591	571,111,340
- forward government securities transactions	26.2.2	54,568,834	38,255,954
- forward lending	26.2.3	50,363,949	20,618,971
Commitments for acquisition of:			
- operating fixed assets		798,234	826,737
Other commitments	26.2.4	36,850	-
		2,373,285,184	2,213,570,534
<b>26.2.1 Commitments in respect of forward foreign exchange contracts</b>			
Purchase		368,380,755	337,970,120
Sale		202,500,836	233,141,220
		570,881,591	571,111,340

Commitments for outstanding forward foreign exchange contracts are disclosed in these consolidated financial statements at contracted rates. Commitments denominated in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the statement of financial position date.



## Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	2022	2021
	------(Rupees in '000)-----	
<b>26.2.2 Commitments in respect of forward government securities transactions</b>		
Purchase	10,988,627	30,218,032
Sale	43,580,207	8,037,922
	<b>54,568,834</b>	<b>38,255,954</b>

Commitments for outstanding forward government securities transactions are disclosed in these consolidated financial statements at contracted rates.

	2022	2021
	------(Rupees in '000)-----	
<b>26.2.3 Commitments in respect of forward lending</b>		
Undrawn formal standby facilities, credit lines and other commitments to lend	<b>50,363,949</b>	<b>20,618,971</b>

These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the bank without the risk of incurring significant penalty or expense.

	2022	2021
	------(Rupees in '000)-----	
<b>26.2.4 Other commitments</b>		
Professional services to be received	<b>36,850</b>	-

### 26.3 Other contingent liabilities

<b>26.3.1</b>	Claim against the Group not acknowledged as debt	<b>26,619,691</b>	<b>36,196,804</b>
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**26.3.2** Claims against the Group not acknowledged as debts including claims relating to former Mehran Bank Limited amounting to Rs. 1,597 million (2021: Rs. 1,597 million).

### 26.3.3 Taxation

Tax returns of the Bank have been filed up to tax year 2022 and amended by tax authorities up to tax year 2021. For Azad Kashmir and Gilgit Baltistan branches no amendment to returns filed under section 120 of the Ordinance has been made, hence returns filed are deemed assessments for all the years till tax year 2022.

- During the period under review the appeals for tax years 2006 and 2007 have been decided against the Bank by CIR(Appeals) and the Bank has filed further appeal before ATIR on legal grounds u/s 161 of The Ordinance. The Tax Advisor is confident that the ultimate outcome of the proceeding will be decided in the Bank's favor. Amount of contingency involved is Rs. 1,032 million and Rs. 1,395 million respectively.
- Honourable Tribunal has decided the appeals filed by the Bank for tax years 2009, 2010 and 2016 for which appeal effect orders have also been issued determining tax refund of Rs. 948 million, Rs. 815 million in 2009 and 2010 respectively. Whereby for tax year 2016, the department has created demand of Rs. 118 million which has been adjusted against tax refunds of tax year 2018.
- Honourable CIR(Appeals) through judgement dated December 31, 2021 has decided the appeal filed by the Bank for tax year 2018 in favor of the Bank for which appeal effect order has been issued determining refund of Rs. 1,199 million.
- Honourable CIR(Appeals) has decided the appeals filed by the Bank for tax years 2019 and 2020 partially allowing relief to the Bank. The Bank filed further appeal before ATIR which is pending. The bank has shown additional tax

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liability of Rs. 1,773 million and Rs. 4,298 million for the year 2019 and 2020 respectively as contingency based on the tax consultant's expectations that the issue would be decided in the bank's favor.

- e) Honourable CIR(Appeals) through its recent judgement for tax year 2021 dated December 21, 2022 has decided appeal filed by the Bank confirming the Order of assessing officer. The Bank intends to file appeal before ATIR on legal and factual grounds. The bank has shown additional tax liability of Rs. 3,757 million as contingency based on the tax consultant's expectations that the issue would be decided in the bank's favor.
- f) The aggregate effect of contingencies as on December 31, 2022, excluding amount of Rs. 1,912 million (December 31, 2021: Rs. 2,096 million) in respect of indirect tax issues, amounts to Rs. 15,419 million (December 31, 2021: Rs. 17,983 million). No provision has been made against these contingencies, based on the opinion of tax consultant of the Bank, who expect favorable outcome upon decisions of pending appeals.

## 26.3.4 Contingencies in respect of employees benefits and related matters

The following are the details of the contingencies arising out of the various legal cases pending adjudication in respect of employees' benefits and related matters. The Group considers that except for Pensionary benefits note 26.3.4.1, the financial impact of other matters is impracticable to determine with sufficient reliability.

### 26.3.4.1 Pensionary benefits to retired employees

In 1977 the Federal Government vide letter No. 17 (9) 17 XI / 77 dated November 30, 1977, addressed to the Pakistan Banking Council, directed that all executives / officers of all the nationalized banks would be paid pension as calculated at 70% of average emoluments upon completion of 30 years of qualifying service of employees and where qualifying service was less than 30 years but not less than 10 years, proportionate reduction in percentage was to be made. This pension scheme was made applicable with effect from May 01, 1977.

In the year 1997, the Banks Nationalization Act, 1974 ("BNA, 1974") was substantially amended whereby the Pakistan Banking Council was abolished and the Board of Directors of the nationalized banks were empowered / mandated respectively to determine personnel policies with the President of the Bank deciding the remuneration and benefits of the employees in accordance with policies determined by the Board. In the year 1999, by virtue of the said amendments in BNA, the Board of Directors of the Bank approved the Revised Pay Structure for the officers / executives of the Bank with effect from January 01, 1999 vide Circular No. 37/1999, whereby the basic salary was increased by 110 % to 140% and besides giving multifarious benefits to its employees, formula for monthly gross pension was revised. However, the amount of gross pension on the basis of existing Basic Pay and existing formula was protected.

A number of Bank's employees, after attaining the age of superannuation filed Writ Petitions before the Lahore High Court and the Peshawar High Court, praying for re-calculation of their pensionary benefits and increases in accordance with the Bank Circular No. 228 (C) dated December 26, 1977 and furthermore, for allowing the increases in their pension as per the increases allowed by the Federal Government to its employees. This litigation started in the year 2010 and 2011.

The Peshawar High Court, in terms of judgment dated June 03, 2014, dismissed the petition while observing that the petition was hit by laches and that the petitioners could not claim the benefits granted to the similarly placed employees of other institutions who were governed through different Statutes and Service Rules.

The Lahore High Court vide its judgement dated January 15, 2016, allowed the Writ Petitions on the same matter and the Bank was directed to release the pensionary benefits of the petitioners. The said order was assailed by the Bank by filing Intra Court Appeals in January 2016 which were dismissed by the Lahore High Court, Lahore, through its judgement dated January 16, 2017. The Bank assailed the said judgement by filing appeals in the Supreme Court of Pakistan.

The Honorable Supreme Court of Pakistan after hearing the arguments of both parties, vide its judgement dated September 25, 2017 upheld the decision of the Division Bench of the Lahore High Court on the contention of increase in Bank's employees' pension, thereby instructing the Bank to give pension benefits to its employees in the light of Head Office Instruction Circular No. 228 (C) of 1977. Under this Circular, the pension of employees was to be calculated at 70% of average emoluments upon completion of minimum qualifying service requirement, besides requiring the Bank to follow

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subsequent revisions in pension scheme and rates granted by the Federal Government to civil servants from time to time as well.

The Bank as well as Federal Government filed review petitions against the aforesaid judgment of the Honorable Supreme Court of Pakistan and also made an application for constitution of larger bench of the Supreme Court to hear the review petition, which was reportedly accepted by the Chief Justice. However on March 18, 2019, the matter came up for hearing before a three member Bench instead of a larger bench. As advised by our legal counsels, the Bank considers that due to conflicting decision of the other bench of the Supreme Court in a case which, in all material facts and circumstances, is identical to the Bank's case and various other legal infirmities in the judgement as highlighted by the Bank in its Review Petition, the Bank has a reasonably strong case on legal grounds to convince the Supreme Court for review of its decision. The Review Petition is ongoing and is expected to be listed for hearing soon.

A related matter has also been appealed in the Supreme Court where the petitioners have asked for increases in pension in accordance with government increases in Pension for Government employees which is pending adjudication and a favorable outcome is expected.

In case the above matters are decided unfavorably, the Bank estimates based on the actuarial advice that the financial impact arising from the additional liability would be approximately Rs. 89.7 billion excluding any penal interest / profit payment (if any) due to delayed payment Pension expense for the current year and onward will also increase by Rs.12.1 billion due to this decision. Based on the opinion of legal counsel, no provision has been made in these consolidated financial statements for the above-mentioned amount as the Bank is confident about the favorable outcome of the matter.

### 26.3.4.2 Regularizing the temporary hires / workers deployed by Service provider companies under outsourcing arrangements

The Bank outsourced certain non-core jobs to various service provider companies after entering into contracts with them. The resources deployed by the service provider companies were their employees and the said companies have had sole administrative control over these resources. Some of these resources filed writ petitions before the High Courts and National Industrial Relations Commission (NIRC) seeking to be absorbed by the Bank in its regular service based on grounds that they were in fact employees of the Bank. Presently, there are 6 cases on appeal pending at the Supreme Court where these have been clubbed to be heard as one. The Chief Justice of Pakistan has constituted a larger bench comprising of five Judges being headed by himself for adjudication. The case is ongoing and is presently adjourned for a date to be fixed. A favorable outcome of this case is expected.

### 26.3.4.3 Litigation related to management trainee program

Treatment of Non-MTOs (regular employees) at Par with the MTOs (also appointed in regular cadres) - Litigation arising out of order dated September 21, 2016 passed by the Supreme Court in our CA No.1644/2013 out of our CPLA No. 805/2013 filed against order dated March 13, 2013 of the Division Bench of Sindh High Court, Sukkur in CP No. D-417/2010 (the "Decision").

Mr. Ashfaq Ali and three (3) others filed a CP No. D-417/2010 before the Sindh High Court, Bench at Sukkur while praying to treat them equally in respect of remunerations with other employees (MTOs) having same grade, nature of job and qualification.

The Honorable Division Bench at Sukkur, vide order dated March 13, 2013, directed the Bank to ensure equal treatment to the petitioners with similarly placed employees without any discrimination.

Certain employees filed petitions in the Honorable High Court of Peshawar who also gave its decision in favor of the petitioners. Review petition filed in the Honorable Supreme Court of Pakistan by the Bank was also dismissed.

Last year, the Bank entered into out of court settlements which have successfully been executed with many Non-MTO employees ('petitioners') and accordingly compromise agreements ('the agreement'), offering waiver of loans, increase in

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

basic salaries and provision of other allowances, were signed with those petitioners who have withdrawn their cases against the Bank. Simultaneously the Bank continues to make payments to claimants as per any court orders from time to time.

## 26.4 Foreign Exchange repatriation case

While adjudicating Foreign Exchange repatriation cases of exporter namely: M/s Fateh Textile Mills Limited, the Foreign Exchange Adjudicating Court of the State Bank of Pakistan has also adjudicated penalty of Rs. 1,020 million, arbitrarily on the Bank. The Bank has filed appeals before the Appellate Board and Constitutional Petitions in the Honorable High Court of Sindh against the said judgments. The Honorable High Court has granted relief to the Bank by way of interim orders.

As advised by our counsel, NBP has also filed a Constitutional Petition challenging the constitution of the Appellate Board by the Commission and has obtained restraining order on the ground that the Appellate Board constituted by the Commission lacks legal merit in the light of Supreme Court ruling. Our counsel, Mr. Raashid Anwar, Advocate has concluded his arguments in respect of the Foreign Exchange Regulation Appellate Board constitution. However, another petition filed by another company whereby challenging the constitutionality of the Competition Act was also tagged with the petitions filed by the banks.

Based on merits of the appeals management is confident that these appeals shall be decided in favor of the Bank and therefore, no provision has been made against the impugned penalty.

## 26.5 Compliance and risk matters relating to anti-money laundering at the New York Branch

**26.5.1** The New York Branch of NBP continues to make progress against the enforcement actions received in February 2022 from the Federal Reserve Bank and the New York State Department of Financial Services. The Branch has provided regular quarterly and half-yearly progress reporting to its regulators. The management and the Board of Directors continue to provide close oversight of the branches, remedial actions and are committed to ensure compliance with the conditions agreed in the enforcement actions. The management actions implemented by the Bank and Branch, and their associated validation by Internal Audit will be subject to review by the Branch's regulators.

**26.5.2** During the year ended December 31, 2019, a case was filed in the District Court for the Southern District of New York against the Bank by the relatives of several US citizens killed in Khost, Afghanistan, during a terrorist attack carried out at Camp Chapman, a US base. The complaint was later extended to several other random terrorist attacks carried out against US servicemen in Afghanistan by various terrorist organisations. The Bank was sued for its alleged role in knowingly facilitating, aiding and abetting, conspiring and providing material support and banking services to several notorious terrorist groups and terrorist fundraisers.

The plaintiff alleged that the Bank transferred funds by using its New York branch to convert the donations they received from outside Pakistan into U.S. dollars. It has been alleged that the Bank was in a position of knowing and preventing the money transfers.

In January 2021, the case was primarily dismissed on the grounds of its non-compliance with the drafting requirements of the civil procedures applicable. Further, three more amended complaints were filed and dismissed, and the fourth complaint was finally dismissed by the court pursuant to the Bank's Motion to Dismiss the case. The complainants had ultimately failed to state a preliminary case against the Bank as a result of the unsubstantiated and baseless nature of the complaints.

The plaintiffs have filed an appeal against the dismissal of the motion and NBP has filed its counter reply and the case is sub judice.

Based on the merits of the appeal, the management is confident that the appeal shall be decided in favour of the Bank and therefore, no provision has been made in these consolidated financial statements.



# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	Note	2022 ------(Rupees in '000)-----	2021 -----
<b>27. MARK-UP / RETURN / INTEREST EARNED</b>			
On:			
a) Loans and advances		141,345,000	87,349,028
b) Investments		348,343,571	139,163,731
c) Lendings to financial institutions		13,004,206	4,057,559
d) Balances with banks		883,138	1,481,927
		<b>503,575,915</b>	<b>232,052,245</b>
<b>28. MARK-UP / RETURN / INTEREST EXPENSED</b>			
Deposits		209,559,709	87,831,336
Borrowings		5,116,553	6,838,985
Cost of foreign currency swaps against foreign currency deposits / borrowings		10,026,057	8,018,491
Finance charge on lease liability against right of use assets		877,000	801,299
Securities sold under repurchase agreements		160,894,929	30,794,533
		<b>386,474,248</b>	<b>134,284,644</b>
<b>29. FEE AND COMMISSION INCOME</b>			
Branch banking customer fees		1,644,009	1,211,530
Consumer finance related fees		525,249	764,985
Card related fees (debit cards)		2,372,961	1,751,172
Credit related fees		399,736	273,464
Investment banking fees		767,814	769,417
Commission on trade		2,120,399	1,947,306
Commission on guarantees		742,496	459,515
Commission on cash management		53,907	95,276
Commission on remittances including home remittances		1,648,416	1,756,353
Commission on bancassurance		308,736	332,743
Commission on government transactions		10,506,945	8,408,285
Management Fee & Sale Load		1,307,353	1,239,014
Brokerage Income		72,177	123,673
Others		87,202	67,652
		<b>22,557,400</b>	<b>19,200,385</b>
<b>30. GAIN ON SECURITIES - NET</b>			
Realised	30.1	1,746,693	6,324,359
Unrealised - held for trading	10.1	(1,065,797)	(121,834)
Unrealised - Shortselling		442,320	-
		<b>1,123,216</b>	<b>6,202,525</b>
<b>30.1 Realised gain on:</b>			
Federal Government Securities		121,098	1,065,169
Shares and mutual funds		1,625,517	5,152,046
Ijarah Sukuks		-	10,809
Foreign Securities		78	96,335
		<b>1,746,693</b>	<b>6,324,359</b>

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

		2022	2021
Note		------(Rupees in '000)-----	
<b>31. OTHER INCOME</b>			
Rent on property		33,455	55,550
Gain on sale of fixed assets - net		17,005	71,702
Postal, SWIFT and other charges recovered / reversed		48,716	23,450
Claim from insurance company		-	4,355
Compensation for delayed tax refunds	31.1	1,588,150	1,664,879
Gain on derecognition on right of use assets		1,690	12,378
Tender money		576	2,082
Commission on IPS non-competitive bids		5,599	-
Gain on disposal of subsidiary and branch		67,007	-
Others		27,900	21,867
		<b>1,790,098</b>	<b>1,856,263</b>

**31.1** This represents compensation for delayed refunds determined under Section 171 of Income Tax Ordinance 2001.

		2022	2021
Note		------(Rupees in '000)-----	
<b>32. OPERATING EXPENSES</b>			
<b>Total compensation expenses</b>	32.1	<b>49,591,298</b>	37,750,321
<b>Property expense</b>			
Rent and taxes		1,149,827	820,046
Insurance	32.2	66,842	36,172
Utilities cost		2,176,886	1,383,562
Security (including guards)		3,654,635	2,914,689
Repair and maintenance (including janitorial charges)		1,158,187	913,269
Depreciation		458,220	476,940
Depreciation on non banking assets		15,717	15,462
Depreciation on Ijarah assets		53,953	72,807
Depreciation on ROUA		2,306,599	2,089,824
		<b>11,040,866</b>	8,722,771
<b>Information technology expenses</b>			
Software maintenance		1,958,366	1,357,334
Hardware maintenance		121,317	90,654
Depreciation		393,592	366,707
Amortisation		365,818	428,807
Network charges		763,928	612,209
IT Manage Services		1,576,444	359,054
		<b>5,179,465</b>	3,214,765

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	Note	2022 ------(Rupees in '000)-----	2021 ------(Rupees in '000)-----
<b>Other operating expenses</b>			
Directors' fees and allowances		25,772	25,431
Directors' fees and allowances - subsidiaries		13,265	14,242
Fees and allowances to Shariah Board		16,667	12,563
Legal and professional charges		1,215,057	1,376,323
Outsourced services costs	32.3	702,378	641,428
Travelling and conveyance		1,287,738	826,568
NIFT clearing charges		218,640	177,432
Depreciation		1,561,239	1,700,068
Training and development		55,923	63,052
Postage and courier charges		314,401	222,069
Communication		580,056	372,283
Stationery and printing		1,359,965	1,344,782
Marketing, advertisement and publicity		936,407	371,405
Donations	32.4	109,076	9,197
Auditors' remuneration	32.5	246,015	188,304
Fixed Assets / Non-banking asset deficit		141,403	18,833
Financial charges on leased assets		72,086	44,317
Entertainment		273,283	270,757
Clearing charges, verification and licence fee		532,198	306,104
Subscription		1,125	1,278
Brokerage		105,290	134,916
Insurance general		572,536	467,891
Vehicle expenses		278,756	173,999
Deposit premium expense		1,813,582	1,571,107
Repairs and maintenance general		945,805	710,695
Others		397,992	326,271
		<b>13,776,655</b>	<b>11,371,315</b>
<b>Grand Total</b>		<b>79,588,284</b>	<b>61,059,172</b>
<b>32.1 Total compensation expense</b>			
Managerial Remuneration			
i) Fixed		15,919,747	8,340,084
ii) Variable			
of which;			
a) Cash Bonus / Awards etc.		5,158,442	4,513,291
Charge for defined benefit plan		8,354,267	7,406,457
Charge for defined benefit plan - Subsidiaries		72,269	55,445
Rent & house maintenance		5,980,507	5,415,505
Utilities		2,139,441	1,988,327
Medical		3,885,392	3,466,641
Conveyance		3,749,778	3,366,477
Club Membership & Subscription		140,451	197,923
Education Allowance		1,443,112	1,455,624
Insurance		485,749	350,235
Honorarium to Staff and Staff Welfare		262,284	208,592
Overtime		45,255	44,249
Special Duty Allowance		2,408	139
Washing Allowance		15,044	16,590
Key Allowance		71,914	72,813
Unattractive Area Allowance		61,969	56,898
Leave Encashment		12,967	9,775
Teaching Allowance		10,590	10,392
Incentive on CASA deposits mobilization		23,739	20,473
Meal Allowance		249,065	255,290
Liveries		62	1,265
Inflationary Allowance		840,224	-
Saturday Allowances		149,162	93,449
Severe Winter Allowance		54,659	50,849
Hill Allowance		35,176	28,825
ATM Cash Replenish Allowance		14,977	7,500
PhD Allowance		10,441	5,353
Other retirement benefits for international branches		85,969	79,772
Reimbursement of visa fees etc		13,620	8,155
Recruiting expenses		7,732	5,427
Leave Fare Assistance		-	17,983
Others		294,886	200,523
		<b>49,591,298</b>	<b>37,750,321</b>
		<b>49,591,298</b>	<b>37,750,321</b>

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

**32.2** This includes Rs. 3.442 million (2021: Rs.3.442 million) insurance premium against directors' liability insurance.

**32.3** Total cost for the year included in other operating expenses relating to outsourced activities is Rs. 702.4 million (2021: Rs. 640.8 million). Out of this cost, Rs. 693.2 million (2021: Rs. 631.7 million) pertains to the payment to companies incorporated in Pakistan and Rs. 9.1 million (2021: Rs. 9.1 million) pertains to payment to companies incorporated outside Pakistan. Total Cost of outsourced activities for the year given to related parties is Rs. Nil (2021: Rs. Nil). Outsourcing shall have the same meaning as specified in Annexure-I of BPRD Circular No. 06 of 2017. The material outsourcing arrangements along with their nature of services are as follows:

Name of Company	Nature of Services	2022 ------(Rupees in '000)-----	2021 ------(Rupees in '000)-----
HTECH Solutions (Private) Limited	Call center management	81,962	94,770
		<b>81,962</b>	<b>94,770</b>

During the year, outsourcing services were hired in respect of sales, call centre services, IT support, data entry, protocol services, collection services, janitorial & cleaning services and lift operator and engineering services.

**32.4** Donations include following amounts

Description	2022 ------(Rupees in '000)-----	2021 ------(Rupees in '000)-----
Prime Minister's Flood Relief Fund 2022	2,000	-
Family Educational Services Foundation (FESF)	17,000	-
Sanjan Nagar Public Education Trust (SNPET)	10,000	-
Layton Rahmatullah Benevolent Trust (LRBT)	5,000	-
Thardeep Microfinance Foundation (TMF)	6,000	-
Rural Community Development Programs (RCDP)	4,000	-
Prime Minister's Flood Relief Fund 2022	50,000	-
Namal Education Foundation (NEF)	5,197	5,197
Ghulam Ishaq Khan Institute of Engineering Sciences and Technology	9,879	-
The Patients' Behbud Society for AKUH	-	1,000
Pakistan Hindu Council	-	1,000
Tehzibul Akhlaq Trust	-	2,000
<b>Total</b>	<b>109,076</b>	<b>9,197</b>

**32.4.1** None of the Directors, Sponsor shareholders and Key Management Personnel or their spouse have an interest in the Donee.



## Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

Yousuf Adil	A.F. Ferguson & Co.	Total 2022	Total 2021
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### 32.5 Auditors' remuneration

(Rupees in '000)			
Audit fee	7,471	7,471	14,942
Review of interim financial statements	2,614	2,614	5,228
Fee for audit of domestic branches	6,072	6,072	12,144
	16,157	16,157	32,314
Special certifications	1,136	1,136	2,272
	17,293	17,293	34,586
Other special certifications and sundry advisory services	5,162	15,577	20,739
Sales Tax	2,406	3,718	6,124
Out-of-pocket expenses	4,500	4,500	9,000
	29,361	41,088	70,449
Fee for audit of overseas branches including advisory services and out-of-pocket expenses	-	-	171,960
Fee for audit of subsidiaries including out-of-pocket expenses	-	-	3,606
	29,361	41,088	246,015
			188,304

Note	2022	2021
(Rupees in '000)		

### 33. OTHER CHARGES

Penalties imposed by State Bank of Pakistan	72,347	343,698
Penalties imposed by other regulatory bodies (Central Bank of international branches)	279	2,765
Penalties imposed by other regulatory bodies (Regulators of subsidiaries)	222	516
	72,848	346,979

### 34. PROVISIONS & WRITE OFFS - NET

Provisions for diminution in value of investments	10.3	4,376,278	523,278
Provisions against loans and advances	11.4	8,011,799	11,003,313
Provision against other assets	16.5.1	562,955	70,781
Provision against contingencies	22.1	165,423	53,239
Provision against letter of placement		-	(2,000)
Provision against balance with other bank		-	10,714
		13,116,455	11,659,325

### 35. TAXATION

Current	35.1	31,946,150	27,109,380
Prior years		3,828,030	-
Deferred		(3,126,041)	(2,077,680)
		32,648,139	25,031,700

35.1 Current taxation includes Rs. Nil (2021: Nil) of overseas branches.

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

		2022	2021
		------(Rupees in '000)-----	-----
<b>35.2 Relationship between tax expense and accounting profit</b>			
Accounting profit before tax		<b>63,597,150</b>	53,792,081
Income tax at statutory rate @ 39% (2021: 35%)		<b>24,802,889</b>	18,827,228
Super tax at statutory rate @ 10% (2021: 4%)		<b>6,273,716</b>	2,114,416
Increase / (decrease) in taxes resulting from:			
Inadmissible items		<b>35,587</b>	3,948,871
Prior year taxation		<b>3,828,030</b>	-
Impact of change in tax rate		<b>(2,075,075)</b>	-
Enhanced rate on Govt. Securities		-	832,181
Reduced rate on SME / Housing		<b>(87,432)</b>	(96,438)
Others		<b>(129,575)</b>	(594,558)
Tax charge for current and prior years		<b>32,648,139</b>	25,031,700
		2022	2021
<b>36. BASIC EARNINGS PER SHARE</b>			
Profit for the year (Rupees in 000's)		<b>30,834,587</b>	28,600,461
Weighted average number of ordinary shares (Number in 000's)		<b>2,127,513</b>	2,127,513
Basic earnings per share (Rupees)		<b>14.49</b>	13.44
<b>37. DILUTED EARNINGS PER SHARE</b>			
Profit for the year (Rupees in 000's)		<b>30,834,587</b>	28,600,461
Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares) (Number in 000's)		<b>2,127,513</b>	2,127,513
Diluted earnings per share (Rupees)		<b>14.49</b>	13.44
		2022	2021
Note		------(Rupees in '000)-----	-----
<b>38. CASH AND CASH EQUIVALENTS</b>			
Cash and balance with treasury banks	7	<b>230,226,311</b>	278,868,736
Balance with other banks	8	<b>19,623,124</b>	19,211,237
Call / clean money lendings	9	<b>9,723</b>	21,009,723
Call borrowings	18	<b>(25,810,145)</b>	(46,011,009)
Overdrawn nostro accounts	18	-	(26,480)
		<b>224,049,013</b>	273,052,207

## Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

### 38.1 Reconciliation of movements of liabilities to cash flow used in financing activities

	2022	
	Lease Obligation	Unclaimed Dividend
	------(Rupees in '000)-----	
Balance as at January 1, 2022	8,494,353	181,997
Changes from financing cashflows		
Payment of lease obligation / dividend	(2,680,093)	(146)
Total charges from financing activities	(2,680,093)	(146)
Other charges		
Renewed lease during the year	2,486,545	-
Interest unwinding	872,775	-
Foreign exchange loss	(291,112)	-
Total other charges	3,068,208	-
Balance as at December 31, 2022	8,882,468	181,851
	2021	
	Lease Obligation	Unclaimed Dividend
	------(Rupees in '000)-----	
Balance as at January 1, 2021	8,066,579	185,516
Changes from financing cashflows		
Payment of lease obligation / dividend	(2,753,249)	(3,519)
Total charges from financing activities	(2,753,249)	(3,519)
Other charges		
Renewed lease during the year	2,241,526	-
Increase in unclaimed dividend	798,284	-
Foreign exchange gain	141,213	-
Total other charges	3,181,023	-
Balance as at December 31, 2021	8,494,353	181,997
	2022	2021
	------(Number)-----	

### 39. STAFF STRENGTH

Permanent	10,580	11,005
On contract	5,380	5,355
Staff strength at the end of the year	15,960	16,360

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

**39.1** In addition to the above, 1,218 (2021: 1,273) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services. Out of these, 1,211 employees are working domestically (2021: 1,258) and 7 (2021: 15) abroad respectively.

## **40. DEFINED BENEFIT PLAN**

### **40.1 General description**

General description of the type of defined benefit plan and accounting policy for remeasurements of the net defined liability / asset is disclosed in note 5.15 to the consolidated financial statements.

### **40.2 Number of Employees under the scheme**

The number of employees covered under the following defined benefit schemes are:

	2022 ----- (Number) -----	2021
Pension fund	10,018	10,437
Post retirement medical scheme	10,018	10,437
Benevolent scheme	10,018	10,437
Gratuity scheme	4,855	4,685
Compensated absences	10,018	10,437

### **40.3 Principal actuarial assumptions**

The actuarial valuations were carried out as at December 31, 2022 using the following significant assumptions:

	2022 ----- (Per annum) -----	2021
Discount rate	14.50%	11.75%
Expected rate of return on plan assets	14.50%	11.75%
Expected rate of salary increase	14.50%	11.75%
Expected rate of increase in pension	53% for next one year, 10% onwards	29% for next one year, 7.25% onwards
Expected rate of increase in medical benefit	14.50%	11.75%



# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

## 40.4 Reconciliation of (receivable from) / payable to defined benefit plans

	2022		2021	
	Pension fund	Post retirement medical scheme	Benevolent scheme	Gratuity scheme
Present value of obligations	89,128,297	29,176,898	1,697,838	3,767,858
Fair value of plan assets	(66,064,403)	-	-	-
Holding Company	23,063,894	29,176,898	1,697,838	3,767,858
Subsidiaries	-	-	-	-
Payable / (Receivable)	23,063,894	29,176,898	1,697,838	4,100,617

## 40.5 Movement in defined benefit obligations

	2022		2021	
	Pension fund	Post retirement medical scheme	Benevolent scheme	Gratuity scheme
Obligations at the beginning of the year	89,128,297	29,176,898	1,697,838	3,767,858
Current service cost	1,034,974	856,635	63,621	473,120
Past Service due to early retirement gratuity	1,119,100	441,385	-	-
Adjustment against contingency reserve	240,914	52,731	328	-
Interest cost	9,162,030	2,808,493	196,854	364,696
Benefits paid by the Bank	(3,267,938)	(1,229,299)	(206,937)	(128,928)
Re-measurement loss / (gain) - Profit and Loss	1,230,522	1,730,236	(134,853)	(109,288)
Re-measurement loss / (gain) - OCI	-	-	-	-
Obligations at the end of the year	89,128,297	29,176,898	1,697,838	3,767,858

## 40.6 Movement in fair value of plan assets

	2022		2021	
	Pension fund	Post retirement medical scheme	Benevolent scheme	Gratuity scheme
Fair value at the beginning of the year	61,773,750	-	-	-
Interest income on plan assets	7,247,610	-	-	-
Contribution by the Bank - net	1,345,187	-	-	-
Benefits paid	(3,267,938)	-	-	-
Re-measurement loss / (gain) - Profit and Loss	1,738,818	-	-	-
Re-measurement loss / (gain) - OCI	(2,773,024)	-	-	-
Actual gain / (loss) on assets	-	-	-	-
Fair value at the end of the year	66,064,403	-	-	-

## 40.7 Movement in (receivable) / payable under defined benefits scheme of Holding Company

	2022		2021	
	Pension fund	Post retirement medical scheme	Benevolent scheme	Gratuity scheme
Opening balance	17,834,945	24,516,717	1,778,825	3,168,258
Charge / (reversal) for the year	2,949,394	3,665,128	260,475	837,816
Past Service due to early retirement gratuity	1,119,100	441,385	-	-
Adjustment against contingency Reserve	240,914	52,731	328	-
Contribution by the bank - net	(1,345,187)	-	-	-
Re-measurement loss / (gain) - Profit and Loss	4,003,546	1,730,236	(134,853)	(109,288)
Re-measurement loss / (gain) - OCI	(1,738,818)	(1,229,299)	(206,937)	(128,928)
Benefits paid on behalf of fund	-	-	-	-
Net interest on defined benefit asset / liability	1,914,420	2,808,493	196,854	364,696
Net interest on defined benefit asset / liability	4,068,494	4,106,513	260,475	837,816
Net interest on defined benefit asset / liability	4,068,494	4,106,513	260,475	837,816

## 40.7 Charge for defined benefit plans

	2022		2021	
	Pension fund	Post retirement medical scheme	Benevolent scheme	Gratuity scheme
Current service cost	1,034,974	856,635	63,621	473,120
Past Service due to early retirement gratuity	1,119,100	441,385	-	-
Actuarial loss recognized - Profit and Loss	1,914,420	2,808,493	196,854	364,696
Net interest on defined benefit asset / liability	4,068,494	4,106,513	260,475	837,816
Net interest on defined benefit asset / liability	4,068,494	4,106,513	260,475	837,816

## 40.7.2 Re-measurements recognised in OCI during the year

	2022		2021	
	Pension fund	Post retirement medical scheme	Benevolent scheme	Gratuity scheme
Loss / (gain) on obligation	4,049,273	1,259,537	(278,861)	45,522
- Financial assumptions	(2,818,751)	470,899	144,008	(154,810)
- Experience adjustment	2,773,024	-	-	-
Return on plan assets over interest income	4,003,546	1,730,236	(134,853)	(109,288)
Total re-measurements recognised in OCI	4,003,546	1,730,236	(134,853)	(109,288)

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

2022                      2021  
----- (Rupees in '000) -----

## 40.8 Components of plan assets - Pension fund

Cash and cash equivalents - net	284,476	133,034
Government securities	53,824,866	41,244,674
Shares	5,565,760	6,969,297
Non-Government debt securities	100,000	104,000
PLS - Term Deposit Receipts	-	6,625,201
Mutual funds	6,289,301	6,697,543
	<b>66,064,403</b>	<b>61,773,750</b>

**40.8.1** The Funds primarily invests in government securities which do not carry any significant credit risk. These are subject to interest rate risk based on market movements. Investment in term finance certificates are subject to credit risk and interest rate risks, while equity securities are subject to price risk. These risks are regularly monitored by Trustees of the Pension fund.

## 40.9 Sensitivity analysis

The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarised as below:

	2022					
	Pension fund	Post retirement medical scheme	Benevolent scheme	Gratuity fund	Compensated absences	Total
	----- (Rupees in '000) -----					
1% increase in discount rate	(5,915,892)	(3,240,793)	(86,365)	(398,462)	(594,451)	(10,235,963)
1% decrease in discount rate	6,726,947	3,998,573	95,833	468,138	674,544	11,964,035
1 % increase in expected rate of salary increase	3,793,814	1,044,078	2,931	482,184	708,338	6,031,345
1 % decrease in expected rate of salary increase	(3,443,751)	(944,533)	(3,147)	(416,432)	(634,014)	(5,441,877)
1% increase in expected rate of pension increase	2,580,807	1,579,961	-	-	-	4,160,768
1% decrease in expected rate of pension increase	(2,257,907)	(1,367,944)	-	-	-	(3,625,851)
1% increase in expected rate of medical benefit increase	-	1,282,639	-	-	-	1,282,639
1% decrease in expected rate of medical benefit increase	-	(1,089,185)	-	-	-	(1,089,185)
<b>40.10 Expected contributions to be paid to the fund in the next financial year</b>						<b>1,682,436</b>
<b>40.11 Expected charge for the next financial year</b>						<b>11,365,650</b>

## Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

### 40.12 Maturity profile

The weighted average duration of the obligation

	Years
Pension fund	7.09
Post retirement medical scheme	12.41
Benevolent scheme	5.37
Gratuity scheme	11.50
Compensated absences	7.22

### 40.13 Funding Policy

Pension Fund - Bank's current assets and its percentage is given below.

Current Assets	Amount (Rupees in '000)	Percentage
Cash and cash equivalents - net	284,476	0.4%
Government Securities	53,824,866	81.5%
Shares	5,565,760	8.4%
Non-Government Debt Securities	100,000	0.2%
PLS - Term Deposit Receipts	-	0.0%
Mutual Funds	6,289,301	9.5%
	<b>66,064,403</b>	<b>100.0%</b>

Bank will continue to invest with the same percentage in the asset categories mentioned but increase the assets gradually so that there is no deficit in the pension fund.

### 40.14 The significant risks associated with the staff retirement benefit schemes are as follows:

<b>Asset volatility</b>	The risk arises when the future earnings are lower than expectation. This risk is measured at a plan level over the obligation period of the current population. The company assets are either invested in fixed securities or cash.
<b>Changes in bond yields</b>	The risk arises when the actual return on plan assets is lower than expectation.
<b>Inflation risk</b>	The most common type of retirement benefit is one where the benefit is linked with last drawn salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.
<b>Life expectancy / Withdrawal rate</b>	The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population. The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.
<b>Investment Risk</b>	The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

## 41. DEFINED CONTRIBUTION PLAN

### Provident Fund

The NBP employees Provident Fund was created under National Bank of Pakistan Employees Provident Fund Rules on April 01st, 1950 under the Provident Fund Act, 1925. The Rules have been superseded by revised NBP Employees' Provident Fund Rules which came into force on 01st January, 1958.

As per rules, the Officers, Executives and Clerical and Non Clerical staff in regular cadre make monthly contribution of 10% and 12.5% of their basic salary respectively towards the fund and the bank has to pay interest on balances of member's provident fund half yearly.

This scheme covers 9,737 employees (2021: 9,801 employees).

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

## 42. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

### 42.1 Total Compensation Expense

Items	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non- Executives				
----- (Rupees in '000) -----						
Fees and Allowances etc.	2,705	23,067	11,370	-	-	-
Managerial Remuneration						
i) Fixed	-	-	1,793	28,756	231,791	744,615
ii) Total Variable	-	-	-	-	-	-
of which						
a) Cash Bonus / Awards	-	-	727	-	156,019	388,106
Charge for defined benefit plan	-	-	450	6,945	40,039	224,986
Rent & house maintenance	-	-	986	5,038	106,721	367,150
Utilities	-	-	305	1,557	32,986	106,573
Medical	-	-	224	1,145	25,334	112,302
Conveyance	-	-	408	-	29,957	146,485
Others	-	-	105	*31,151	16,351	141,917
<b>Total</b>	<b>2,705</b>	<b>23,067</b>	<b>16,368</b>	<b>74,592</b>	<b>639,198</b>	<b>2,232,134</b>
<b>Number of Persons</b>	<b>1</b>	<b>6</b>	<b>5</b>	<b>2</b>	<b>23</b>	<b>185</b>

The President and certain executives are also provided with free use of Bank's cars, household equipment, mobile phones and free membership of clubs.

\* Others also included end retirement benefits of Ex-President Mr. Arif Usmani.

**42.1.1** The total amount of deferred bonus as at December 31, 2022 for the Key Management Personnel and other Material Risk Takers (MRT) / Material Risk Controllers (MRC) is Rs. 149.7 million (December 2021: Rs. 55 million). The deferred bonus is held in a trust fund.

Performance bonus is accounted for on payment basis.

Items	2021					
	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non- Executives				
	----- (Rupees in '000) -----					
Fees and Allowances etc.	4,874	20,557	9,981	-	-	-
Managerial Remuneration						
i) Fixed	-	-	-	54,000	181,256	550,870
ii) Total Variable	-	-	-	-	-	-
of which						
a) Cash Bonus / Awards	-	-	774	-	162,086	256,035
Charge for defined benefit plan	-	-	98	4,500	30,631	105,691
Rent & house maintenance	-	-	869	-	99,691	266,605
Utilities	-	-	269	-	48,007	87,545
Medical	-	-	198	-	23,964	79,310
Conveyance	-	-	375	-	19,536	74,492
Others	-	-	-	3,970	9,463	104,668
Total	4,874	20,557	12,564	62,470	574,634	1,525,216
Number of Persons	1	7	5	1	32	144



## Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

### 42.2 Remuneration paid to Directors for participation in Board and Committee Meetings

2022											
S.No.	Name of Director	Meeting Fees and Allowances Paid									
		For Board Meetings	For Board Committees							Allowances**	Total Amount Paid
			Board Audit Committee	Board Risk & Compliance Committee	Board HR & Remuneration Committee	Board Technology & Digitalization Committee	Board Inclusive Development Committee	Board International Franchises & Remittance Committee			
------(Rupees in '000)-----											
1	Mr. Zubyr Soomro *	900	-	-	150	-	300	-	1,355	2,705	
2	Mr. Farid Malik	2,250	750	450	750	600	300	-	1,158	6,258	
3	Mr. Tawfiq Asghar Hussain *	900	450	***600	-	-	-	-	-	1,950	
4	Mr. Imam Bukhsh Baloch *	900	450	450	-	-	-	-	47	1,847	
5	Ms. Sadafife Abid *	900	-	-	-	150	450	-	292	1,792	
6	Mr. Asif Joorna	2,250	1,200	450	750	-	600	-	-	5,250	
7	Mr. Ahsan Ali Chughtai	2,250	750	900	600	450	450	-	570	5,970	
Total Amount Paid		10,350	3,600	2,850	2,250	1,200	2,100	-	3,422	25,772	

\* Retired on April 16, 2022

\*\* Allowances include accommodation and travel expenses.

\*\*\* Amount includes NBP - NY Governance Council (Sub-Committee of BRCC).

Amount includes NBP - NY Governance Council (Sub-Committee of BRCC).

2021

S.No.	Name of Director	Meeting Fees and Allowances Paid								
		For Board Meetings	For Board Committees						Allowances**	Total Amount Paid
			Board Audit Committee	Board Risk & Compliance Committee	Board HR & Remuneration Committee	Board Technology & Digitalization Committee	Board Inclusive Development Committee	Board International Franchises & Remittance Committee*		
(Rupees in '000)										
1	Mr. Zubyr Soomro	1,650	-	-	900	-	-	-	2,324	4,874
2	Mr. Farid Malik	1,650	-	-	750	900	-	-	301	3,601
3	Mr. Tawfiq Asghar Hussain	1,650	900	*** 1,500	-	-	-	150	-	4,200
4	Mr. Imam Bukhsh Baloch	1,650	750	750	-	-	150	-	-	3,300
5	Ms. Sadaf Abid	1,500	-	-	-	900	750	-	368	3,518
6	Mr. Asif Jooma	1,350	900	-	900	-	450	-	-	3,600
7	Mr. Ahsan Ali Chughtai	750	-	-	-	-	450	-	238	1,438
8	Mr. Muhammad Sohail	450	150	-	-	-	300	-	-	900
Total Amount Paid		10,650	2,700	2,250	2,550	1,800	2,100	150	3,231	25,431

\* Dissolved in 317th Board Meeting held on February 24, 2021.

\*\* Allowances include accommodation and travel expenses.

\*\*\* Amount includes NBP - NY Governance Council (Sub-Committee of BRCC).

### 42.3 Remuneration paid to Shariah Board Members

Items	2022				2021			
	Chairman	Resident Member	Non-Resident Member(s)	Total	Chairman	Resident Member	Non-Resident Member(s)	Total
(Rupees in '000)								
Retainer Fee & Fixed Remuneration	4,050	4,998	7,320	16,368	3,462	4,163	4,938	12,564
Total Amount Paid	4,050	4,998	7,320	16,368	3,462	4,163	4,938	12,564
Total Number of Persons	1	1	3	5	1	1	3	5

The above information does not include particulars of subsidiaries.

### 43. FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted instruments classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed-term loans, other assets, other liabilities, fixed-term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

## 43.1 Fair value of financial assets

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

**Level 1:** Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

**Level 3:** Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	2022				
	Carrying Value	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Market Treasury Bills	848,869,986	-	848,869,986	-	848,869,986
Pakistan Investment Bonds	2,005,678,970	-	2,005,678,970	-	2,005,678,970
Ijarah Sukuks	20,178,649	-	20,178,649	-	20,178,649
Ordinary shares of listed companies	36,671,325	36,671,325	-	-	36,671,325
Investment in mutual funds	3,733,376	-	3,733,376	-	3,733,376
Preference shares	1,370,477	1,370,477	-	-	1,370,477
Term Finance Certificates / Musharaka and Sukuk Bonds	47,204,154	15,167,771	32,036,383	-	47,204,154
GoP Foreign Currency Bonds	14,422,839	-	14,422,839	-	14,422,839
Foreign Government Securities	3,655,766	-	3,655,766	-	3,655,766
Ordinary shares of a bank outside Pakistan	34,844,245	34,844,245	-	-	34,844,245
	3,016,629,787	88,053,818	2,928,575,969	-	3,016,629,787
Financial assets - disclosed but not measured at fair value					
Investments					
Market Treasury Bills	29,519,190	-	29,519,190	-	29,519,190
Pakistan Investment Bonds	375,285,244	-	375,285,244	-	375,285,244
Ijarah Sukuks	13,130,709	-	13,130,709	-	13,130,709
GoP Foreign Currency Bonds	2,992,408	-	2,992,408	-	2,992,408
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	-	-	-	-	-
Foreign Government Securities	36,096,507	-	36,096,507	-	36,096,507
Foreign Currency Debt Securities	871	-	871	-	871
	457,024,929	-	457,024,929	-	457,024,929
	3,473,654,716	88,053,818	3,385,600,898	-	3,473,654,716
Off-balance sheet financial instruments - measured at fair value					
Foreign exchange contracts purchase and sale	570,881,591	-	(125,371)	-	(125,371)
Forward government securities transactions	54,568,834	-	(14,626)	-	(14,626)

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	2021				
	Carrying Value	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----				
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Market Treasury Bills	811,994,893	-	811,994,893	-	811,994,893
Pakistan Investment Bonds	592,430,009	-	592,430,009	-	592,430,009
Ijarah Sukuks	13,969,700	-	13,969,700	-	13,969,700
Ordinary shares of listed companies	39,944,846	39,944,846	-	-	39,944,846
Investments in mutual funds	2,318,516	-	2,318,516	-	2,318,516
Preference shares	1,265,729	1,265,729	-	-	1,265,729
Term Finance Certificates / Musharaka and Sukuk Bonds	51,264,518	16,056,782	35,207,736	-	51,264,518
GoP Foreign Currency Bonds	20,804,963	-	20,804,963	-	20,804,963
Foreign Government Securities	2,281,942	-	2,281,942	-	2,281,942
Foreign Currency Debt Securities	-	-	-	-	-
Ordinary shares of a bank outside Pakistan	27,524,206	27,524,206	-	-	27,524,206
	1,563,799,322	84,791,563	1,479,007,759	-	1,563,799,322
Financial assets - disclosed but not measured at fair value					
Investments					
Market Treasury Bills	-	-	-	-	-
Pakistan Investment Bonds	324,726,185	-	324,726,185	-	324,726,185
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	30	-	30	-	30
Bai Muajjal with Government of Pakistan	10,914,185	-	10,914,185	-	10,914,185
GoP Foreign Currency Bonds	-	-	-	-	-
Foreign Government Securities	34,091,600	-	34,091,600	-	34,091,600
Foreign Currency Debt Securities	680	-	680	-	680
	369,732,680	-	369,732,680	-	369,732,680
	1,933,532,002	84,791,563	1,848,740,439	-	1,933,532,002
Off-balance sheet financial instruments - measured at fair value					
Foreign exchange contracts purchase and sale	571,111,340	-	3,058,205	-	3,058,205
Forward government securities transactions	38,255,954	-	(308,328)	-	(308,328)

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

## Valuation techniques used in determination of fair valuation of financial instruments within level 2 and level 3

Item	Valuation approach and input used
Market Treasury Bills	PKRV (MUFAP)
Pakistan Investment Bonds	PKRV & PKFRV (MUFAP)
Ijarah Sukuks	PKISRV (MUFAP)
Ordinary shares of unlisted companies	Breakup value as per latest available audited financial statements
Term Finance Certificates / Musharika and Sukuk Bonds	MUFAP & Pakistan Stock Exchange
GoP Foreign Currency Bonds	Reuter page
Foreign Government Securities	Reuter page
Foreign Currency Debt Securities	Reuter page
Investment in mutual funds	MUFAP
Forward foreign exchange contracts and Forward Government securities transactions	The fair values of forward foreign exchange contracts and forward Government securities transactions are determined using forward pricing calculations.
Fixed assets and non-banking assets acquired in satisfaction of claims	Land, buildings and non-banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty. Accordingly, a qualitative disclosure of sensitivity has not been presented in these consolidated financial statements

## 43.2 Fair value of non-financial assets

Information about the fair value hierarchy of Group's non-financial assets as at the end of the reporting period are as follows:

	2022				
	Carrying Value	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----				
Land & building (fixed assets)	52,425,375	-	-	52,425,375	52,425,375
Non-banking assets acquired in satisfaction of claims	3,699,943	-	-	3,699,943	3,699,943
	56,125,318	-	-	56,125,318	56,125,318

	2021				
	Carrying Value	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----				
Land & building (fixed assets)	48,745,835	-	-	48,745,835	48,745,835
Non-banking assets acquired in satisfaction of claims	4,059,546	-	-	4,059,546	4,059,546
	52,805,381	-	-	52,805,381	52,805,381



# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

## 44. SEGMENT INFORMATION

### Segment Details with respect to Business Activities

2022									
Retail Banking Group	Inclusive Development Group	Corporate and Investment Banking Group	Treasury	International, Financial Institution and Remittance Group	Atteread and Islamic Banking Group	Head Office / Others	Sub total	Eliminations	Total
(Rupees in '000)									
<b>Profit and loss account</b>									
(162,183,572)	25,161,999	36,956,951	205,604,613	4,645,932	7,046,951	(131,207)	117,101,667	-	117,101,667
242,679,059	(25,749,912)	(32,666,816)	(206,725,877)	-	(1,932,090)	24,395,636	-	-	-
16,238,007	491,382	4,513,066	11,563,167	1,816,805	475,181	4,175,473	39,273,071	-	39,273,070
96,733,494	(96,531)	8,803,191	10,441,903	6,462,737	5,590,042	28,439,902	156,374,738	-	156,374,737
34,945,405	3,410,975	1,234,244	355,659	7,675,997	3,105,252	1,895,026	52,622,558	-	52,622,558
-	-	-	-	-	-	27,038,574	27,038,574	-	27,038,574
34,945,405	3,410,975	1,234,244	355,659	7,675,997	3,105,252	28,933,600	79,661,132	-	79,661,132
39,252	1,823,824	5,642,750	4,066,055	153,204	187,806	1,203,566	13,116,457	-	13,116,455
61,748,837	(5,331,330)	1,926,197	6,020,189	(1,366,464)	2,296,984	(1,697,264)	63,597,149	-	63,597,150
<b>Statement of financial position</b>									
75,111,055	8,471,928	272,335	116,207,653	41,420,355	6,110,320	2,255,789	249,849,435	-	249,849,435
-	-	26,566,790	3,338,860,011	55,396,579	53,920,119	8,192,348	3,482,935,847	-	3,482,935,847
1,913,764,601	-	-	-	-	-	161,978,230	2,075,742,831	(2,075,742,831)	-
-	-	-	31,272,467	-	-	-	31,272,467	-	31,272,467
221,901,091	236,174,990	608,412,187	-	68,916,285	46,381,315	51,521,899	1,233,307,767	-	1,233,307,767
4,107,960	21,853,219	23,902,314	-	53,726,670	654,979	101,479,495	205,724,637	-	205,724,637
(8,972,018)	(19,791,641)	(23,100,384)	-	(52,356,953)	(655,299)	(103,486,991)	(208,363,286)	-	(208,363,286)
217,037,033	238,236,568	609,214,117	-	70,286,002	46,380,995	49,514,403	1,230,669,118	-	1,230,669,118
31,988,215	3,619,414	41,795,925	381,562	6,402,399	2,842,469	170,009,042	257,039,026	-	257,039,027
2,237,900,904	250,327,910	677,849,167	3,486,721,693	173,505,335	109,253,903	391,949,812	7,327,508,724	(2,075,742,831)	5,251,765,894
<b>Total Assets</b>									
<b>Borrowings</b>									
-	6,032,537	78,172,283	1,839,417,048	16,636,856	-	227,063	1,940,485,787	-	1,940,485,787
2,088,472,344	-	406,454,898	-	75,916,594	93,591,714	837,707	2,665,273,257	-	2,665,273,257
-	227,691,242	157,769,526	1,581,730,692	96,687,516	11,863,855	-	2,075,742,831	(2,075,742,831)	-
149,428,560	16,604,131	35,169,167	44,395,276	2,896,990	3,373,893	83,838,601	335,706,618	-	335,706,618
2,237,900,904	250,327,910	677,565,874	3,465,543,016	192,137,956	108,829,462	84,903,371	7,017,208,493	(2,075,742,831)	4,941,465,662
<b>Total liabilities</b>									
-	-	283,293	21,178,677	(18,632,621)	424,441	307,046,441	310,300,231	-	310,300,232
<b>Total Equity &amp; liabilities</b>									
2,237,900,904	250,327,910	677,849,167	3,486,721,693	173,505,335	109,253,903	391,949,812	7,327,508,724	(2,075,742,831)	5,251,765,894
<b>Contingencies &amp; Commitments</b>									
-	183,082,386	1,907,266,393	625,450,425	28,425,093	-	33,241,950	2,777,466,247	-	2,777,466,247

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

2021

	Retail Banking Group	Inclusive Development Group	Corporate and Investment Banking Group	Treasury	International, Financial Institution and Remittance Group	Alteemad and Islamic Banking Group	Head Office / Others	Sub total	Eliminations	Total
<b>Profit and loss account</b>										
Net mark-up / return / profit	(58,755,894)	17,163,761	25,983,957	105,182,793	3,798,879	4,682,056	(267,953)	97,767,601	-	97,767,601
Inter segment revenue - net	111,902,235	(14,376,019)	(22,474,486)	(91,149,527)	-	(577,589)	16,675,387	-	-	-
Non mark-up / return / interest income	13,490,925	406,372	4,153,941	15,344,239	1,284,540	336,316	3,852,473	38,888,804	-	38,888,804
Total Income	66,637,266	3,194,114	7,643,412	29,377,506	5,083,419	4,440,783	20,259,907	136,636,405	-	136,636,405
Segment direct expenses	30,900,118	3,031,845	1,121,182	387,232	6,363,529	2,816,952	1,818,948	46,439,807	-	46,439,807
Inter segment expense allocation	-	-	-	-	-	-	24,745,192	24,745,192	-	24,745,192
Total expenses	30,900,118	3,031,845	1,121,182	387,232	6,363,529	2,816,952	26,564,140	71,184,999	-	71,184,999
Provisions charge / (reversal)	731,529	1,721,582	9,235,188	542,703	(111,737)	121,444	(581,383)	11,659,325	-	11,659,325
Profit / (loss) before tax	35,005,619	(1,559,313)	(2,712,958)	28,447,571	(1,168,373)	1,502,387	(5,722,850)	53,792,081	-	53,792,081
<b>Statement of financial position</b>										
Cash and bank balances	90,784,756	8,185,926	248,408	131,293,182	58,290,758	6,903,670	2,673,273	298,079,973	-	298,079,973
Investments	-	-	26,543,698	1,803,150,092	55,804,559	49,548,759	7,694,080	1,942,741,191	-	1,942,741,191
Net inter segment lending	2,319,442,077	-	-	-	-	-	274,915,854	2,594,357,931	(2,594,357,931)	-
Lendings to financial institutions	2,405,644	-	-	333,061,031	-	-	-	335,466,675	-	335,466,675
Advances - performing	184,159,822	224,303,465	566,192,602	-	80,731,709	42,316,269	9,391,774	1,107,095,640	-	1,107,095,640
Advances - non-performing	4,180,477	21,115,711	61,407,649	-	46,293,148	712,762	64,635,942	198,345,689	-	198,345,689
Provision against advances	(9,024,982)	(18,226,471)	(56,033,619)	-	(44,989,510)	(712,762)	(63,139,858)	(192,127,201)	-	(192,127,201)
Advances - net	179,315,317	227,192,704	571,566,632	-	82,035,347	42,316,269	10,887,659	1,113,314,128	-	1,113,314,128
Others	25,276,052	2,297,783	18,315,585	3,581,004	4,984,806	2,302,955	110,694,804	167,432,980	-	167,432,980
<b>Total Assets</b>	2,617,223,846	237,676,413	616,674,323	2,271,085,310	201,095,470	100,771,663	406,865,869	6,451,392,878	(2,594,357,931)	3,857,034,947
Borrowings	-	4,148,727	63,341,278	207,857,704	37,185,334	-	392,062	312,925,106	-	312,925,106
Deposits & other accounts	2,562,636,790	-	286,586,523	-	75,485,252	84,849,519	8,589,626	3,018,147,709	-	3,018,147,709
Net inter segment borrowing	-	228,687,313	249,365,896	2,016,684,060	85,836,008	13,784,654	-	2,594,357,931	(2,594,357,931)	0
Others	54,587,057	4,840,373	17,044,690	11,549,539	2,536,069	1,543,475	138,837,548	230,938,751	-	230,938,751
<b>Total liabilities</b>	2,617,223,847	237,676,413	616,338,387	2,236,091,302	201,042,663	100,177,648	147,819,236	6,166,369,497	(2,594,357,931)	3,562,011,566
Equity	-	-	335,936	34,994,008	52,807	594,005	259,046,633	295,023,381	-	295,023,381
<b>Total Equity &amp; liabilities</b>	2,617,223,846	237,676,413	616,674,323	2,271,085,310	201,095,470	100,771,663	406,865,869	6,451,392,878	(2,594,357,931)	3,857,034,947
<b>Contingencies &amp; Commitments</b>	-	81,061,636	1,740,040,766	629,980,265	22,910,804	-	37,123,835	2,511,123,406	-	2,511,123,406

(Rupees in '000)

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

## 44.2 Segment details with respect to geographical locations

2022

	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	Total
------(Rupees in '000)-----						
<b>Profit and loss account</b>						
Net mark-up / return/profit	112,263,338	1,866,603	44,424	508,358	2,418,944	117,101,667
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	37,455,935	763,885	281,607	322,301	449,343	39,273,070
Total Income	149,719,273	2,630,488	326,031	830,659	2,868,287	156,374,737
Segment direct expenses	44,828,438	2,038,821	1,083,965	3,420,453	1,250,882	52,622,559
Inter segment expense allocation	27,038,573	-	-	-	-	27,038,573
Total expenses	71,867,011	2,038,821	1,083,965	3,420,453	1,250,882	79,661,132
Provisions	12,977,499	(143,602)	(306)	2,564	280,300	13,116,455
Profit / (loss) before tax	64,874,763	735,269	(757,628)	(2,592,358)	1,337,105	63,597,150
<b>Statement of financial position</b>						
Cash and bank balances	208,424,475	16,781,559	12,524,181	9,444,994	2,674,226	249,849,435
Investments	3,425,767,455	37,691,741	-	2,759,589	16,717,062	3,482,935,847
Net inter segment lendings	96,707,768	-	-	-	-	96,707,768
Lendings to financial institutions	31,272,467	-	-	-	-	31,272,467
Advances - performing	1,194,733,223	5,207,650	420	561,473	32,805,001	1,233,307,767
Advances - non-performing	121,333,135	74,961,917	1,584,372	-	7,845,213	205,724,637
Provision against advances	(155,930,253)	(44,257,482)	(1,584,372)	(12,401)	(6,578,778)	(208,363,286)
Advances - net	1,160,136,105	35,912,085	420	549,072	34,071,436	1,230,669,118
Others	250,490,178	3,964,364	178,130	251,226	2,155,129	257,039,027
<b>Total Assets</b>	5,172,798,448	94,349,749	12,702,731	13,004,881	55,617,853	5,348,473,662
Borrowings	1,923,848,931	1,928,779	-	-	14,708,077	1,940,485,787
Deposits & other accounts	2,589,356,663	35,927,275	7,941,305	5,574,521	26,473,493	2,665,273,257
Net inter segment borrowing	-	59,264,940	4,503,017	8,442,184	24,497,627	96,707,768
Others	332,799,850	974,569	258,409	667,328	1,006,462	335,706,618
<b>Total liabilities</b>	4,846,005,444	98,095,563	12,702,731	14,684,033	66,685,659	5,038,173,430
Equity	326,793,004	(3,745,815)	-	(1,679,152)	(11,067,804)	310,300,232
<b>Total Equity &amp; liabilities</b>	5,172,798,448	94,349,749	12,702,731	13,004,881	55,617,853	5,348,473,662
Contingencies & Commitments	2,749,041,154	9,797,537	1,803,538	6,737,008	10,087,010	2,777,466,247

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	2021					
	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	Total
----- (Rupees in '000) -----						
<b>Profit and loss account</b>						
Net mark-up/return/profit	93,828,309	1,880,481	(275)	198,227	1,860,859	97,767,601
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	37,573,302	407,936	305,047	340,208	242,310	38,868,804
Total Income	131,401,611	2,288,417	304,773	538,435	2,103,170	136,636,405
Segment direct expenses	39,835,857	1,942,128	869,557	2,882,547	909,718	46,439,807
Inter segment expense allocation	24,745,192	-	-	-	-	24,745,192
Total expenses	64,581,050	1,942,128	869,557	2,882,547	909,718	71,184,999
Provisions	11,775,953	(223,488)	66,636	4,585	35,639	11,659,325
Profit / (loss) before tax	55,044,608	569,776	(631,421)	(2,348,696)	1,157,812	53,792,081
<b>Statement of financial position</b>						
Cash and bank balances	238,998,368	16,870,383	12,409,372	28,845,835	956,015	298,079,973
Investments	1,885,561,995	39,818,951	-	2,834,242	14,526,004	1,942,741,191
Net inter segment lendings	85,836,007	-	-	-	-	85,836,007
Lendings to financial institutions	335,466,675	-	-	-	-	335,466,675
Advances - performing	1,026,363,931	20,282,504	494,294	5,025,734	54,929,177	1,107,095,640
Advances - non-performing	151,780,980	39,122,266	1,311,119	-	6,131,324	198,345,689
Provision against advances	(147,056,269)	(38,847,232)	(1,311,119)	(7,489)	(4,905,092)	(192,127,201)
Advances - net	1,031,088,642	20,557,538	494,294	5,018,245	56,155,410	1,113,314,128
Others	162,326,911	3,157,485	164,067	219,828	1,564,688	167,432,980
<b>Total Assets</b>	3,739,278,598	80,404,357	13,067,733	36,918,149	73,202,117	3,942,870,955
Borrowings	275,739,772	1,971,822	-	-	35,213,512	312,925,106
Deposits & other accounts	2,942,662,457	37,237,231	8,815,589	7,455,103	21,977,329	3,018,147,709
Net inter segment borrowing	-	37,978,569	4,040,045	28,932,868	14,884,525	85,836,007
Others	228,400,207	834,027	212,099	548,076	944,344	230,938,751
<b>Total liabilities</b>	3,446,802,437	78,021,648	13,067,733	36,936,047	73,019,710	3,647,847,574
Equity	292,476,163	2,382,709	-	(17,897)	182,406	295,023,381
<b>Total Equity &amp; liabilities</b>	3,739,278,598	80,404,357	13,067,733	36,918,149	73,202,117	3,942,870,955
<b>Contingencies &amp; Commitments</b>	2,488,212,600	2,554,088	3,073,302	8,003,060	9,280,355	2,511,123,406



# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

## 45. TRUST ACTIVITIES

### 45.1 Endowment Fund

Students Loan Scheme was launched by Government of Pakistan in collaboration with major commercial banks with a view to extend financial help by way of mark-up free loan to the meritorious students without sufficient resources for pursuing scientific technical and professional education within Pakistan.

The Scheme is being administered by a high powered committee headed by the Deputy Governor, State Bank of Pakistan and the Presidents of NBP, HBL, UBL, MCB, ABL and the Deputy Secretary, Ministry of Finance as member and Senior Director of IH&SME Finance Department (Infrastructure, Housing & SME Finance Department) as a secretary of the Committee. The State Bank of Pakistan has assigned National Bank of Pakistan to operate the scheme.

The Committee in its meeting held on August 7, 2001 approved creation of Endowment Fund initially at an amount of Rs. 500 million, Rs. 396 million were transferred from the old Qarz-e-Hasna (Defunct) Fund, Rs.50 million contributed by the Government of Pakistan and Rs. 54 million were contributed by participating banks (HBL, NBP and UBL 25% each, MCB 17.5% and ABL 7.5%).

The amount of the Endowment Funds in investments stands at Rs. 875.179 million as at December 31, 2022 (2021: Rs. 835.77 million).

45.2 The Bank undertakes Trustee and other fiduciary activities that result in the holding or placing of assets on behalf of individuals and other organisations. These are not assets of the Bank and, therefore, are not included as such in these unconsolidated financial statements. Assets held under trust are shown in the table below:

As at December 31, 2022					
Category	No. of IPS Accounts	Securities Held (Face Value)			Total
		Market Treasury Bills	Pakistan Investment Bonds	Government Ijarah Sukuks	
------(Rupees in '000)-----					
Assets Management companies	48	-	-	-	-
Charitable institutions	6	-	-	-	-
Companies	33	111,150,080	53,771,500	27,417,400	192,338,980
Employee Funds	42	76,006,000	67,408,800	-	143,414,800
Individuals	1,680	723,040	63,000	-	786,040
Insurance Companies	8	28,850,000	160,826,800	-	189,676,800
Others	79	198,320,900	672,294,130	-	870,615,030
<b>Total</b>	<b>1,896</b>	<b>415,050,020</b>	<b>954,364,230</b>	<b>27,417,400</b>	<b>1,396,831,650</b>

As at December 31, 2021					
Category	No. of IPS Accounts	Securities Held (Face Value)			Total
		Market Treasury Bills	Pakistan Investment Bonds	Government Ijarah Sukuks	
------(Rupees in '000)-----					
Assets Management companies	31	-	-	-	-
Charitable institutions	5	205,320	854,000	-	1,059,320
Companies	31	41,314,365	128,980,600	27,417,400	197,712,365
Employee Funds	41	12,597,120	43,178,900	-	55,776,020
Individuals	944	203,025	79,700	-	282,725
Insurance Companies	8	23,821,000	172,528,500	-	196,349,500
Others	74	76,701,745	234,918,697	-	311,620,442
<b>Total</b>	<b>1,134</b>	<b>154,842,575</b>	<b>580,540,397</b>	<b>27,417,400</b>	<b>762,800,372</b>

## 46. RELATED PARTY TRANSACTIONS

The Group has related party transactions with its associates, joint ventures, employee benefit plans and its directors and Key Management Personnel. The details of investment in joint venture and associated undertaking and their provisions are stated in note 10 of the financial statement of the Group.

The Group enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these consolidated financial statements are as follows:

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	2022										2021									
	Directors	Key manage- ment personnel	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.L.D.A.Ac)	Provident Fund	Other related parties	(Rupees in '000)	Directors	Key manage- ment personnel	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.L.D.A.Ac)	Provident Fund	Other related parties	
Balances with other banks																				
In current accounts	-	-	-	395,137	-	-	-	-	-	-	-	-	-	295,951	-	-	-	-	-	
Advances																				
Opening balance	-	347,592	2,934,162	-	-	-	-	-	641,483	-	-	233,267	2,981,029	-	-	-	-	-	305,117	
Addition during the year	-	86,147	-	-	-	-	-	-	2,229,175	-	-	254,880	-	-	-	-	-	-	35,589,939	
Repaid during the year	-	(52,240)	(288,942)	-	-	-	-	-	(1,435,378)	-	-	(58,216)	(46,867)	-	-	-	-	-	(35,253,573)	
*Transfer in / (out) - net	-	(41,765)	-	-	-	-	-	-	650,516	-	-	(104,319)	-	-	-	-	-	-	-	
Closing balance	-	339,734	2,665,220	-	-	-	-	-	2,085,796	-	-	347,592	2,934,162	-	-	-	-	-	641,483	
Provision held against advances																				
	-	-	2,665,220	-	-	-	-	-	-	-	-	-	2,837,287	-	-	-	-	-	-	
Other Assets																				
Interest / mark-up accrued	-	-	1,717,167	-	-	-	-	-	-	-	-	-	1,719,049	-	-	-	-	-	-	
Borrowings																				
Opening balance	-	-	-	35,741	-	-	-	-	-	-	-	-	-	9,111	-	-	-	-	-	
Borrowings during the year	-	-	-	16,504	-	-	-	-	-	-	-	-	-	26,630	-	-	-	-	-	
Settled during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Closing balance	-	-	-	52,245	-	-	-	-	-	-	-	-	-	35,741	-	-	-	-	-	
Deposits and other accounts																				
Opening balance	1,760	131,454	-	-	86,264	10,100,000	46,769	12,854,755	43,336,142	1,320	177,236	-	-	-	58,871	-	1,369,644	13,282,016	227,967	
Received during the year	-	885,658	3,000	-	41,951,279	-	8,370,003	5,025,151	5,647,309	9,334	777,224	-	-	-	27,393	10,100,000	-	-	235,269,981	
Withdrawn during the year	(14)	(894,821)	-	-	(42,010,321)	(10,100,000)	(8,159,520)	(4,616,736)	(6,669,604)	(8,994)	(763,659)	-	-	-	-	-	(1,322,875)	(427,261)	(196,497,842)	
* Transfer in (out) - net	(1,746)	(23,803)	-	-	-	-	-	-	(42,798,288)	90	(59,347)	-	-	-	-	-	-	-	4,336,036	
Closing balance	-	98,488	3,000	-	27,222	-	257,252	13,263,170	515,559	1,760	131,454	-	-	-	86,264	10,100,000	46,769	12,854,755	43,336,142	
Contingencies & Commitments																				
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

\* Transfer in (out) - net due to retirement / appointment of directors and changes in key management executives.

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	2022							2021						
	Directors	Key management personnel	Associates	Joint venture	Pension Fund	Provident Fund	Funds / Others	Directors	Key management personnel	Associates	Joint venture	Pension Fund	Provident Fund	Funds / Others
	(Rupees in '000)													
Income														
Mark-up / return / interest earned	-	-	3,384	1	-	-	-	-	-	9,857	-	-	-	-
Debts due by Companies in which Directors of the Bank is interested as Directors	-	-	-	-	-	-	457,362	-	-	-	-	-	-	8,137
Dividend income	-	-	-	114,405	-	-	86,114	-	-	7,009	-	-	-	-
Rent income / Lighting & Power and Bank charges	-	-	5,533	-	-	-	-	-	-	5,109	-	-	-	-
Expense														
Mark-up / return / interest paid	-	4,846	-	20,556	477,113	1,787,633	1,683,174	88	3,873	-	41	55,888	1,417,701	1,625,178
Expenses paid to company in which Director of the bank is interested as CEO	-	-	-	-	-	-	79,487	-	-	-	-	-	-	23,387
Remuneration to key management executives including charge for defined benefit plan	-	713,790	-	-	-	-	-	-	637,103	-	-	-	-	-
Contribution for other corporate & social responsibility paid to company in which Directors of the bank is interested as director	-	-	-	-	-	-	5,000	-	-	-	-	-	-	-
Directors fee & other allowances	25,772	-	-	-	-	-	-	25,431	-	-	-	-	-	-
Post Retirement Benefit paid to Director cum Ex-employee	-	-	-	-	-	-	522	-	-	-	-	-	-	2,087

## 46.1

### Transactions with Government-related entities

The Federal Government through State Bank of Pakistan holds controlling interest (75.60% shareholding) in the Bank and therefore entities which are owned and / or controlled by the Federal Government, or where the Federal Government may exercise significant influence, are related parties of the Group.

The Bank in the ordinary course of business enters into transaction with Government-related entities. Such transactions include lending to, deposits from and provision of other banking service to Government-related entities.

The Group also earned commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs.10,507 million (2021: 8,408 million) for the year ended December 31, 2022. As at the statement of financial position date the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs. 593,486 million (2021: 405,294 million), Rs. 1,403,331 million (2021: 1,247,457 million) and Rs. 1,714,807 million (2021: 1,540,238 million) respectively and income earned on advances and investment and profit paid on deposits amounted to Rs. 40,225 million (2021: 31,846 million) and Rs. 199,052 million (2021: 51,110 million) respectively.

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

## 47. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- to comply with the capital requirements set by the regulators of the banking markets where the Group operates;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

Basel-III instructions comprise the following three capital standards:

### i. Minimum Capital Requirement (MCR):

The MCR standard sets the nominal amount of capital banks / DFIs are required to hold. Currently, the MCR for banks and DFIs is Rs. 10 billion as prescribed by SBP.

### ii. Capital Adequacy Ratio (CAR):

The Capital Adequacy Ratio assesses the capital requirement based on the risks faced by the banks / DFIs. The banks / DFIs are required to comply with the minimum requirements as specified by the SBP on standalone as well as consolidated basis. As of December 31, 2022, the required CAR for banks is 11.50% (plus 1.50% for NBP as D-SIB requirement).

### iii. Leverage Ratio:

Tier-1 Leverage Ratio of 3% is introduced in response to Basel III Accord as the third capital standard. Group level disclosure of the leverage ratio and its components has started from December 31, 2015. The Group has a leverage ratio of 3.15% in the year December 31, 2022 (2021: 3.54%) and Tier-1 capital of Rs. 236,742 million (2021: Rs. 204,320 million).

The SBP's regulatory capital as managed by the Group is analysed into following tiers:

#### 1. Tier 1 Capital (going-concern capital)

- Common Equity Tier 1
- Additional Tier 1
- Tier I capital, which comprises highest quality capital element and include fully paid up capital, balance in share premium account, reserve for issue of bonus shares, general reserves and un-appropriate profits (net of accumulated losses, if any).

#### 2. Tier 2 Capital (gone-concern capital)

- Tier II capital, which includes general reserve for loan losses, revaluation reserve, exchange translation reserve and subordinated debt.

Basel III capital rules require bank to make certain deductions from the capital before arriving at the Capital Adequacy Ratio (CAR).

Risk weighted assets are measured according to the nature of the asset and reflect an estimate of credit, market and other risks associated with each asset and counterparty, after taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposures, with some adjustments to reflect more contingent nature of potential losses.



## Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

The Group's policy is to maintain strong capital base so as to maintain, investor, creditor and market confidence, and to sustain future development of the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the SBP. The ratios compare the amount of eligible capital with the total of risk-weighted assets. The Bank monitors and reports its capital ratio under the SBP rules, which ultimately determine the regulatory capital, required to be maintained by Banks and DFIs.

The paid-up capital of the Bank for the year ended December 31, 2022 stood at Rs. 21,275 million (2021: Rs. 21,275 million) and is in compliance with the SBP requirement for the said year. In addition the Bank has maintained minimum Capital Adequacy Ratio (CAR) of 22.02% (2021: 20.76%).

There have been no material changes in the Group's management of capital during the year.

	2022	2021
	------(Rupees in '000)-----	
<b>Minimum Capital Requirement (MCR):</b>		
Paid-up capital (net of losses)	21,275,131	21,275,131
<b>Capital Adequacy Ratio (CAR):</b>		
Eligible Common Equity Tier 1 (CET 1) Capital	236,742,118	204,320,445
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	236,742,118	204,320,445
Eligible Tier 2 Capital	78,089,129	66,135,418
Total Eligible Capital (Tier 1 + Tier 2)	314,831,247	270,455,863
Risk Weighted Assets (RWAs):		
Credit Risk	1,073,032,570	987,646,626
Market Risk	94,062,413	82,621,030
Operational Risk	262,697,854	232,459,233
Total	1,429,792,837	1,302,726,889
Common Equity Tier 1 Capital Adequacy ratio	16.56%	15.68%
Tier 1 Capital Adequacy Ratio	16.56%	15.68%
Total Capital Adequacy Ratio	22.02%	20.76%
<b>Leverage Ratio (LR):</b>		
Tier-1 Capital	236,742,118	204,320,445
Total Exposures	7,511,889,497	5,768,455,790
Leverage Ratio	3.15%	3.54%
<b>Liquidity Coverage Ratio (LCR):</b>		
Total High Quality Liquid Assets	1,418,328,644	1,362,545,096
Total Net Cash Outflow	963,197,902	828,459,514
Liquidity Coverage Ratio	147%	164%

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

2022                      2021  
----- (Rupees in '000) -----

## Net Stable Funding Ratio (NSFR):

Total Available Stable Funding	2,684,457,394	2,753,443,506
Total Required Stable Funding	1,069,401,835	990,042,101
Net Stable Funding Ratio	251%	278%

**47.1** The full disclosure on the Capital Adequacy, Leverage Ratio and Liquidity Requirements as per SBP instructions issued from time to time, is available on NBP's website. The link to the full disclosure is available at <https://www.nbp.com.pk/blsd/>

## **48. RISK MANAGEMENT**

Risk management is about understanding and managing the potential for volatility of earnings, loss of access to reliable deposits and funding and depletion of capital arising from the business activities, whilst pursuing its strategic objectives. The Group has in place a well-defined risk management strategy / policy with clear objectives and deliverables through multi-pronged risk management processes.

The Group applies the Basel framework as a cornerstone of the NBP's risk management framework and capital strategy. The Group maintains a strong capital, funding and liquidity position in line with its on-going commitment to maintain balance sheet strength. The strength of risk profile management of the Group stands at the following pillars:

- Identification and assessment of significant material risks.
- Overseeing and managing the risk profile of the Bank within the context of the risk appetite.
- Optimize risk / return decisions by aligning them to business objective of achieving sustainable optimum growth.

Information Security Division (ISD) is also an integral part of Risk Management Group to oversee independently the emerging information/ cyber security risks.

In order to support Risk Management Group (RMG's) activities, a strong data management mechanism is also in place to collect and consolidate exposure wise information for various risk related analysis and reviews. The mechanism also helps in identification of e-CIB related information, periodic reviews, generation of reports and highlighting inconsistencies and errors, and issuing instructions to the relevant data entry points for rectification.

During 2022, Pakistan witnessed significant economic headwinds. Rising inflation, increasing fuel prices, depleting foreign exchange reserves, massive devaluation of the Pakistani rupee, political instability, increasing interest rates, and high budget deficit made the year more challenging. In this backdrop, Fitch, Moody's and S&P Global lowered the country's sovereign credit rating. In June 2022, Pakistan was hit with a natural catastrophe in the shape of worst ever floods in the history of the country. The floods resulted in millions of people being displaced and severe damage to both crops and livestock. Additionally, international commodity prices also remained elevated through the year. The headline inflation increased significantly touching a multi-year high of 27.32% in August. During the year, SBP increased the benchmark interest rate by a cumulative 625 bps to 16%. This steep increase was aimed at reducing aggregate demand in the economy and also to counter high inflation. This led to a steep uptick in domestic food prices. The Bank is regularly conducting assessments of the credit portfolio, with robust post disbursement credit review mechanism to identify borrowers most likely to be affected in the challenging business and economic environment. Bank is confident that it has more than sufficient risk bearing capacity to with stand these difficult times.

## **48.1 Risk Governance Structure**

Risk Management Group (RMG) operates as an independent group under the supervision of Chief Risk Officer (CRO). RMG's scope and coverage has been enhanced to cater enterprise-wide risk management, credit approvals, and program

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

lending. CRO reports directly to the President with dotted line reporting to Board Risk & Compliance Committee (BRCC). The group is responsible to perform the functions pertaining to development and oversight of the risk management framework, methodologies and other functions assigned from time to time in line with local/ international best practices and under the supervision of SBP's regulations/ guidelines.

The Bank's Board is responsible to ensure active oversight over implementation of policies and frameworks so as to prevent any significant financial loss or reductions in shareholders' value that may be suffered by the Bank. Therefore, it is the responsibility of the Board to ensure that policies and frameworks are in place to recognize all significant/ material risks to which the Bank is/ may be exposed and that the required human resource, culture, practices and systems are adequate to address such risks. The Board and its relevant committee, i.e. Board Risk and Compliance Committee (BRCC) and the senior management along with its relevant committees i.e. Management Credit Committee (MCC), Enterprise Risk Committee (ERC), Asset and Liability Committee (ALCO) etc. are responsible to ensure implementation of Risk Management framework.

## 48.2 Risk Management Framework

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions, products and services offered.

The Bank implements risk management framework through a 'Three Lines of Defence' model which defines clear responsibilities and accountabilities for various offices and ensures effective and independent oversight and also that the activities take place as intended. RMG together with Compliance Group acts as second line of defense and performs integrated function of oversight and independently challenges the effectiveness of risk management actions taken by business groups, who are the first line of defense. The risk management is further strengthened by the third line of defense, where Board Audit and Compliance Committee and Audit and Inspection Group add value through independent and objective assurance in improving risk management functions of the Bank.

Following paragraphs introduce Group's exposures to material risks associated with its business activities and explain overall strategies and processes to manage those risks:

### 48.2.1 Credit Risk

Credit risk is one of the significant risks faced by banks by due to the nature of their core activities. Through effective management of credit risk exposure, banks not only support the viability and profitability of their own business but also contribute to systemic stability and efficient allocation of capital in the economy. Credit Risk arises from the potential that a customer's or counterparty's willingness or ability to meet such an obligation is impaired, resulting in an economic loss to the bank. NBP's lending activities account for most of the Bank's credit risk which is continuously evolving in various financial activities including loans and advances, commitments to lend, contingent liabilities such as letter of credit and guarantees, and other types of both on and off-balance sheet transactions. The Bank has a dedicated setup led by Chief Risk Officer that ensures the effectiveness of the risk management frameworks for assessment / measurement, review and reporting of credit risk under supervision of Board Risk and Compliance Committee.

A prudent path to identify, assess and monitor credit risk management through structured assessment models, effective pre-disbursement evaluation tools and an array of post disbursement review systems has enabled NBP to effectively manage its credit risk and to keep the Bank resilient and minimize losses within the defined risk tolerance levels. Strategic goal, embedded into our approach to risk management is to maintain a robust framework, identify and escalate risks and to support sustainable business growth. The Bank has in place Risk Appetite Framework and Credit Risk Concentration Management Framework to control and mitigate the levels of credit risk it undertakes by placing limits on exposures in relation to existing or potential obligors, economic groups and to various industry segments.

The Risk Management function of the Bank is regularly conducting assessments, on perpetual basis, of the credit portfolio to identify borrowers and sectors through portfolio reports and dashboards most likely to get affected due to changes in the business and economic environment locally as well as globally. Bank is proactively keeping an eye on the delinquency in the

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

accounts, financial position of the counterparty, current economic situation and other relevant information.

Credit review and approval process of the Bank is well-defined and is managed under strict supervision of senior management. For analysis of counterparties within various asset classes / constitutions / economic group, the Bank has in place rating models / scorecards, which further enhances the effective decision making. Concentration of exposure / risk in any of counterparty, economic group, or industry is assessed frequently and limit setting is tailored accordingly within Bank's overall risk appetite. Furthermore, during the year several automation initiatives were also undertaken by RMG for more efficient and effective decision making.

The Bank has also embarked on implementation of IFRS 9 standard, which is currently in parallel-run phase. The standard sets out new model for financial assets, which requires recognition of impairment charge based on an 'Expected Credit Loss' approach rather than the 'Incurred Credit Loss' approach as currently followed.

Moreover, under the leadership of CEO & CRO, the credit approval process was brought in line with global best practices by implementing the delegated approval authorities to Chief Credit Officer (CCO) & Senior Credit Officers (SCOs). This has vastly improved the turnaround time (TAT) for credit approvals besides a focused approach to asset / loan underwriting and monitoring. Furthermore, the risk team has also started making joint visits with the business teams to customers sites which has proved to be very helpful in understanding the ground realities and also supports in making informed decisions.

Retail & Program Lending Group manages the risk side of products governed on a program basis. Group has been organized on a Credit Cycle approach that adapts an end-to-end credit view. It is engaged in areas of Policy & Portfolio Management, MIS & Analytics, Credit Approvals, Collection & Recovery, Quality Assurance, etc. Head of Retail & Program Lending Group reports to CRO of the bank and is also a voting member of Management Credit Committee.

Currently under Basel Framework, Standardized Approach is used to calculate capital charge for credit risk weighted assets, with simple approach for credit risk mitigation. Additionally, stress testing for credit risk is completed on regular basis to evaluate the conceivable effects of scenarios provided by the regulator.

Particulars of the Group's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

## 48.2.1.1 Lendings to financial institutions

Credit risk by public / private sector	Gross lendings		Non-performing lendings		Provision held	
	2022	2021	2022	2021	2022	2021
	----- (Rupees in '000) -----					
Public/ Government	-	-	-	-	-	-
Private	31,446,617	335,640,825	174,150	174,150	174,150	174,150
	31,446,617	335,640,825	174,150	174,150	174,150	174,150



## Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

### 48.2.1.2 Investment in debt securities

#### Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2022	2021	2022	2021	2022	2021
----- (Rupees in '000) -----						
Cement	357,668	470,168	20,168	20,168	20,168	20,168
Chemical	326,742	2,076,742	326,742	326,742	326,742	326,742
Construction	2,962,405	3,380,824	1,633,739	1,633,739	1,633,739	1,633,739
Engineering	4,842	4,842	4,842	4,842	4,842	4,842
Fertilizer	1,330,815	655,109	1,330,815	655,109	1,199,830	655,109
Sugar	655,219	709,719	655,219	709,719	655,219	709,719
Textile	936,767	1,079,625	651,053	651,053	651,053	651,053
Financial	14,920,842	9,734,656	501,012	201,252	501,012	201,252
Electronics and electrical appliances	1,308,738	1,308,738	1,308,738	1,308,738	1,308,738	1,308,738
Glass and Ceramics	11,361	11,361	11,361	11,361	11,361	11,361
Miscellaneous	464,627	467,203	23,447	25,996	23,448	25,996
Leather and Tanneries	5,288	5,288	5,288	5,288	5,288	5,288
Food and Personal Care Products	11,184	11,184	11,184	11,184	11,184	11,184
Pharmaceuticals	2,413	2,413	2,413	2,413	2,413	2,413
Technology and Communication	11,072	11,072	11,072	11,072	11,072	11,072
Vanaspoti and Allied Industries	4,238	4,238	4,238	4,238	4,238	4,238
Oil and Gas Marketing	687	9,049	687	687	687	687
Cable and Electrical Goods	4,509	4,509	4,509	4,509	4,509	4,509
Automobile Parts and Accessories	1,185	1,185	1,185	1,185	1,185	1,185
Power (electricity), Gas, Water, Sanitary	27,714,075	34,579,163	-	-	-	-
Tobacco	144	144	144	144	144	144
Paper and Board	10,794	10,794	10,794	10,794	10,794	10,794
Jute	7,081	7,081	7,081	7,081	7,080	7,081
Metal Products	375,000	500,000	-	-	-	-
Services	823,878	867,239	-	-	-	-
Telecom	300,000	-	-	-	-	-
	52,551,574	55,912,346	6,525,731	5,607,314	6,394,746	5,607,314

#### Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2022	2021	2022	2021	2022	2021
----- (Rupees in '000) -----						
Public / Government	23,556,270	29,898,025	18,862	18,862	18,862	18,862
Private	28,995,304	26,014,321	6,506,869	5,588,452	6,375,884	5,588,452
	52,551,574	55,912,346	6,525,731	5,607,314	6,394,746	5,607,314

# Notes to and forming part of the Consolidated Financial Statements

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## 48.2.1.3 Advances

### Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2022	2021	2022	2021	2022	2021
----- (Rupees in '000) -----						
Agriculture, Forestry, Hunting & Fishing	80,495,011	71,243,087	7,362,301	7,208,158	5,713,024	5,192,290
Mining & Quarrying	3,164,044	88,334	184,765	11,336	184,765	11,336
Textile	165,340,123	160,297,014	38,063,274	37,125,362	36,586,116	37,067,714
Chemical & Pharmaceuticals	7,461,927	5,284,057	4,439,102	2,731,312	4,394,734	2,661,064
Cement	35,175,010	32,057,795	5,768,647	6,317,887	3,786,389	4,094,267
Sugar	39,138,958	36,671,049	15,337,931	15,386,592	15,331,156	15,354,821
Footwear and Leather garments	2,534,796	2,016,893	1,168,627	892,779	1,079,224	887,472
Automobile & Transportation Equipment	10,875,288	8,567,080	921,095	940,147	905,813	937,466
Electronics & Electrical Appliances	10,782,697	9,684,327	2,379,854	2,380,885	2,377,270	2,370,272
Construction	24,955,900	20,193,083	9,447,671	9,643,454	9,441,049	6,754,352
Oil & Gas	178,706,498	102,762,247	19,619,278	20,216,650	19,339,190	20,074,535
Power (electricity), Gas, Water, Sanitary	194,522,795	198,946,668	15,156,096	13,209,849	12,981,169	9,311,105
Wholesale and Retail Trade	53,375,862	42,510,970	10,720,360	10,801,296	10,682,265	10,745,332
Exports / Imports	1,599,410	1,501,450	235,284	-	235,284	-
Transport, Storage and Communication	57,689,946	55,070,251	14,851,559	12,789,768	12,575,382	10,368,778
Financial	14,687,975	31,806,152	104,380	92,331	96,280	92,331
Services	42,121,726	38,110,525	3,219,193	4,242,115	1,826,174	2,554,475
Individuals	203,306,181	198,236,486	6,496,272	6,215,945	4,381,003	4,342,413
Flour Mills	2,552,518	2,767,236	725,603	752,338	676,963	689,028
Rice Trading & Processing	35,552,848	37,707,929	4,546,743	4,780,678	4,432,434	4,555,487
Food and Tobacco	20,562,295	16,109,497	7,134,439	6,988,672	6,767,830	6,367,546
Fertilizer	9,096,871	11,602,568	2,861,321	2,988,462	2,822,795	2,947,541
Metal Products	70,882,534	71,007,705	26,476,676	25,680,256	26,473,372	25,511,029
Telecommunication	30,839,889	22,011,036	1,180,028	1,136,813	1,180,028	1,136,813
Public Sector Commodity Operations	96,305,380	77,346,473	74,198	74,198	74,198	74,198
Engineering	29,549,358	32,121,933	1,637,447	1,422,820	1,482,884	1,415,349
Glass and Ceramics	6,626,264	8,070,726	274,739	389,447	274,739	389,447
Media	916,067	1,529,488	151,334	381,881	151,334	208,971
Paper & Board	3,063,869	2,726,772	1,177,882	1,193,719	1,168,683	1,193,719
Plastic products	3,305,648	2,662,060	1,507,205	672,095	1,157,387	670,607
Sports goods	140,062	1,280,713	14,688	93,818	14,688	93,818
Surgical equipments	790,887	824,409	13,200	12,151	9,430	8,558
Others	2,913,767	2,625,316	2,473,445	1,572,475	2,411,695	1,572,476
	1,439,032,404	1,305,441,329	205,724,637	198,345,689	191,014,747	179,654,610

### Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2022	2021	2022	2021	2022	2021
----- (Rupees in '000) -----						
Public / Government	498,932,567	420,736,532	99,887	99,887	99,887	99,887
Private	940,099,837	884,704,797	205,624,750	198,245,802	191,914,860	179,554,723
	1,439,032,404	1,305,441,329	205,724,637	198,345,689	191,014,747	179,654,610

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	2022	2021
	------(Rupees in '000)-----	
<b>48.2.1.4 Contingencies and Commitments</b>		
<b>Credit risk by industry sector</b>		
Agriculture, Forestry, Hunting and Fishing	504,418	100,504
Mining and Quarrying	426,948	1,418,487
Textile	15,852,803	25,421,310
Chemical and Pharmaceuticals	3,774,815	6,001,560
Cement	3,402,417	9,718,289
Sugar	93,200	592,840
Footwear and Leather garments	-	182
Automobile and Transportation Equipment	2,712,927	4,435,897
Electronics and Electrical Appliances	2,433,354	2,843,195
Construction	9,005,223	9,718,062
Oil & Gas	67,938,534	104,645,267
Power (electricity), Water, Sanitary	59,726,777	61,808,701
Wholesale and Retail Trade	1,464,278	2,346,916
Exports / Imports	139,941	272,733
Transport, Storage and Communication	117,805,517	47,721,546
Financial	836,176,841	740,274,595
Services	1,532,587,528	1,355,079,802
Individuals	316,559	77,114
Fertilizer	3,272,384	3,652,239
Metal Products	21,853,185	15,961,141
Telecommunication	25,204,570	25,141,952
Public Sector Commodity Operations	199,543	8,249,178
Rice processing and Trading	459,325	20,825
Food and Tobacco	460,902	448,128
Glass and Ceramics	977,165	1,484,463
Paper and Board	523,793	2,046,783
Engineering	68,544,006	77,952,489
Plastic Products	159,060	258,541
Surgical equipments	19,459	19,459
Others	1,430,775	3,411,208
	<b>2,777,466,247</b>	<b>2,511,123,406</b>

\* Contingent liabilities for the purpose of this note are presented at cost and includes direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities.

	2022	2021
	------(Rupees in '000)-----	
<b>Credit risk by public / private sector</b>		
Public / Government	1,775,401,082	1,411,475,036
Private	1,002,065,165	1,099,648,370
	<b>2,777,466,247</b>	<b>2,511,123,406</b>

# Notes to and forming part of the Consolidated Financial Statements

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## 48.2.1.5 Concentration of Advances

The bank's top ten (10) exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 1,851,158 million (2021: Rs. 1,474,941 million) are as following:

	2022 ------(Rupees in '000)-----	2021 ------(Rupees in '000)-----
Funded	306,636,922	244,605,208
Non Funded	1,544,521,600	1,230,335,750
Total Exposure	1,851,158,522	1,474,940,958

The sanctioned limits against these top 10 exposures aggregated to Rs. 1,899,110 million (2021: Rs. 1,563,667 million).

For the purpose of this note, exposure means outstanding funded facilities and utilised non-funded facilities as at the reporting date.

## 48.2.1.6 Advances - Province / Region-wise Disbursement and Utilization

Province/Region	2022						
	Disbursements		Utilization				
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan	
	------(Rupees in '000)-----						
Punjab	422,286,297	421,433,044	853,253	-	-	-	-
Sindh	491,891,761	826,000	489,953,056	-	500,000	612,705	-
KPK including FATA	11,459,625	-	-	11,459,625	-	-	-
Balochistan	4,073,074	-	-	-	4,073,074	-	-
Islamabad	129,737,810	-	-	-	-	129,737,810	-
AJK including Gilgit-Baltistan	7,244,799	-	-	-	-	-	7,244,799
Total	1,066,693,366	422,259,044	490,806,309	11,459,625	4,573,074	130,350,515	7,244,799

Province/Region	2021						
	Disbursements		Utilization				
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan	
	------(Rupees in '000)-----						
Punjab	227,503,496	221,078,413	1,855,596	3,944,464	-	11,120	613,903
Sindh	479,243,405	4,500,000	466,243,405	-	-	8,500,000	-
KPK including FATA	11,698,517	-	-	11,698,517	-	-	-
Balochistan	3,678,107	-	-	-	3,678,107	-	-
Islamabad	62,861,679	12,830,357	9,892,187	3,099,940	-	37,039,195	-
AJK including Gilgit-Baltistan	7,310,487	-	-	-	-	-	7,310,487
Total	792,295,691	238,408,770	477,991,188	18,742,921	3,678,107	45,550,315	7,924,390



## Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

### 48.2.2 Market Risk

Market Risk is the value of on and off-balance sheet positions of a financial institution that will be adversely affected by movements in market factors such as interest rates, foreign exchange rates, equity prices, credit spreads and / or commodity prices resulting in a loss to earnings and capital.

The Group's market risk is managed through Market Risk Management (MRM) Framework approved by the Board which is comprised of related policies / procedures with the objective to mitigate market risk. Group has in-place market risk limits to maintain risk emanating from such market drivers within the Group's risk appetite. Under the developed Value-at-Risk (VaR) models and policy framework, VaR limits are being monitored with an objective to be used for capital charge calculation under IMA approach in future.

Standardized Approach is used to calculate capital charge for market risk as per Basel framework. Stress testing for interest rate, equity prices, and exchange rates risks activities is carried out regularly to estimate the impact on the capital of the Group and maintain the Group's capital at appropriate level.

In addition to the regulatory requirements, Bank has devised proprietary market risk stress testing scenarios which are performed on periodic basis to assess the impact on capital of the Bank for Internal Capital Adequacy and Assessment Process (ICAAP). Limits / zones and Management Action Triggers and Management Action Plans corresponding to Liquidity Ratios, Balance Sheet Duration Gap, Government Securities' PVBP and Duration have also been developed.

#### 48.2.2.1 Statement of Financial position split by trading and banking books

	2022			2021		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	------(Rupees in '000)-----					
Cash and balances with treasury banks	230,226,311	-	230,226,311	278,868,736	-	278,868,736
Balances with other banks	19,623,124	-	19,623,124	19,211,237	-	19,211,237
Lendings to financial institutions	31,272,467	-	31,272,467	335,466,675	-	335,466,675
Investments	3,396,969,183	85,966,664	3,482,935,847	1,821,039,266	121,701,925	1,942,741,191
Advances	1,230,669,118	-	1,230,669,118	1,113,314,128	-	1,113,314,128
Fixed assets	57,604,343	-	57,604,343	54,610,404	-	54,610,404
Intangible assets	2,101,322	-	2,101,322	1,394,843	-	1,394,843
Right of use assets	7,186,067	-	7,186,067	7,090,980	-	7,090,980
Deferred tax asset	22,406,230	-	22,406,230	1,902,811	-	1,902,811
Other assets	167,741,065	-	167,741,065	102,433,942	-	102,433,942
	5,165,799,230	85,966,664	5,251,765,894	3,735,333,022	121,701,925	3,857,034,947

#### 48.2.2.2 Foreign Exchange Risk

Foreign exchange and translation risk arises from the impact of currency movements on the value of the Bank's cash flows, profits and losses, and assets and liabilities as a result of participation in global financial markets and international operations.

In order to manage currency risk exposure the Bank enters into ready, spot, forward and swaps transactions with the SBP and in the interbank market, financial institutions and corporates. The Group's foreign exchange exposure comprises of forward contracts, purchases of foreign bills, foreign currency cash in hand, balances with Banks abroad, foreign placements with the SBP and foreign currency assets and liabilities. Foreign Exchange exposure is managed within the statutory limits, as fixed by the SBP. Appropriate segregation of duties exists between the front, middle and back office functions.

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	2022				2021			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)							
United States Dollar	211,429,664	370,954,485	141,296,815	(18,228,007)	230,696,801	321,594,407	87,452,155	(3,445,451)
Great Britain Pound	3,736,408	7,473,268	5,377,060	1,640,200	5,012,811	5,950,831	4,303,047	3,365,027
Japanese Yen	4,521,164	1,566,256	109,675	3,064,583	3,939,522	3,283,911	2,315,294	2,970,904
Euro	11,899,656	22,030,243	14,029,417	3,898,830	13,413,044	19,043,837	7,628,249	1,997,456
Other currencies	85,538,450	17,315,572	5,066,952	73,289,829	75,261,167	18,382,109	3,130,155	60,009,213
	317,125,342	419,339,824	165,879,919	63,665,435	328,323,345	368,255,095	104,828,900	64,897,149

	2022		2021	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates				
- Profit and loss account	-	261,830	-	(173,567)
- Other comprehensive income	636,654	-	648,971	-

## 48.2.2.3 Equity position Risk

Stock trading activities also raise risk which occurs resulting in negative fluctuations of daily stock prices specifically in those stocks which are held by the Group, hence, deplete capital. The Bank's equity position is managed through limits imposed by regulator for both, overall investment and exposure in single scrip. Moreover, internal limits are set to possibly manage overall earnings in the form of placing of stop loss, VaR limits and/ or through diversification within the structure of overall equity position portfolio.

	2022		2021	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 5% change in equity prices				
- Profit and loss account	-	20,188	-	-
- Other comprehensive income	2,577,256	-	2,671,767	-

## 48.2.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

Interest rate risk specifically arises due to adverse movements in yield curve that is being monitored by ALCO with an objective to possibly limiting the potential adverse impact on the profitability of the Group, which may result due to volatility of market interest rates and any mismatch or gaps in the amount of financial assets and financial liabilities in different maturity time bands. Bank assumes that the sources of IRR are based on following sub-risks.

- Re-pricing risk; arising from changes to the overall level of interest rates and inherent mismatches in the re-pricing term of banking book items.
- Yield curve risk; arising from a change in the relative level of interest rates for different tenors and changes in the slope or shape of the yield curve.
- Basis risk; arising from differences between the actual and expected interest margins on Banking book items over the implied cost of funds of those items.

	2022		2021	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in interest rates on				
- Profit and loss account	-	758,615	-	368,677
- Other comprehensive income	17,740,339	-	8,629,166	-

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

## 48.2.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

2022												
Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk									Non-interest bearing financial instruments	
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
------(Rupees in '000)-----												
<b>On-balance sheet financial instruments</b>												
<u>Assets</u>												
Cash and balances with treasury banks	230,226,311	19,664,696	-	-	-	-	-	-	-	-	-	210,561,615
Balances with other banks	19,623,124	4,080,785	1,796,603	556,760	797,970	-	-	-	-	-	-	12,391,006
Lending to financial institutions	31,272,467	31,262,744	-	-	-	-	-	-	-	-	-	9,723
Investments	3,482,935,847	623,770,208	1,495,119,190	545,060,870	201,640,994	121,415,872	114,581,645	175,991,374	115,774,778	7,150,694	-	82,430,222
Advances	1,230,669,118	324,139,397	280,098,870	173,991,260	165,871,653	25,742,864	43,745,383	66,856,032	53,927,228	31,850,855	-	64,445,576
Other assets	128,133,163	961,390	49,943	86,973	38,709	-	-	-	-	-	-	126,996,148
	5,122,860,030	1,003,879,219	1,777,064,606	719,695,862	368,349,326	147,158,736	158,327,028	242,847,407	169,702,005	39,001,549	-	496,834,290
<u>Liabilities</u>												
Bills payable	55,268,019	-	-	-	-	-	-	-	-	-	-	55,268,019
Borrowings	1,940,485,787	1,386,993,998	481,134,339	24,758,723	4,359,766	3,941,769	4,278,460	12,396,285	22,578,300	44,147	-	-
Deposits and other accounts	2,665,273,257	1,692,284,015	56,331,627	143,645,001	62,752,364	87,857,931	21,560,944	14,583,213	1,997,543	-	-	584,260,619
Liabilities against assets subject to finance lease	16.1%	121,453	44,748	-	-	-	76,705	-	-	-	-	-
Lease liability against right of use assets	10.4%	8,761,015	50	21,308	60,618	295,566	416,971	1,376,016	1,921,963	2,978,296	1,690,227	-
Other liabilities	0.0%	267,719,271	992,453	-	-	-	-	-	-	-	-	266,726,818
	4,937,628,802	3,080,315,264	537,487,274	168,464,342	67,407,696	92,216,671	27,292,125	28,901,461	27,554,139	1,734,374	-	906,255,456
<b>On-balance sheet gap</b>	185,231,228	(2,076,436,045)	1,239,577,332	551,231,520	300,941,631	54,942,065	131,034,903	213,945,945	142,147,867	37,267,175	-	(409,421,166)
<b>Off-balance sheet financial instruments</b>												
Documentary credits and short-term trade-related transactions	1,696,635,726	-	-	-	-	-	-	-	-	-	-	1,696,635,726
Commitments in respect of:												
- forward foreign exchange contracts	165,879,918	78,713,612	62,008,252	25,158,054	-	-	-	-	-	-	-	-
- forward government securities transactions	(32,591,580)	(32,591,580)	-	-	-	-	-	-	-	-	-	-
- Forward lending	50,363,949	-	-	-	-	-	-	-	-	-	-	50,363,949
Commitments for acquisition of:												
- fixed assets	798,234	-	-	-	-	-	-	-	-	-	-	798,234
Other commitments	-	-	-	-	-	-	-	-	-	-	-	-
<b>Off-balance sheet gap</b>	1,881,086,247	46,122,032	62,008,252	25,158,054	-	-	-	-	-	-	-	1,747,797,909
<b>Total Yield/Interest Risk Sensitivity Gap</b>		(2,030,314,013)	1,301,585,584	576,388,575	300,941,631	54,942,065	131,034,903	213,945,945	142,147,867	37,267,175	-	1,338,376,744
<b>Cumulative Yield/Interest Risk Sensitivity Gap</b>		(2,030,314,013)	(728,728,429)	(152,338,855)	148,602,776	203,544,841	334,579,744	548,525,689	690,673,556	727,940,731	-	2,066,317,474

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

2021												
Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk									Non-interest bearing financial instruments	
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years		
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
0.1%	278,868,736	25,910,106	-	1,230,868	-	-	-	-	-	-	251,727,762	
0.6%	19,211,237	5,193,321	514,671	728,951	766,148	-	-	-	-	-	12,008,146	
10.4%	335,466,675	305,466,675	-	30,000,000	-	-	-	-	-	-	-	
8.2%	1,942,741,191	52,071,307	600,631,710	163,339,043	147,989,238	412,825,050	115,300,016	133,826,520	231,572,946	7,808,110	77,377,251	
7.4%	1,113,314,128	232,790,642	347,491,341	221,525,465	87,272,918	15,422,466	18,353,878	96,696,071	52,224,236	21,686,992	19,650,120	
0.0%	61,505,255	642,580	-	127,892	114,894	-	-	-	-	-	60,619,899	
	3,751,107,222	622,074,631	948,637,721	416,952,219	236,143,188	428,247,516	133,653,894	230,522,591	283,797,182	29,495,102	421,583,178	
Liabilities												
0.0%	21,848,270	-	-	-	-	-	-	-	-	-	21,848,270	
10.1%	312,925,106	33,593,924	129,395,726	81,758,922	29,616,731	13,099,389	3,634,279	6,463,258	15,382,877	-	-	
4.0%	3,018,147,709	1,635,631,447	92,855,650	64,016,936	72,939,727	18,293,487	79,321,676	4,558,165	588,979	-	1,079,941,642	
10.0%	133,598	78,116	-	-	-	-	55,482	-	-	-	-	
10.0%	8,360,755	-	20,960	68,732	461,203	643,301	788,395	1,849,562	3,046,610	1,480,992	-	
0.0%	196,962,495	847,788	-	-	-	-	-	-	-	-	196,114,706	
	3,558,377,933	1,640,151,275	222,272,336	145,845,590	103,017,659	32,036,178	83,799,832	12,870,985	18,998,466	1,480,992	1,297,904,618	
On-balance sheet gap												
	192,729,289	(1,016,076,643)	726,365,384	271,106,630	133,125,529	396,211,338	49,854,062	217,651,606	264,798,716	28,014,110	(876,321,440)	
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions												
	1,582,757,532	-	-	-	-	-	-	-	-	-	1,582,757,532	
Commitments in respect of:												
- forward foreign exchange contracts	104,828,900	18,483,677	9,917,130	74,965,217	1,462,876	-	-	-	-	-	-	
- forward government securities transactions	22,180,109	-	(171,626)	-	22,793,079	-	-	(441,343)	-	-	-	
- Forward lending	20,618,971	-	-	-	-	-	-	-	-	-	20,618,971	
Commitments for acquisition of:												
- fixed assets	826,737	344,837	314,748	50,916	116,236	-	-	-	-	-	-	
- Other commitments	-	-	-	-	-	-	-	-	-	-	-	
Off-balance sheet gap												
	1,731,212,249	18,828,514	10,060,252	75,016,133	24,372,191	-	-	(441,343)	-	-	1,603,376,503	
Total Yield / Interest Risk Sensitivity Gap												
	(999,248,130)	736,425,636	346,122,763	157,497,720	396,211,338	49,854,062	217,210,263	264,798,716	28,014,110	727,055,063		
Cumulative Yield / Interest Risk Sensitivity Gap												
	(999,248,130)	(262,822,493)	83,300,269	240,797,989	637,009,327	686,863,389	904,073,652	1,163,872,367	1,196,886,477	1,923,941,540		



## Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

2022                      2021  
------(Rupees in '000)-----

### 48.2.2.6 Reconciliation of Financial Assets and Liabilities with Total Assets and Liabilities

<b>Total Financial Assets as per note 48.2.2.5</b>	<b>5,122,860,030</b>	3,751,107,222
<b>Add: Non-Financial Assets</b>		
Fixed assets	<b>57,604,343</b>	54,610,404
Intangible assets	<b>2,101,322</b>	1,394,843
Right of Use Assets	<b>7,186,067</b>	7,090,980
Deferred tax assets	<b>22,406,230</b>	1,902,811
Other assets	<b>39,607,902</b>	40,928,687
	<b>128,905,864</b>	105,927,725
<b>Total assets as per statement of financial position</b>	<b>5,251,765,894</b>	3,857,034,947
<b>Total Financial Liabilities as per note 48.2.2.5</b>	<b>4,937,628,802</b>	3,558,377,933
<b>Add: Non-Financial Liabilities</b>		
Other liabilities	<b>3,836,860</b>	3,633,633
<b>Total liabilities as per statement of financial position</b>	<b>4,941,465,662</b>	3,562,011,566

### 48.2.3 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risks. For effective implementation, Group has comprehensive Operational Risk Management (ORM) Framework and procedure documents. These documents provide guidance for setting up operational risk strategy of the Group, selection and adoption of risk and loss measurement tools, reporting, and establishment of operational risk management processes.

Operational risks are a core component of doing business arising from the day-to-day operational activities of the Group including launching of new products and services by the Group. Group realizes that operational risks cannot be fully mitigated, it therefore, determines an appropriate balance between accepting potential losses and incurring costs of mitigation.

Further, the Group has adopted an Operational Risk Management Framework and Operational Risk Tolerance limits are approved by the Board in-line with Basel framework and Group's policy, respectively. Furthermore, Group has rolled-out Operational Loss Data Collection Mechanism whereby field functionaries and Groups/Divisions at head office are responsible to report operational losses under their jurisdictions on a certain frequency. Operational loss events are reviewed and appropriate corrective measures are taken on an ongoing basis. Risk Evaluation exercise is carried out for new products, processes and systems as per the operational risk procedures document of the Group.

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

The Group also conducts root cause analysis of major Operational Risk Incidents covering key control lapses and accordingly suggests recommendations & mitigations. As per Basel regulatory framework, the Group calculates capital charge for its operational risk using Basic Indicator Approach. This approach is considered most suitable in view of the business model of the Group which relies on an extensive network of branches to offer Grouping services to its customers.

Moreover, the Group closely monitored overall Group's operational environment and undertook required actions to ensure the safety and security of Group staff, assets and maintenance of service to its customers. The Group continued to take measures to ensure maintenance of their service levels and resolved customer complaints to meet the expectations of its stakeholders.

The Group's operations stayed highly resilient and the Group deployed all necessary measures for the health and safety of its employees to prevent them from any unwarranted situation.

## 48.2.4 Information Security Risk

Cyber Security is one of our top priority risks. Considering extensive customer base and increasing digital footprint, mechanism has been devised for upscaling of technology infrastructure and related channels from information security standpoint. Further, due to evolving cyber threat landscape, the Group has taken appropriate actions to monitor and respond to cybersecurity risks and adopted a heightened state of cybersecurity. We are living in the highly technology dependent environment, where most of the business functions are performed with information technology for storing, processing and sharing information; the information "assets" that are being used to store, process and transmit the information, face various types of threats. If threats get materialized and are able to exploit the vulnerabilities (weaknesses) present in these information assets, the confidentiality, integrity and availability of information get compromised. In order to mitigate the risks, certain controls and countermeasures need to be assessed and implemented. The Group has devised a governance mechanism to manage related risks through development of Policies & Frameworks, and deployed security tools to ensure adequate implementation of internal controls and monitoring of security threats within technology infrastructure.

As first line of defense, the Business groups have primary responsibility for identifying, measuring, and controlling the risks within their areas of accountability. Our staff of Information Security Division (ISD) is second line of defense against any cyber risks. Therefore, the Group regularly assesses the information security controls and undertakes employees' awareness and trainings. The Group works with its key technology partners to ensure that potentially vulnerable systems are identified and appropriate fixes & controls are implemented to secure the systems. The Group is actively communicating with its customers on interacting with the Group in a secure manner through its full suite of channels including online and digital Grouping.

The management is cognizant of the fact that cyber security is a top priority risk and the Group is taking appropriate steps to monitor and respond to it. The Information Security Division (ISD) has been reorganized in 2022 with introduction of new technical roles of IS Security Operations & Threat Management, Network & Infrastructure Security, and Application & Database Security; in addition to the management roles of IS Governance & Compliance, IS Program Management, and IS Risk Management. The unit (ISD) works under the supervision of Chief Information Security Officer (CISO). Numerous steps have been taken by the Group to identify cyber security weaknesses of systems & infrastructure. Several controls are in place including but not limited to 24/7 SOC, 2FA authentication of VPN connections, Kaspersky EPP and CrowdStrike EDR mandatory deployments on Group's systems (KATA XDR is in final phase of implementation) etc. in line with the action plan outlined in the Group's cyber security management framework.

## Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

### 48.2.5 Enterprise-wide Risk

In addition to the above mentioned risks, the Group has a structure to identify residual material risks on periodic basis. The source of these reports includes, but not limited to, the Internal Capital Adequacy and Assessment Process (ICAAP), which takes into account risks over and above those which directly occur as a result of daily business and operations of the Group. These risks include Concentration Risk, Interest Rate Risk in Grouping Book (IRRBB), Increase in NPL Categories, Reputational Risk, Strategic Risk, etc.

Moreover, all those brewing risks that are material and arise within the Group or due to inherent behavior of country's market and economic conditions, whether in isolation or in combination are addressed under the Group-wide Recovery Plan. These risks are monitored on certain frequency and mitigating actions are taken as and when deemed necessary.

Group's Stress-testing framework, comprises of tools, to deliver a timely assessment of the resilience of the Group's capital under stressed conditions to the senior management. It ranges from simple sensitivity analysis to sophisticated stress testing methods to capture the abnormal movement of market and economic indicators and to translate such scenarios into projections of Group's profitability, liquidity and capital planning.

This framework paves the way to a quantitative, forward-looking assessment of capital adequacy (movement/ level of Capital Adequacy Ratio (CAR) of the Group) to provide an indication of how much capital might be needed to absorb any expected and any unforeseen losses. It helps in identifying potential vulnerabilities within the Group and assessing solvency by applying plausible/ past adverse scenarios under extreme conditions.

### 48.2.6 Liquidity Risk

Liquidity risk is the risk of loss to a Group arising from its inability to meet obligations as they fall due or to fund growth in assets, without incurring unacceptable costs or losses. More simply, liquidity risk is the possibility that a Group will be unable to meet its financial commitment to a customer, creditor, or investor when due, in a timely and cost-effective manner.

To mitigate this risk, Group has arranged diversified funding sources, manages specific assets with liquidity in mind and monitors liquidity on daily basis. In addition, the Group maintains statutory deposits with central Groups inside and outside Pakistan. The purpose of liquidity management is to ensure that there are sufficient cash flows to meet all of the Group's liabilities when due, under both normal and stressed conditions without incurring unacceptable losses, as well as to capitalize on opportunities for business expansion and profitability. This includes the Group's ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature and to make new loans and investments, as opportunities arise.

Asset and Liability Committee (ALCO) is responsible for ensuring that the Group has adequate liquidity and monitors liquidity gaps, to execute this responsibility. Mandatory as well as advanced/ optional stress testing and ratio based liquidity assessments are performed to proactively identify and manage liquidity position, needs/ requirements. Group has various limits/ ratios, triggers and management actions in place to monitor and mitigate liquidity risk. The Group calculates and monitors, on regular basis, Basel-III Liquidity standards (includes LCR, NSFR and LMTs), liquidity ratios as per SBP parameters besides other internal liquidity measures.

## For the year ended December 31, 2022

## 2022

<b>Assets</b>	
Cash and balances with treasury banks	
Balances with other banks	
Lendings to financial institutions	
Investments	
Advances	
Fixed assets	
Intangible assets	
Right of use assets	
Deferred tax assets	
Other assets	
<b>Liabilities</b>	
Bills payable	
Borrowings	
Deposits and other accounts	
Liabilities against assets subject to	
finance lease	
Lease liability against right of use assets	
Other liabilities	
<b>Net assets</b>	
Share capital	
Reserves	
Unappropriated profit	
Surplus on revaluation of assets	
Non-controlling interest	

2021

<b>Assets</b>	
Cash and balances with treasury banks	
Balances with other banks	
Lending to financial institutions	
Investments	
Advances	
Fixed assets	
Intangible assets	
Right of use assets	
Deferred tax assets	
Other assets	
<b>Liabilities</b>	
Bills payable	
Borrowings	
Deposits and other accounts	
Liabilities against assets subject to	
finance lease	
Lease liability against right of use assets	
Other liabilities	
<b>Net assets</b>	
Share capital	
Reserves	
Unappropriated profit	
Surplus/(Deficit) on revaluation of assets	
Non-controlling interest	



# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

## 48.2.6.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Group

2022

Total	Up to 1 Month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
(Rupees in '000)									
<b>Assets</b>									
Cash and balances with treasury banks	230,226,311	151,728,041	3,232,446	36,991,996	36,991,996	1,261,832	-	-	-
Balances with other banks	19,623,124	16,665,335	1,613,059	556,760	797,970	-	-	-	-
Lending to financial institutions	31,272,467	28,354,943	646,432,512	220,062,209	577,292,511	593,544,606	419,894,119	245,443,901	10,829,476
Investments	3,482,935,847	385,942,104	171,508,519	110,076,684	119,557,100	70,639,884	125,183,386	119,244,206	64,399,997
Advances	1,230,669,118	57,604,343	120,291	-	852,304	1,847,745	804,023	43,365	52,417,084
Fixed assets	2,101,322	-	4,530	-	481,101	462,982	71,609	562,553	-
Right of use assets	7,186,067	112,827	16,666	343,735	179,321	447,737	1,550,294	2,488,455	1,196,007
Deferred tax assets	22,406,230	93,890,423	25,970,589	11,036,642	105,873	947	22,298,410	-	-
Other assets	167,741,065	707,956,670	848,898,612	379,063,006	3,146,181	30,154,790	1,032,243	1,822,027	-
	5,251,765,894	2,975,670,670	2,975,670,670	2,975,670,670	2,975,670,670	2,975,670,670	2,975,670,670	2,975,670,670	2,975,670,670
<b>Liabilities</b>									
Bills payable	55,268,019	29,855,579	1,335,761	863,023	11,606,828	11,606,828	-	-	-
Borrowings	1,940,485,787	1,386,993,999	481,134,339	24,758,723	4,359,766	3,941,769	12,396,285	22,578,300	44,147
Deposits and other accounts	2,665,273,257	434,435,986	123,011,308	157,260,028	498,836,184	529,764,847	456,491,587	1,997,542	-
Liabilities against assets subject to finance lease	121,453	-	-	-	44,748	-	76,705	-	-
Lease liability against right of use assets	8,761,015	50	21,308	60,618	288,804	506,865	1,310,806	2,978,296	1,690,227
Other liabilities	271,556,131	122,974,968	39,209,487	32,024,034	4,902,743	24,159,069	19,220,510	9,400,930	9,770,558
	4,941,465,662	1,974,260,582	644,712,202	214,966,425	520,039,073	569,979,379	490,072,424	36,955,068	11,504,932
<b>Net assets</b>	310,300,232	1,266,303,912	204,186,410	164,101,581	219,365,644	128,401,143	81,537,438	332,649,439	117,337,631
Share capital	21,275,131	-	-	-	-	-	-	-	-
Reserves	67,488,847	-	-	-	-	-	-	-	-
Unappropriated profit	178,189,579	-	-	-	-	-	-	-	-
Surplus/(Deficit) on revaluation of assets	42,273,537	-	-	-	-	-	-	-	-
Non-controlling interest	1,073,138	-	-	-	-	-	-	-	-
	310,300,232	-	-	-	-	-	-	-	-

2021

Total	Up to 1 Month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
(Rupees in '000)									
<b>Assets</b>									
Cash and balances with treasury banks	278,868,736	173,801,956	4,355,501	47,906,066	46,675,198	6,130,015	-	-	-
Balances with other banks	19,211,237	16,415,203	1,300,935	728,951	766,148	-	-	-	-
Lending to financial institutions	335,466,675	305,466,675	-	30,000,000	-	-	-	-	-
Investments	1,942,741,191	64,652,329	644,716,403	139,330,956	158,840,696	415,356,424	134,189,408	231,088,253	12,239,061
Advances	1,113,314,128	308,024,550	184,249,818	91,475,278	92,646,910	56,918,407	127,062,513	89,148,053	73,105,747
Fixed assets	54,610,404	23,286	40,333	-	886,986	2,353,297	827,830	55,286	48,739,719
Intangible assets	1,394,843	3,240	6,480	9,720	303,928	254,869	254,053	562,553	-
Right of use assets	7,090,980	4,802	38,726	84,790	215,166	777,268	1,456,282	2,694,177	1,227,188
Deferred tax assets	1,902,811	-	-	-	274,957	2,203	1,625,649	-	-
Other assets	102,433,942	43,031,146	14,119,381	9,617,316	2,757,559	29,274,331	1,458,795	1,450,276	-
	3,857,034,947	911,423,187	848,827,577	319,153,077	303,369,548	511,066,814	267,476,314	324,958,598	135,311,715
<b>Liabilities</b>									
Bills payable	21,846,270	11,785,882	526,963	6,702,452	361,471	2,471,502	-	-	-
Borrowings	312,925,106	33,593,924	129,395,726	81,758,922	29,616,731	13,099,389	6,463,258	15,362,877	-
Deposits and other accounts	3,018,147,709	762,860,692	185,078,506	296,787,793	462,965,151	413,860,284	408,594,611	1,315,732	-
Liabilities against assets subject to finance lease	133,598	-	-	-	-	-	-	-	-
Lease liability against right of use assets	8,360,755	80,078,936	20,960	69,732	361,900	810,621	1,765,289	3,046,610	1,480,992
Other liabilities	3,562,011,566	888,397,550	333,544,828	415,987,559	496,959,850	456,202,841	16,946,569	8,112,456	8,112,456
	295,023,381	23,025,637	515,282,748	96,834,481	193,590,302	54,863,973	(264,309,972)	297,180,923	125,718,267
<b>Net assets</b>	21,275,131	-	-	-	-	-	-	-	-
Share capital	62,427,269	-	-	-	-	-	-	-	-
Reserves	145,312,547	-	-	-	-	-	-	-	-
Unappropriated profit	64,994,980	-	-	-	-	-	-	-	-
Surplus/(Deficit) on revaluation of assets	1,013,454	-	-	-	-	-	-	-	-
Non-controlling interest	295,023,381	-	-	-	-	-	-	-	-
	21,275,131	-	-	-	-	-	-	-	-

# Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

## 48.2.7 Derivative Risk

A derivative is a contract that derives its value from the performance of an underlying asset which can be an index, interest rate, commodity price, security price, FX rate etc. Derivatives include forwards, futures, swaps, options etc. In Pakistan, futures and forwards are most commonly traded derivatives.

Currently, the Bank is not an active participant in the Pakistan derivatives market as it does not hold an Authorized Derivative Dealer (ADD) license to perform derivative transactions. Once acquired, the Bank will carry out transactions that are permitted under the Financial Derivatives Business Regulations issued by SBP, which may include Interest rate swaps, forward rate agreements, foreign currency options, etc.

Moreover, the Group may also offer other over the counter derivative products to satisfy customer requirements, specific approval of which will be sought from the SBP on a transaction by transaction basis.

## 49. PROPOSED DIVIDEND FOR THE YEAR ENDED DECEMBER 31, 2021

As explained in note 49 of the annual audited consolidated financial statements of the Bank for the year ended December 31, 2021, the recommended cash dividend of Re.1 per share which amounted to Rs. 2,128 million, was not approved in the annual general meeting held on March 30, 2022.

## 50. CORRESPONDING FIGURES

Certain corresponding figures have been reclassified wherever necessary to confirm to the presentation adopted in the current year.

## 51. GENERAL

51.1 Figures have been rounded off to the nearest thousand rupees.

## 52. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on February 28, 2023 by the Board of Directors of the Bank.

Ashraf Mahmood Wathra  
Chairman

Rehmat Ali Hasnie  
President & CEO (A)

Abdul Wahid Sethi  
Chief Financial Officer

Asif Jooma  
Director

Ahsan Ali Chughtai  
Director

## Annexure 'I' as referred to in note 11.6 of the Bank's Consolidated Financial Statements

Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2022

S. No.	Name & Address of the borrower	Name of Individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/ Mark-up written off	Other financial relief / waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1	S.B. Hosier Factory Pvt. Ltd. 2nd Floor, Platinum Bank Building (Now KASB Bank Building, Kotwali Road, Faisalabad.	Late Muhammad Ikram 33100-1627050-1 Shehbaz Ikram 33100-6740898-8 Muhammad Usman 33100-7368631-7 Faisal Saeed Sheikh 33100-1014832-3	Haji Tufail Muhammad Muhammad Ikram Muhammad Ikram Saeed Mahmood Sheikh	196,741	46,768	162,811	406,320	76,741	-	209,579	286,320
2	Sohail Textiles 21- Km Ferozepur Road, Lahore	Sohail Hamid Rana 35201-1636030-9	Rana Hamid Khan	25,788	6,945	27,262	59,995	-	-	14,375	14,375
3	Uppal Textiles 1 Km Old Kasur Road, Rawind 565 G, Johar Town, Lahore.	Asif Ali 35202-6487109-3 Baber Ali 35202-2793515-9 Arshad Ali 35202-2812561-5 Tariq Mahmood 35202-5069641-7 Muhammad Afzal 35202-2348420-9 Amear Ali 35202-1071316-5	Muhammad Ali Asif Ali Arshad Ali Muhammad Ali Muhammad Ali Liaqat Ali	-	-	33,278	33,278	-	-	17,369	17,369
4	East N Link Products Limited Office 5-6, 5th Floor, Block C-1, Taj Complex, Opp: Capri Cinema Karachi	Nisar Ahmed 42301-3612315-7 Anwar Ahmed 42301-7452922-5 Hamida Begum 42301-4908895-2 Samina Nisar 42201-0562367-6 Rukhsana Anwar 42301-1946870-2 Sikandar Ali 48547157648 (Old) Syed Wail Ullah	Muhammad Yaqoob Muhammad Yaqoob Muhammad Yaqoob Nisar Ahmed Anwar Ahmed Nizamuddin Syed Habibullah Hussaini	74,051	42,211	156,413	272,675	-	-	192,675	192,675

## Annexure 'I' as referred to in note 11.6 of the Bank's Consolidated Financial Statements

S. No.	Name & Address of the borrower	Name of Individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/ Mark-up written off	Other financial relief / waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
5	Ansari Sugar Mills Limited Office 41-K, Block-6, PECHS, Karachi	Abdul Ghani Ansari 449-54-318109 (Old) A. Hafeez Ansari 449-61-256001 (Old) Nasreen Ghani 502-56-609691 (Old) Imran Rasheed Ansari 449-89-256552 (Old)	Ahmed Khan Ansari  Ahmed Khan Ansari Abdul Ghani Ansari Abdul Rasheed Ansari	213,551	192,532	550,354	956,437	-	-	742,886	742,886
6	Abdul Hameed P.O. Basti Lar, Tehsil Oran Liaquatpur, District Rahmyarkhan	Abdul Hameed 31302-7561665-9	Muhammad Abdullah	1,047	-	-	1,047	1,047	-	-	1,047
7	Muhammad Yameen Near Masjid Bahar e Madina, Mohallah Rajputan Dhanate, Kehror Pacca, Lodhran	Muhammad Yameen 36202-3640971-1	Muhammad Yameen	579	-	-	579	579	-	-	579
8	Malik Atta Muhammad Basti Warra, P.O. Kotla Musa Khan, Tehsil Ahmedpur East, District Bahawalpur	Malik Atta Muhammad 31201-2112288-3	Malik Ahmad Bukhsh	515	-	-	515	515	-	-	515
9	M/s Askari Corporation Mohalla Kot Wars Shah, Near Chungi No. 1, Suraj Miani Road, Multan	Syed Iftikhar Bokhari 36302-7855011-1	Syed Abdul Ghafar Shah	498	1,123	50	1,671	-	-	523	523
10	Sonia Falak Sher House No.493, Mohallah Peer Qazi Inside Pak Gate, Multan	Sonia Falak Sher 36302-5191427-6	Falak Sher	2,336	1,330	5	3,671	-	-	623	623
11	Ghulam Ghous Chah Dhoray Wala p/o Shujabad, Tehsil Shujabad, District: Multan	Ghulam Ghous 36304-9179584-5	Ghulam Hussain	1,008	-	-	1,008	1,008	-	-	1,008
12	Nadeem Sarfraz Near Police Line No.2, Sooraj Miani Road, Mohallah Raza Abad Colony, Multan	Nadeem Sarfraz 36302-6289423-1	Khushi Masih	600	-	-	600	600	-	-	600
13	Muhammad Iqbal Chah Shah Wala, Alangir, Multan	Muhammad Iqbal 36302-0271174-5	Allah Buksh	635	-	6	641	635	-	6	641
14	Mukhtar Masih Chak No.219/HB, Sher Singh Wala, Tehsil & District Faisalabad	Mukhtar Masih 33100-2306570-5	Sadiq Masih	579	-	-	579	579	-	-	579
15	Sabz Ali Khan House no 50, Gali no 1-A, G-7/4, Islamabad	Sabz Ali Khan 61101-4705861-9	Ibrahim Khan	729	-	-	729	729	-	-	729
16	Saleem Iqbal House No.25/3537, Mohallah Chaman Piratak Joint Road, Gymkhana, Quetta	Saleem Iqbal 64400-6004083-5	Iqbal	561	-	-	561	561	-	-	561
17	Late Naseer Ahmed Village Amb Panhwar P.O. Makhdoom Blawan Begban Taluka, Dadu	Late Naseer Ahmed 41201-2208306-7	Muhammad Rajib Panhwar	575	-	-	575	575	-	-	575
18	Late Azizullah Muallah Gareebabad Naudero District Larkana	Late Azizullah 43203-3105732-3	Wahid Bux Abro	672	-	-	672	672	-	-	672
19	Late Bagan Village Durani Mahar Kandhot, District Kashmir	Late Bagan 43103-4772468-1	Obhayo	746	-	-	746	746	-	-	746
20	Late Muhammad Akram Village Allah Dino Khan Bajkani Tanuka Tangwani, District Kashmore	Late Muhammad Akram 43104-0578404-1	Dilshad	934	-	-	934	934	-	-	934



## Annexure 'I' as referred to in note 11.6 of the Bank's Consolidated Financial Statements

S. No.	Name & Address of the borrower	Name of Individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/ Mark-up written off	Other financial relief / waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
21	Late Abdul Majeed Muhalla Mudarsa Kandhkot	Late Abdul Majeed 43103-9864880-5	Abdul Aziz	935	-	-	935	935	-	-	935
22	Late Ghulam Akbar Village Chinni Taluka Jhri, District Dadu	Late Ghulam Akbar 43301-6215736-9	Allardhino Rustamani	887	-	-	887	887	-	-	887
23	Late Muhammad Ibrahim Muhalla Ayob Colony, Tehsil Naushero Feroz, District Larkana	Late Muhammad Ibrahim 43205-1522586-1	Hamiz Ali Jarwar	725	-	-	725	725	-	-	725
24	Late Ghulam Rasool Village Mahi Khan Chandi, Dara Gaad P.O Damraho Taluka, District Larkana	Late Ghulam Rasool 43203-0208870-7	Mah Khan Chandi	693	-	-	693	693	-	-	693
25	Late Muhammad Yousaf Muhalla Haji Latif Shah Near Sindh Wah road District Shikarpur	Late Muhammad Yousaf 43304-5293211-9	Gulzar Ahmed	508	-	-	508	508	-	-	508
26	Late Arbab Ali Village Haji Ali Behar Brohi Garhi Chand P.O Banglow Syedan Tehsil & District Jacobabad	Late Arbab Ali 43102-1409764-9	Chatto Brohi	839	-	-	839	839	-	-	839
27	Late Muhammad Rafique Village Ghulam Muhammad Lashari Taluka Thuli, District Jacobabad	Late Muhammad Rafique 43105-646269-1	Hamal Khan Lashari	586	-	-	586	586	-	-	586
28	Late Muhammad Bachal Village Muhammad pur Odho Taluka Garhi Khairo, District Jacobabad	Late Muhammad Bachal 43101-0166329-9	Mehboob Ali Jakhro	589	-	-	589	589	-	-	589
29	Late Ghulam Hyder Village Murad Khan Jabran P.O Kamber, District Kamber Shandadkot	Late Ghulam Hyder 43202-3595432-1	Muhammad Ilyas Jagirani	686	-	-	686	686	-	-	686
30	Late Khadim Hussain Qazi Muhalla Taluka Jhri, District Dadu	Late Khadim Hussain 41202-3277364-3	Muhammad Salih Khoso	841	-	-	841	841	-	-	841
31	Late Muhammad Ilyas Goth Almani, Tatri, Tehsil Dokri, District Larkana	Late Muhammad Ilyas 43201-3581048-9	Abdul Rasool Jhatal	938	-	-	938	938	-	-	938
32	Late Muhammad Hassan Goth Chato Wanan, Tapal Gar, Taluka Dokri, District Larkana	Late Muhammad Hassan 43201-7554407-3	Abdul Latif Mumbhar	772	-	-	772	772	-	-	772
33	M. Zaman Near Mukhtyarkar Office Muhalla Jatt P.O Ghar Khairo, Tehsil Ghar Khairo, District Jacobabad	M. Zaman 43101-5192595-9	Ghulam Hyder Mirjat	518	-	-	518	518	-	-	518
34	Qazi Village Khair Muhammad Khali Taluka Kashmir, District Kandhkot	Qazi 43104-2534334-1	Kahoor	961	-	-	961	961	-	-	961
35	Akbar Ali Malik Muhalla Taluka Kandhkot, District Kandhkot	Akbar Ali 43103-4593943-5	Abdul Fatah	940	-	-	940	940	-	-	940
36	Fida Hussain Village Umar Khan Khoso P.O Dost Ali Taluka Kamber, Shandadkot	Fida Hussain 43202-8019330-7	Ali Hassan Khoso	510	-	-	510	510	-	-	510
37	Deedar Ali Village Kule P.O Gerelo Tehsil Bakran, District Larkana	Deedar Ali 43201-6425079-3	Muhammad Bachal Channo	930	-	-	930	930	-	-	930
38	Manthar D.H.O Office Colony, Jacobabad	Manthar 43102-2437154-5	Mughal Khan Mughari	563	-	-	563	563	-	-	563
39	Muharam Ali Village Phlir Taluka Sjawal Junejo, District Kamber Shandadkot	Muharam Ali 43204-6036571-9	Nihal Khan Tunlo	640	-	-	640	640	-	-	640

## Annexure 'I' as referred to in note 11.6 of the Bank's Consolidated Financial Statements

S. No.	Name & Address of the borrower	Name of Individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/ Mark-up written off	Other financial relief / waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
40	Ahmed Ali Muhalla Khanchandabad, District Shikarpur	Ahmed Ali 43304-0582783-1	Karim Bux Rind	537	-	-	537	537	-	-	537
41	Raham Ali Leghari Goth Allah Dino Khan Leghari, Tapal Ghar, District Ghotki	Raham Ali Leghari 45102-4761638-5	Din Muhammad Leghari	885	-	-	885	885	-	-	885
42	Parval Shah Village Chandio Sadhayo, District Shikarpur	Parval Shah 43304-6317237-9	Shaniam Shah	909	-	-	909	909	-	-	909
43	Gurban Ali Channa Village Mirza Channa Taluka Johi, District Dadu	Gurban Ali Channa 41202-3422951-5	Muhammad Ali Channa	835	-	-	835	835	-	-	835
44	Rasool Bux Village Ibrahim Sand, P.O. Khanpur, Taluka K.N. Shah, District Dadu	Rasool Bux 41203-6618285-5	Jaro Khan Sand	519	-	-	519	519	-	-	519
45	Nisar Ahmed Village Borin Taluka Khairpur, Nathan Shah, District Dadu	Nisar Ahmed 41203-2237640-3	Muhammad Isha	550	-	-	550	550	-	-	550
46	Mukhtiar Ali Village Ibrahim Samia Diya Mir DHO Jagir, District Shikarpur	Mukhtiar Ali 43304-7798894-5	Noor Muhammad	963	-	-	963	963	-	-	963
47	Aashique Hussain Shah Patlan Village Shakh, Fojot Taluka Bakrani, District Larkana	Aashique Hussain Shah 43201-6575972-7	Zamir Hussain Shah	1,151	-	-	1,151	1,151	-	-	1,151
48	Muhammad Arab Village Dhani Paryo P.O. Makhdum Bilawal Taluka, Dadu	Muhammad Arab 41201-773203-5	Muhammad Rajib Panthar	1,159	-	-	1,159	1,159	-	-	1,159
49	Shabir Ahmed Muhalla Scarp Colony, Larkana	Shabir Ahmed 43205-9266270-7	Inam Bux Mangarho	501	-	-	501	501	-	-	501
50	Waryaan Vairs RO Village Dadood Dero, PO Shan Panjo Sultan, Taluka Mehtar, Dadu	Waryaan Vairs 41205-2282856-9	Muhammad Alam	628	-	-	628	628	-	-	628
51	Muhammad Phanwar Muhallah Mehtar, Taluka Mehtar, District Dadu	Muhammad 41205-9300916-9	Muhammad Ibrahim Bhanger	1,244	-	-	1,244	1,244	-	-	1,244
52	Ali Anwar Soomro Mohalla Soomra, Mehtar, District Dadu	Ali Anwar Soomro 41205-1683185-1	Rajib Ali Soomro	764	-	-	764	764	-	-	764
53	Ali Nawaz Near Nadar Shah Muhallah, Allahabad Rotodero, District Larkana	Ali Nawaz 43205-4831514-1	Samandar Khan Boddar	515	-	-	515	515	-	-	515
54	Parvez Ali Village Chandio Pitali, P.O. Koreja Taluka Ratodero, District Larkana	Parvez Ali 43205-5022809-3	Muhammad Ali Pitali	742	-	-	742	742	-	-	742
55	Late Muhammad Hashim Muhallah Ali Gohar Abad, Sameh Abad, Larkana	Late Muhammad Hashim 43203-4205146-5	Ghulam Rasool Hub	542	-	-	542	542	-	-	542
56	Nadir Ali Near Bhains Colony, Mohallah Nasir Colony, Larkana	Nadir Ali 43101-5289425-1	Jan Muhammad	1,081	-	-	1,081	1,081	-	-	1,081
57	Altat Hussain H.No.1738/68-A, Ghalib Nagar, Near Zulfiqar Bagh, Larkana	Altat Hussain 43203-6294353-5	Abdul Ghani Sangi	849	-	-	849	849	-	-	849
58	Saqib Commission Shop Ghalla Mandi Buchke Badday, District Narkana	Muhammad Saqib 35501-0161773-7	Ali Muhammad	2,973	405	3,777	7,155	-	-	541	541
59	Shakeel Ahmad Gillani Rakh Machine P.O. Khas Tehsil & District Shikhpura	Falk Sher 35402-9844569-3	Ali Muhammad	739	-	-	739	739	-	-	739

# Annexure 'I' as referred to in note 11.6 of the Bank's Consolidated Financial Statements

S. No.	Name & Address of the borrower	Name of Individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/ Mark-up written off	Other financial relief / waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
60	Ishtiaq Ahmed Muhallan Chah, Badraywala, Sharakpur Sharif	Ishtiaq Ahmed 35401-1831896-5	Nazeer Ahmed	927	-	-	927	927	-	-	927
61	All Hassan Katto R-19, Sector-13, Scheme 33, Chaita Gabad Goth, Muslim Society, Karachi	All Hassan Katto 43102-8586571-7	Mithal Khan Katto	623	-	-	623	623	-	-	623
62	Yasir Abbas H # 461/A, Gali Daba Tabakh, Mohallah Hafiz Miran Khan, D.I Khan	Yasir Abbas 12101-0944572-9	Khuda Baksh	1,354	-	-	1,354	1,354	-	-	1,354
63	Mosab Hussain Village Zaran Yousaf Khel, P.O Parachinar, District Khurram	Mosab Hussain 21303-5004445-9	Mukhtar Hussain	507	-	-	507	507	-	-	507
64	Khan Muhammad Qureshi Dak Khana Papat Bazar, Bozi Khali, Tehsil & District Bannu	Khan Muhammad Qureshi 11101-0147145-3	Saqi Muhammad Qureshi	514	-	-	514	514	-	-	514
65	M.Arshad Khan H.No.41, Street No.9, Waris Khan Tali Muhallah, Rwalbindi	M.Arshad Khan 37405-8835883-1	Arif Khan	598	-	-	598	598	-	-	598
66	Muhammad Tariq Vill House No.12, Sector C-1, Mirpur Azad Kashmir	Muhammad Tariq 81302-3953428-5	Muhammad Hussain	658	-	-	658	658	-	-	658
67	Mirza Waqar Baig Staff Colony Near AG Office, Muhallah Roli Dhara Koli, Azad Kashmir	Mirza Waqar Baig 81202-6520238-3	Mirza Abdul Rashid Baig	687	-	-	687	687	-	-	687
68	M. Basharat Rahat P.O Mari Khokhran, Tehsil & District Gujrat	M. Basharat Rahat 34201-3310058-7	Muhammad Azam	997	-	-	997	997	-	-	997
69	Muhammad Zaigham Iqbal H.No.888/1, Gali Mirza Mukhtar Wali Mohallah, Piplanwala District Jhang	Muhammad Zaigham Iqbal 33202-1206528-7	Iqbal Ahmed	598	-	-	598	598	-	-	598
70	Syed Ghulam Mustafa Shah Gillani Noorgan Garhi, Dupkata, Muzaffarabad	Syed Ghulam Mustafa Shah Gillani 82203-8499019-9	Syed Ahmed Shah Gillani	1,110	-	11	1,121	1,110	-	11	1,121
71	Sher Atzal Darra Batangli, P.O Muzaffarabad, Azad Kashmir	Sher Atzal 82203-8593578-5	Jumma Khan	788	-	-	788	788	-	-	788
72	Ch. Muhammad Arif s/o Ahmed Khan Dardar Kallan Bhanber, Azad Kashmir	Ch. Muhammad Arif 81102-9389332-9	Ahmed Khan	638	-	-	638	638	-	-	638
73	Abdul Majeed Dudhnai, Sheikh Bela, Tehsil Stardia, District Neelum	Abdul Majeed 82201-4923321-9	Feroz Din	667	-	-	667	667	-	-	667
74	Choudhary Maqsood Ahmed Mojl P.O Leepa, Tehsil Karnah, District Jhelum Valley	Choudhary Maqsood Ahmed 82202-6838852-1	Muhammad Yaqoob	501	-	-	501	501	-	-	501
75	Riaz Muhammad Wach Khwar, Naway Kaly, Khwaza Khela, District Swat	Riaz Muhammad 15602-0390214-9	Gul Rahim	685	-	-	685	685	-	-	685
76	Said Akbar S/o Said Ghaffar Chaylar Tehsil Khuwaza Khela, District Swat	Said Akbar 15602-0319735-9	Said Ghaffar	692	-	-	692	692	-	-	692
77	Rehmat uddin Hingeel Shaghor, District Chitral	Rehmat uddin 15201-0569753-3	Mir Ghazabz	566	-	-	566	566	-	-	566
78	Asif Hussain S/o Raza Hussain Village & P.O Bande Sahib Khan, District Abbottabad	Asif Hussain 13101-7442913-7	Raza Hussain	594	-	-	594	594	-	-	594
79	Zamanbap Trans Ltd H.256, F.41, Sydkova str., Kyrgyzstan	Erkebaeva Alvin Bolushevna NIC AN 2707107	Anarbak	2,629	1,714	-	4,343	-	-	1,076	1,076
80	Indirova Gulshat Melisovna H.14, F.28, Umetaleva str., Kyrgyzstan	Indirova Gulshat Melisovna NIC ID2289498	Melis	638	1,173	-	1,811	-	-	1,084	1,084
81	Tabaladev Ulirbek Kichikovich H.209, f.9, Ayni str., Kyrgyzstan	Tabaladev Ulirbek Kichikovich NIC AN 3149383	Kichik	993	1,028	-	2,021	-	-	852	852
82	Alisultanov Anurkhan Almaty Area, Karasay District, Kaskelen, Bolshak Street, #1A/1	Alisultanov Anurkhan 640411300780	Begavich	14,427	4,846	579	19,852	-	4,592	-	4,592
83	G.JSC Gulistan Dushanbe city, 21 Tehron Street	Saidov Hayrullozaydovich Owner A5169481	Zaid Saidov	1,649	964	52	2,665	1,649	964	52	2,665
				588,331	301,039	934,598	1,823,968	130,446	5,556	1,181,652	1,317,654

## Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Consolidated Financial Statements

### ISLAMIC BANKING BUSINESS

The bank is operating 188 (2021: 189) Islamic banking branches and 50 (2021: nil) Islamic banking windows at year end December 31, 2022

	Note	2022 ------(Rupees in '000)-----	2021
<b>ASSETS</b>			
Cash and balances with treasury banks		6,096,555	6,591,139
Balances with other banks		13,766	12,531
Investments	1	53,920,119	49,548,760
Islamic financing and related assets - net	2	46,380,996	42,316,209
Fixed assets		87,489	100,620
Right of use assets (ROUA)		508,977	641,973
Other assets		2,294,054	1,686,568
<b>Total Assets</b>		<b>109,301,956</b>	<b>100,897,800</b>
<b>LIABILITIES</b>			
Bills payable		1,210,608	388,351
Deposits and other accounts	3	93,591,714	84,849,520
Due to head office		4,005,715	7,635,926
Lease liability against right of use assets		721,152	826,081
Other liabilities		1,490,182	455,249
		<b>101,019,371</b>	<b>94,155,127</b>
<b>NET ASSETS</b>		<b>8,282,585</b>	<b>6,742,673</b>
<b>REPRESENTED BY</b>			
Islamic Banking Fund		5,561,000	4,646,000
Surplus on revaluation of assets		424,444	594,005
Unappropriated / Unremitted profit	5	2,297,141	1,502,668
		<b>8,282,585</b>	<b>6,742,673</b>

The profit and loss account of the Bank's Islamic banking branches for the year ended December 31, 2022 is as follows:

	Note	2022 ------(Rupees in '000)-----	2021
Profit / return earned	6	12,661,168	7,212,495
Profit / return expensed	7	(7,600,260)	(3,180,849)
Net profit / return		<b>5,060,908</b>	<b>4,031,646</b>
<b>Other income</b>			
Fee and commission income		317,961	285,694
Foreign exchange income		155,195	37,404
Other income		2,025	13,218
Total other income		<b>475,181</b>	<b>336,316</b>
Total income		<b>5,536,089</b>	<b>4,367,962</b>
<b>Other expenses</b>			
Operating expenses		(3,050,827)	(2,742,428)
Other charges		(374)	(1,516)
Total other expenses		<b>(3,051,201)</b>	<b>(2,743,944)</b>
<b>Profit before provisions</b>		<b>2,484,888</b>	<b>1,624,018</b>
Provisions and write offs - net		(187,747)	(121,350)
<b>Profit before taxation</b>		<b>2,297,141</b>	<b>1,502,668</b>
Taxation		-	-
<b>Profit after taxation</b>		<b>2,297,141</b>	<b>1,502,668</b>



## Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Consolidated Financial Statements

1

Investments by segments:

2022				2021				
Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	
------(Rupees in '000)-----								
Federal Government Securities:								
- Ijarah Sukuks	33,648,948	-	(339,589)	33,309,359	14,000,979	-	(31,279)	13,969,700
- Others (Bai Muajjal with GOP @ 13.30%)	-	-	-	-	10,914,185	-	-	10,914,185
	33,648,948	-	(339,589)	33,309,359	24,915,164	-	(31,279)	24,883,885
Non Government Debt Securities								
- Listed	8,200,000	-	303,132	8,503,132	8,200,000	-	340,000	8,540,000
- Unlisted	11,777,533	(130,807)	460,901	12,107,628	15,970,398	(130,807)	285,284	16,124,875
	19,977,533	(130,807)	764,033	20,610,760	24,170,398	(130,807)	625,284	24,664,875
Total Investments	53,626,481	(130,807)	424,444	53,920,119	49,085,562	(130,807)	594,005	49,548,760

2	Islamic financing and related assets	Note	2022	2021
			------(Rupees in '000)-----	
	Ijarah	2.1	38,208	95,075
	Murabaha	2.2	1,713,901	903,901
	Diminishing Musharaka		22,062,256	21,834,074
	Other Islamic Modes (Wakala tul Istismar)		8,500,000	8,500,000
	Advance for Murabaha		2,127,000	1,285,000
	Advance for Diminishing Musharaka		100,894	60,720
	Advance for Istisna		9,396,236	9,881,261
	Inventories against Istisna		3,097,800	469,000
	Gross Islamic financing and related assets		47,036,295	43,029,031
	Less: provision against Islamic financings			
	- Specific		(654,980)	(712,763)
	- General		(319)	(59)
			(655,299)	(712,822)
	Islamic financing and related assets - net of provision		46,380,996	42,316,209

### 2.1 Ijarah

2022						
Cost			Accumulated Depreciation			Book Value as at December 31, 2022
At January 1, 2022	Additions / (deletions)	As at December 31, 2022	At January 1, 2022	Charge / Adjustment for the year	As at December 31, 2022	
----- (Rupees in '000) -----						
245,257	-	63,474	207,075	25,228	50,820	12,654
	(181,783)			(181,483)		
209,727	-	168,680	152,834	28,725	143,126	25,554
	(41,047)			(38,433)		
454,984	-	232,154	359,909	53,953	193,946	38,208
	(222,830)			(219,916)		

## Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Consolidated Financial Statements

2021						
Cost			Accumulated depreciation			Book Value as at December 31, 2021
At January 01, 2021	Additions / (deletions)	As at December 31, 2021	At January 01, 2021	Charge / Adjustment for the year	As at December 31, 2021	
----- (Rupees in '000) -----						
Plant & Machinery	249,123	-	245,257	175,050	35,566	207,075
		(3,866)			(3,541)	
Vehicles	239,219	-	209,727	144,504	37,241	152,834
		(29,492)			(28,911)	
Total	488,342	-	454,984	319,554	72,807	359,909
		(33,358)			(32,452)	

### Future Ijarah payments receivable

2022				2021			
Not later than 1 year	Later than 1 year & less than 5 years	Over five years	Total	Not later than 1 year	Later than 1 year & less than 5 years	Over five years	Total
----- (Rupees in '000) -----							
Ijarah rental receivables	36,438	9,802	-	46,240	71,589	54,398	-

		Note	2022 ----- (Rupees in '000) -----	2021
<b>2.2</b>	<b>Murabaha</b>			
	Murabaha financing	2.2.1	1,713,901	903,901
	Advances for Murabaha		2,127,000	1,285,000
			3,840,901	2,188,901
<b>2.2.1</b>	Murabaha receivable - gross	2.2.2	1,868,953	982,249
	Less: Deferred murabaha income	2.2.4	73,359	25,980
	Less: Profit receivable shown in other assets		81,693	52,368
	Murabaha financings		1,713,901	903,901
<b>2.2.2</b>	The movement in Murabaha financing during the year is as follows:			
	Opening balance		982,249	3,629,825
	Sales during the year		12,721,419	7,905,588
	Adjusted during the year		11,834,715	10,553,164
	Closing balance		1,868,953	982,249

## Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Consolidated Financial Statements

	2022 ------(Rupees in '000)-----	2021 ------(Rupees in '000)-----
<b>2.2.3</b> Murabaha sale price	<b>12,721,419</b>	7,905,588
Murabaha purchase price	<b>12,234,017</b>	7,739,500
	<b>487,402</b>	166,088
<b>2.2.4</b> Deferred murabaha income		
Opening balance	<b>25,980</b>	47,306
Arising during the year	<b>487,539</b>	184,383
Less: Recognised during the year	<b>(440,160)</b>	(205,709)
Closing balance	<b>73,359</b>	25,980

3

Deposits	2022			2021		
	In Local currency	In Foreign currencies	Total	In Local currency	In Foreign currencies	Total
Note	----- (Rupees in '000) -----					
Customers						
Current deposits	20,491,314	167,871	20,659,185	21,520,192	264,535	21,784,727
Savings deposits	41,254,385	-	41,254,385	42,730,234	-	42,730,234
Term deposits	15,137,438	-	15,137,438	8,148,745	-	8,148,745
	76,883,137	167,871	77,051,008	72,399,171	264,535	72,663,706
Financial Institutions						
Current deposits	354,951	-	354,951	700,103	-	700,103
Savings deposits	14,114,989	-	14,114,989	6,064,983	-	6,064,983
Term deposits	2,070,766	-	2,070,766	5,420,728	-	5,420,728
	16,540,706	-	16,540,706	12,185,814	-	12,185,814
3.2	93,423,843	167,871	93,591,714	84,584,985	264,535	84,849,520

	2022 ------(Rupees in '000)-----	2021 ------(Rupees in '000)-----
<b>3.1 Composition of deposits</b>		
- Individuals	<b>45,084,725</b>	41,007,219
- Government / Public Sector Entities	<b>23,311,046</b>	21,697,189
- Banking Companies	<b>773,228</b>	6,873,275
- Non-Banking Financial Institutions	<b>15,767,478</b>	5,312,539
- Private Sector	<b>8,655,237</b>	9,959,298
	<b>93,591,714</b>	84,849,520

**3.2** This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 47,134 million (2021: Rs. 43,701 million).

## Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Consolidated Financial Statements

	2022	2021
	----- (Rupees in '000) -----	
<b>4 Charity Fund</b>		
Opening Balance	64	621
<b>Additions during the period</b>		
Received from customers on account of delayed payment	286	79
Profit on charity saving account	3	14
	353	714
<b>Payments / utilization during the period</b>		
Health	-	650
Others	150	-
	150	650
Closing Balance	203	64
<b>5 Islamic Banking Business Unappropriated/ Unremitted Profit</b>		
Opening Balance	1,502,668	2,108,388
Add: Islamic Banking profit for the year	2,297,141	1,502,668
Less: Transferred / remitted to Head Office	(1,502,668)	(2,108,388)
Closing Balance	2,297,141	1,502,668
<b>6 Profit / Return Earned on Financing, Investments and Placement</b>		
Profit earned on:		
Financing	5,712,166	3,157,329
Investments	6,730,485	2,819,221
Placements	1,235	560
Others (Bai Muajjal)	217,282	1,235,385
	12,661,168	7,212,495



## Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Consolidated Financial Statements

	2022	2021
	------(Rupees in '000)-----	
<b>7 Profit on Deposits and other Dues Expensed</b>		
Deposits and other accounts	5,589,067	2,520,353
Amortisation of lease liability against - ROUA	79,103	82,908
Others (General Account)	1,932,090	577,588
	<b>7,600,260</b>	<b>3,180,849</b>

### 8 Pool Management

NBP-AIBG has managed following pools for profit and loss distribution.

a) General depositor pool

The General pool consists of all other remunerative deposits. NBP Aitemaad (the Mudarib) accept deposits on the basis of Mudaraba from depositors (Rabbulmaal). The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. The entire net return after paying equity share to Mudarib is considered as distributable profit of the pool.

b) Special depositor pools (Total 182 during the period and 51 as at Dec 31, 2022)

Special pool(s) are created where the customers desire to invest in high yield assets. These pool(s) rates are higher than the general pool depending on the assets. In case of loss in special pool, the loss will be borne by the special pool members. The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. From the net return, and after allocation of share of profit to commingled equity, profit is paid to the Mudarib in the ratio of the Mudarib's equity in the pool to the total pool. The balance represents the distributable profit

c) Equity pool

Equity pools include AIBG's fund and current account deposits. The equity pool may have constructive liquidation every month and risk associated with assets of pool includes operational, market, equity, return and Shariah.

#### Key features and risk & reward characteristics

Deposits are accepted from customers on the basis of Qard (current accounts) and Mudarabah (Saving and term deposits). No profit or loss is passed on to current account depositors.

For deposits accepted on Mudarabah basis from depositors (Rab ul Maal) the Bank acts as Manager (Mudarib) and invests the funds in the Shariah Compliant modes of financings. Rab ul Maal share is distributed among depositors according to weightages declared for a month before start of the period.

In case of loss in a pool during the profit calculation period, the loss is distributed among the depositors (remunerative) according to their ratio of investment.

For all pools, the Mudarib's share is deducted from the distributable profit to calculate the profit to be allocated to depositors. The allocation of the profit to various deposit categories is determined by the amount invested in that category relative to the total pool, as well as by the weightage assigned to the various deposit categories.

The assets, liabilities, equities, income and expenses are segregated for each of the pool. No pool investment is intermingled with each other. The risk associated with each pool is thus equally distributed among the pools.

## Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Consolidated Financial Statements

Avenues / sectors of economy / business where Mudaraba based deposits have been deployed.

	2022	2021
	------(Percentage)-----	
<b>Sector</b>		
Fertilizer	1.48%	1.12%
Textile	4.25%	4.60%
Fuel & energy	34.07%	40.71%
Leasing/Modarbas	0.03%	0.34%
Sugar	7.80%	7.94%
Cement	6.10%	7.43%
Gas	0.35%	0.91%
Financial	1.94%	1.59%
Federal Government	32.95%	24.61%
Real Estate	3.10%	2.98%
Agriculture	0.30%	0.34%
Others	7.64%	7.43%
<b>Total</b>	<b>100%</b>	<b>100%</b>

### Parameters for profit allocation and charging expenses

Profit of the pools has been distributed between Mudarib and Rab-ul-Mall by using preagreed profit sharing ratios. The share of Rab-ul-Mall's profit has been distributed among different customers using the various weightages assigned to the different categories of the pool.

No provision against any non performing asset of the pool is passed on to the pool except on the actual loss / write off of such non performing asset. Administrative expense are borne by mudarib and not charged to Mudaraba pool.

	31-Dec-22 (Rupees in '000)
<b>Mudarib Share</b>	
Gross Distributable Income	9,906,319
Mudarib (Bank) share of profit before Hiba	3,211,747
Mudarib Share in percentage	32%
<b>Hiba from Mudarib Share</b>	
Mudarib (Bank) share of profit before Hiba	3,211,747
Hiba from bank's share to depositors	708,244
Hiba from bank's share to depositors in percentage	22%

### Profit rates

During the year ended December 31, 2022 the average profit rate earned by NBP Islamic Banking Group is 12.82% and the profit distributed to the depositors is 8.92%.

## Notes

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MEMBERSHIP ORGANIZATION REVIEW LEADERSHIP ASSOCIATIONS MARKET ACHIEVEMENT VISION BUSINESS LAW MEETING  
CONSTITUTION ACHIEVE TEAMWORK PROJECT AUDIT MEMBERSHIP STRATEGY VISION CORPORATE RE  
MEETING COMPANY ANNUAL BUSINESS LEADERSHIP AGM ANNUAL GENERAL MEETING  
AUDIT ASSOCIATIONS VISION ACHIEVEMENT BUSINESS CONDUCT COMPANY TEAMWORK STRATEGY



# NOTICE FOR THE 74<sup>th</sup> ANNUAL GENERAL MEETING

Notice is hereby given that the 74<sup>th</sup> Annual General Meeting (“AGM”) of National Bank of Pakistan (the “**Bank**”) will be held on **Thursday, March 30, 2023 at 11:30 a.m. (PST) physically and through electronic means.**

Physical gathering of the shareholders shall be held at Mövenpick Hotel, Club Road, Karachi, by strictly following the SOPs advised by the Government.

The following business will be transacted in the Meeting:

## Ordinary Business:

- To confirm minutes of the 73rd Annual General Meeting (AGM) of Shareholders held on March 30, 2022.
- To receive, consider and adopt the annual audited financial statements of National Bank of Pakistan and consolidated accounts of National Bank of Pakistan and its subsidiaries for the year ended December 31, 2022, together with the Directors’ Report, Auditors’ Report and Chairman’s Review Report thereon.
- To appoint auditors for the year ending December 31, 2023, and fix their remuneration. The Board of Directors has recommended reappointment of Messrs PwC A. F. Ferguson & Co., Chartered Accountants at a fee of Rs. 21.183 million (i.e. an increase of 22.5% including some statutory certification) and appointment of Messrs BDO Ebrahim & Co., Chartered Accountants at a fee of Rs. 17.293 million (i.e. at same audit fee as paid to the retiring auditors, Messrs Yousuf Adil, Chartered Accountants, including some statutory certification), to be auditors of the Bank for the year ending December 31, 2023.

## Special Business:

- To consider and approve remuneration of non-executive/independent Directors and non-executive Chairman of NBP.
- To transact any other business with permission of the Chair.

By Order of the Board

Karachi  
Dated: March 09, 2023

**S. M. Ali Zamin**  
Secretary (Board)

## NOTES:

The share transfer books of the Bank shall remain closed from March 22, 2023 to March 30, 2023 (both days inclusive). Transfers received at Messrs. CDC Share Registrar Services Limited, CDC House 99-B, Block “B”, SMCHS, Main Shahrah-e-Faisal, Karachi – 74400, the Bank’s Share Registrar and Transfer Agent, at the close of business on March 21, 2023 will be treated in time for the purpose of attending the meeting.

## PARTICIPATION IN ANNUAL GENERAL MEETING:

In the light of relevant guidelines issued by Securities and Exchange Commission of Pakistan (“SECP”) vide Letter No. SMD/SE/2(20)/2021/117 dated December 15, 2021, the members are encouraged to participate in the AGM through electronic facility organized by the Bank.

### A. Attending Meeting through Electronic Means

In order to attend the AGM through electronic facility, the members are requested to get themselves registered with CDC Share Registrar Services Limited up to March 29, 2023 till 05:00 p.m. at [cdcsr@cdcsrsl.com](mailto:cdcsr@cdcsrsl.com) or through WhatsApp number +92-321-8200864 and they are requested to provide the information as per below format:

S #	Company Name	Folio Number/CDC Account #	Name of the Shareholder	CNIC #	Mobile #	E-mail Address
	NBP					

The details of electronic facility will be sent to the members at the email address provided by them. The login facility will be opened at 11:00 a.m. on March 30, 2023 enabling the participants to join the proceedings after identification and verification process before joining the meeting, which will start at 11:30 a.m. sharp.

### B. Attending Meeting Physically

Arrangements for physical gathering of shareholders have been made at Mövenpick Hotel, Club Road, Karachi.

### C. Attending Meeting through Proxies

- All members, entitled to attend and vote at the AGM, are entitled to appoint another member in writing as their proxy to attend and vote on their behalf. A legal entity, being a member, may appoint any person, regardless of whether they are a member or not, as proxy.
- The proxy instrument must be complete in all respect and in order to be effective should be deposited at Office of the Share Registrar or Office of the Secretary Board, 2nd Floor, NBP Head Office, I.I. Chundrigar Road, Karachi not later than 48 hours before the time of holding the meeting.
- For attending the meeting through electronic means (Zoom), proxy form should be submitted along with proxy holder's email address and mobile number.
- If any member appoints more than one proxy for any one meeting and more than one instrument of the proxy are deposited with the Registrar, all such instruments of proxy shall be rendered invalid.

### D. The shareholders will further have to follow the following guidelines for appointing proxies:

- In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the regulations shall submit proxy form as per the requirements mentioned below:
  - The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers must be mentioned on the form.
  - Attested copy of CNIC or the Passport of the beneficial owner(s) and of the proxy shall be furnished with the proxy form.
- In case of a legal entity, the original or duly authenticated Board of Directors’ resolution or power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) along with proxy form to Messrs. CDC Share Registrar Services Limited or to the Office of Secretary Board, 2nd Floor, NBP Head Office, I.I. Chundrigar Road, Karachi.

(Proxy Form is being mailed with the Notice and is also available on the NBP website: [www.nbp.com.pk](http://www.nbp.com.pk))

- Members having their shareholding in physical form are requested to immediately notify any change in their address to the Bank’s Registrar/Shares Transfer Agent i.e., Messrs. CDC Share Registrar Services Limited. CDC House, 99-B, Block "B", S.M.C.H.S., Main Shahrah-e-Faisal, Karachi. Whereas, members having shareholding in book-entry form are requested to notify their concerned Stock Broker/CDC-Investor Account Services.

## PROCEDURE FOR VOTING FOR SPECIAL AGENDA ITEMS

It is hereby notified that pursuant to the Companies (Postal Ballot) Regulations, 2018 and its amendments notified vide SRO 2192(I)/2022 dated December 05, 2022 members will be allowed to exercise their right to vote for the special business in the Annual General Meeting (AGM), in accordance with the condition mentioned in the aforesaid regulations, the Bank shall provide its members with the following options for voting:

## E-Voting Procedure

- The Bank's Share Registrar in accordance with the Companies (Postal Ballot) Regulations, 2018 will send complete information to the members, including but not limited to, web address, login detail, password, date of casting e-vote and other necessary detail through email; and security code through SMS on their registered email and mobile number available in the members' register.
- Identity of the member intending to cast vote through e-voting shall be authenticated through electronic signature or authentication for login.
- Individual interested to cast his/her vote through e-voting, availability of his/her CNIC, mobile number and email address and in case of a corporate entity NTN in company's record is mandatory.
- It is mandatory for all CDS account holders to update their records with their participants and physical shareholders with Bank's Share Registrar i.e., CDCSRL before book closure date.
- Voting lines for Special Agenda items will be opened for the Shareholders from March 24, 2023 at 09:00 a.m. till March 29, 2023 at 5:00 p.m.

## Postal Ballot

The Shareholders shall ensure duly filled and signed ballot paper along with copy of CNIC, in case of individual and in case of a body corporate, acceptable identification documents i.e., original or duly authenticated Board of Directors' resolution/power of attorney along with valid copies of CNIC of authorized signatories etc., should reach through post to the Chairman, National Bank of Pakistan, Head Office Building, 2nd Floor, I. I. Chundrigar Road, Karachi or by email at agm@nbp.com.pk till 5:00 p.m. before the day of the Poll i.e., March 29, 2023 till 05:00 p.m.

## Vote Casting In-Person or Through Proxy

Polling booth will be established at the place of physical gathering of the AGM for voting.

## SPECIAL NOTES TO THE SHAREHOLDERS

### 1. TRANSMISSION OF ANNUAL FINANCIAL STATEMENTS THROUGH EMAIL:

In pursuance of the directions given by SECP vide SRO 787 (1)/2014 dated September 8, 2014, those shareholders who desire to receive annual financial statements through email instead of receiving the same by post in future are advised to give their formal consent along with their valid email address on a standard request form available on Bank's website i.e., www.nbp.com.pk and send the duly filled-in and signed form along with copy of his/her CNIC/Passport to the Bank's Share Registrar. Please note that giving email address for receiving annual financial statements instead of receiving the same by post is optional. In case you do not wish to avail this facility, please ignore this Notice and, in such case, annual financial statements will continue to be sent at your registered address on CD as approved in 68th Annual General Meeting held on March 30, 2017.

### 2. CONVERSION OF PHYSICAL SHARES INTO BOOK-ENTRY FORM:

The SECP through its letter No. CSD/ED/Misc./2016-639-640 dated March 26, 2021 has advised listed companies to adhere to the provision of Section-72 of the Companies Act, 2017 (the "Act") requiring all the existing companies to replace shares issued by them in physical form with shares into book-entry form in a manner as may be specified and from the date notified by the SECP but not exceeding four (04) years from the date of promulgation of the Act. Considering the aforesaid directive, NBP has also published a request on October 28, 2021 to ensure compliance with the Act and advised to open Investor Account directly with the Central Depository Company of Pakistan Limited ("CDC") or CDC-Sub-Account with any TREC Holder registered with Pakistan Stock Exchange Limited (PSX) to place their physical shares into book-entry form. It will not only ensure the compliance of relevant rules and regulations but will also speed up the process of disbursement of entitlement to the respective shareholders.

### 3. AVAILABILITY OF AUDITED FINANCIAL STATEMENTS ON BANK'S WEBSITE:

The Bank is placing the Audited Annual Financial Statements for the year ended December 31, 2022 along with Auditors' Report, Directors' Report and Chairman's Review Report thereon on its website: www.nbp.com.pk

## STATEMENT OF MATERIAL FACT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

This statement sets out the material facts concerning the special business to be transacted at the Annual General Meeting of the Bank to be held on March 30, 2023.

### Item 4:

## TO CONSIDER AND APPROVE REMUNERATION OF NON-EXECUTIVE/INDEPENDENT DIRECTORS AND NON-EXECUTIVE CHAIRMAN OF NBP:

The shareholders, in their 61st AGM, held on March 31, 2010 had approved revision in Directors' fee/expense package. Subsequently, the shareholders in their EOGM held on May 15, 2017 revised the Directors' fee. Since then, there has been no revision in the Directors' fee/expense package. In view of the Board's responsibilities and enhanced role, the Directors have to devote considerable time and expertise in the overall stewardship of the Bank. The Board of Directors, on recommendation of BHRRC and keeping in view the SBP's Corporate Governance Regulatory Framework (CGRF), has recommended the remuneration of Non-Executive/Independent Directors and Non-Executive Chairman at Rs. 400,000/- for attending Board/Committee meetings plus 20% of the fee for holding the Office of the Board Chairman. It is worth-mentioning here that this fee is on the lowest scale of remuneration among the peer banks. The Board has also recommended enhancement in the Directors' daily allowance from Rs. 15,000/- per diem to Rs. 35,000/- per diem, in lieu of hotel accommodation. In case of journey by road, other expenses and mileage allowance enhanced from Rs. 30/- per kilometer to Rs. 50/- per kilometer.

The Federal Government in terms of Internal Finance Wing, Notification No. F.1(11) Bkg-III /2017-90 dated January 18, 2023 has appointed Mr. Ashraf Mahmood Wathra, as Chairman, Board of Directors of NBP for a term of three (03) years w.e.f. January 18, 2023.

The State Bank of Pakistan vide Regulation G-14 of Corporate Governance Regulatory Framework (CGRF) has directed the banks to "pay a reasonable and appropriate remuneration to their board members". Moreover, the Board Remuneration Policy, approved by the shareholders in EOGM held on July 27, 2020 also envisages that the Board shall, from time to time, determine and approve such level of remuneration for the Board members as may be within the limits prescribed by SBP from time to time. The remuneration shall always be approved from shareholders in a General Meeting (AGM/EOGM). This is also a requirement under Section 11(3)(a) of The Banks' (Nationalization) Act, 1974.

It is requested that remuneration of the non-executive/independent Directors and Mr. Ashraf Mahmood Wathra, non-executive Chairman, Board of Directors of the Bank be approved as recommended by the Board of Directors of the Bank and in pursuance thereof, the following resolutions may be passed:

**"RESOLVED THAT** the following package of Directors' meeting fee and other expenses, for attending Board/Committee meetings as allowed under the Board Remuneration Policy of the Bank, to Non-Executive/Independent Directors, as recommended by the Board of Directors of the Bank in its 344th meeting held on February 28, 2023, be and is hereby approved:

a)	Travel (In case meeting is held at stations other than that of directors' residence)	One return business class airfare (Already approved by the shareholders in 61 <sup>st</sup> in the AGM held on March 31, 2010). (unchanged)
b)	Accommodation/Daily Allowance	Actual hotel bill or daily allowance @ Rs. 35,000/- 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. (increased from existing Rs. 15,000/-).
c)	Mileage Allowance (In case of journey by road)	Rs. 50/- (Rupees Fifty only) per kilometer. (increased from existing Rs. 30/- per kilometer).
d)	Fee per meeting for each Non-Executive/Independent Director for attending Board/Committee meeting.	Rs. 400,000/- for attending each meeting of Board/Board Committee + 20% of the meeting fee for holding the Office of the Chairman, Board of Directors. (increased from existing Rs. 150,000/-).

**“FURTHER RESOLVED THAT** in terms of Section 11(3)(a) of The Banks’ (Nationalization) Act, 1974, the following remuneration for Mr. Ashraf Mahmood Wathra, as non-executive Chairman, Board of Directors, NBP, as recommended by the Board of Directors of the Bank in its 344th meeting held on February 28, 2023, be and is hereby approved for a term of three (3) years:

HEAD	REMUNERATION DETAIL
Tenure	From 18-01-2023 to 17-01-2026
Meeting Fee	Rs. 400,000/- for attending each meeting of Board/Board Committee + 20% of the meeting fee for holding the Office of the Chairman, Board of Directors.
Fixed Remuneration	Nil
Travelling (Domestic) for Board meetings/Official work	As per policy/package already approved by the shareholders for all Board members.
Hotel/Per Diem (in lieu of hotel accommodation)	Actual/Rs. 35,000/-

Travelling (Overseas)	Business Class
Hotel/Per Diem (in lieu of hotel accommodation) - International	Actual/US\$ 400
Office facility	Yes
Secretarial staff	5 (Max. up to Rs. 2.0 million per month)
Security guards at Residence	2 security guards each on 12 hours shift including one mobile gunman.
Security guards for providing security at Chairman's Office	Adequate security arrangements at Office premises.
Office work expenses	In Chamber: Actual Out of Chamber: Actual
Vehicle	1800cc. "

**Disclosure: In terms of Section 134(3) of The Companies Act, 2017, all directors and Chairman, except the President, are interested in this special resolution.**

BCR Criteria Mapping

Sr. No	BCR Criteria	Page No.
1	Organizational Overview and External Environment	
1.01	Principal business activities and markets (local and international) including key brands, products and services.	78, 143-162
1.02	Geographical location and address of all business units including sales units and plants.	77
1.03	Mission, vision, code of conduct, culture, ethics and values.	3-5, 105-106
1.04	Ownership, operating structure and relationship with group companies (i.e. subsidiary, associated undertaking etc.) and number of countries in which the organization operates. Also name and country of origin of the holding company/subsidiary company, if such companies are a foreign company.	12
1.05	Organization chart indicating functional and administrative reporting, presented with legends.	14
1.06	Identification of the key elements of the business model of the company through simple diagram supported by a clear explanation of the relevance of those elements to the organization. (The key elements of business model are Inputs, Business activities, Outputs and Outcomes).	177-178
1.07	Position of the reporting organization within the value chain showing connection with other businesses in the upstream and downstream value chain. (This disclosure shall be provided by the companies in service and non-service sector organizations through graphical presentation).	175-176
1.08	Significant factors effecting the external environment and the associated organization's response. Also describe the effect of seasonality on business in terms of production and sales. (External environment includes commercial, political, economic, social, technological, environmental and legal environment).	184
1.09	The legitimate needs, interests of key stakeholders and industry trends.	192-196
1.10	SWOT Analysis of the company.	182
1.11	Competitive landscape and market positioning (considering factors such as the threat of new competition and substitute products or services, the bargaining power of customers and suppliers, relative strengths and weaknesses of competitors and customer demand and the intensity of competitive rivalry).	181
1.12	The legislative and regulatory environment in which the organization operates	184
1.13	The political environment where the organization operates and other	184
1.14	Significant changes from prior years (regarding the information disclosed in this section).	184
1.15	History of major events.	21-27
1.16	Details of significant events occurred during the year and after the reporting period.	19-20
2	Strategy and Resource Allocation	
2.01	Short, medium and long term strategic objectives.	186-187
2.02	Strategies in place or intended to be implemented to achieve the strategic objectives.	186-187



2.03	Resource allocation plans to implement the strategy and financial capital structure. Resource mean CAPITALS including: a. financial capital (e.g. liquidity, cash flows, financing arrangements); human capital; b. manufactured capital (e.g. building, equipment, infrastructure); c. intellectual capital (e.g. patents, copyrights, software, licenses, knowledge, system, procedures); d. human capital; e. social and relationship capital; and f. natural capital.	169
2.04	Key resources and capabilities of the company which provide sustainable competitive advantage.	171
2.05	Value created by the business, and for whom, using these resources and capabilities.	121
2.06	The effect of technological change, societal issues such as population and demographic changes, human rights, health, poverty, collective values and educational systems, environmental challenges, such as climate change, the loss of ecosystems, and resource shortages on the company strategy and resource allocation.	184
2.07	Specific processes used to make strategic decisions and to establish and monitor the culture of the organization, including its attitude to risk and mechanisms for addressing integrity and ethical issues.	183
2.08	Key performance indicators (KPIs) to measure the achievement against strategic objectives including statement as to whether the indicators used will continue to be relevant in the future.	188
2.09	Board's statement on the following: a) significant plans and decisions such as corporate restructuring, business expansion, or discontinuance of operations; b) business rationale of major capital expenditure or projects started during the year and those planned for next year etc.	92
2.10	Significant changes in objectives and strategies from prior years.	186
<b>3</b>	<b>Risks and Opportunities</b>	
3.01	Key risks and opportunities effecting availability, quality and affordability of CAPITALS in the short, medium and long term.	189-191
3.02	Risk Management Framework including risk management methodology and principal risk and uncertainties facing the company.	107
3.03	Sources of risks and opportunities (internal and external).	109
3.04	The initiatives taken by the company in promoting and enabling innovation.	149
3.05	Assessment of the 'likelihood' that the risk or opportunity will come to fruition and the 'magnitude' of its effect if it does.	288-303
3.06	Specific steps being taken to mitigate or manage key risks or to create value from key opportunities by identifying the associated strategic objectives, strategies, plans, policies, targets and KPIs.	28-303
3.07	Board's efforts for determining the company's level of risk tolerance by establishing risk management policies.	288-303
3.08	Statement from the board that they have carried out a robust assessment of the principal risks facing the company, including those that would threaten the business model, future performance and solvency or liquidity.	47

3.09	Strategy to overcome liquidity problem and the company's plan to manage its repayment of debts and meet operational losses.	109, 118,
3.10	Inadequacy in the capital structure and plans to address such inadequacy.	119, 120, 286-287
<b>4</b>	<b>Sustainability and Corporate Social Responsibility</b>	
4.01	Highlights of the company's performance, policies, initiatives and plans in place relating to the various aspects of sustainability and corporate social responsibility as per best business practices including: a) environment related obligation applicable on the company; b) company progress towards environmental, social and & governance initiatives during the year; and c) company's responsibility towards the staff, health & safety.	165-170
4.02	Status of adoption/compliance of the Corporate Social Responsibility (Voluntary) Guidelines, 2013 issued by the SECP or any other regulatory framework as applicable.	165-170
4.03	Certifications acquired and international standards adopted for best sustainability and CSR practices.	163
<b>5</b>	<b>Governance</b>	165-170
5.01	Board composition: a) Leadership structure of those charged with governance. b) Name of independent directors indicating justification for their independence. c) Diversity in the board i.e. competencies, requisite knowledge & skills, and experience. d) Profile of each director including education, experience and involvement /engagement of in other entities as CEO, Director, CFO or Trustee etc. e) No. of companies in which the executive director of the reporting organization is serving as non-executive director.	81
5.02	Chairman's Review Report on the overall performance of the board and effectiveness of the role played by the board in achieving the company's objectives.	81
5.03	A statement of how the board operates, including a high-level statement of which types of decisions are to be taken by the board and which are to be delegated to management.	81
5.04	Annual evaluation of performance, along with description of criteria used for the members of the board including CEO, Chairman and board's committees.	31-34
5.05	Disclosure if the board's performance evaluation is carried out by an external consultant once in three years.	31-34
5.06	Details of formal orientation courses for directors.	35-38
5.07	Directors' Training Program (DTP) attended by directors, female executive and head of department from the institutes approved by the SECP and names of those who availed exemptions during the year.	83
5.08	Description of external oversight of various functions like systems audit or internal audit by an external specialist and other measures taken to enhance credibility of internal controls and systems.	88
5.09	a) Approved policy for related party transactions. b) Details of all related parties transactions, along with the basis of relationship describing common directorship and percentage of shareholding.	88



	c) Contract or arrangement with the related party other than in the ordinary course of business on an arm's length basis, if any along with the justification for entering into such contract or arrangement. d) Disclosure of director's interest in related party transactions. e) In case of conflict, disclosure that how such a conflict is managed and monitored by the board.	
5.10	Disclosure of Board's Policy on the following significant matters: a) Governance of risk and internal controls. b) Diversity (including gender), any measurable objectives that it has set for implementing the policy, and progress on achieving the objectives. c) Disclosure of director's interest in significant contracts and arrangements. d) Remuneration of non-executive directors including independent directors for attending board meetings and general meetings. e) Retention of board fee by the executive director earned by him against his services as non-executive director in other companies. f) Security clearance of foreign directors. g) Board meetings held outside Pakistan. h) Human resource management including preparation of succession plan. i) Social and environmental responsibility. j) Communication with stakeholders. k) Investors' relationship and grievances. l) Employee health, safety and protection. m) Whistle blowing policy including mechanism to receive and handle complains in a fair and transparent manner and providing protection to the complainant against victimization and reporting in Audit Committee's report. n) Safety of records of the company. o) Providing reasonable opportunity to the shareholder for participation in the AGM.	81-106
5.11	Board review statement of the organization's business continuity plan or disaster recovery plan.	95
5.12	Disclosure of beneficial (including indirect) ownership and flow chart of group shareholding and relationship as holding company, subsidiary company or associated undertaking.	12
5.13	Compliance with the Best Practices of Code of Corporate Governance (No marks in case of any non-compliance).	97-102
5.14	A brief description about role of the Chairman and the CEO.	83, 89
5.15	Shares held by Sponsors / Directors / Executives.	142
5.16	Salient features of TOR and attendance in meetings of the board committees (Audit, Human Resource, Nomination and Risk management).	84-87
5.17	Timely Communication: Date of authorization of financial statements by the board of directors: within 40 days ---6 marks within 60 days ---3 marks (Entities requiring approval from a Regulator before finalization of their financial statements)	Date of release 27.02.2023

	would be provided a 20 days relaxation, on providing evidence to the Committee).	
5.18	Audit Committee report should describe the work of the committee in discharging its responsibilities. The report should include: a) Composition of the committee with at least one member qualified as "financially literate and all members are non-executive / Independent directors including the Chairman of the Audit Committee. b) Role of the committee in discharging its responsibilities for the significant issues in relation to the financial statements, and how these issues were addressed with details where particular attention was paid in this regard. c) Committee's overall approach to risk management and internal control, and its processes, outcomes and disclosure. d) Role of Internal Audit to risk management and internal control, and approach to Internal Audit to have direct access to Audit Committee and evaluation of Internal Auditor's performance. e) Review of arrangement for staff and management to report to Audit Committee in confidence, concerns, if any, about actual or potential improprieties in financial and other matters and recommended instituting remedial and mitigating measures. f) An explanation as to how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, and information on the length of tenure of the current statutory auditor; and if the external auditor provides non-audit services, an explanation as to how auditor's objectivity and independence is safeguarded. g) If Audit Committee recommends external auditors other than the retiring external auditors, before the lapse of three consecutive years, reasons shall be reported. h) The Audit Committee's views whether the Annual Report was fair, balanced and understandable and also whether it provided the necessary information for shareholders to assess the company's position and performance, business model and strategy. i) Results of the self-evaluation of the Audit Committee carried out of its own performance. j) Disclosure of the number of whistle-blowing incidences reported to the Audit Committee during the year.	84
5.19	Presence of the chairman of the Audit Committee at the AGM to answer questions on the Audit Committee's activities / matters that are within the scope of the Audit Committee's responsibilities.	92
5.20	Board disclosure on Company's use of Enterprise Resource Planning (ERP ) software including: a) how it is designed to manage and integrate the functions of core business processes/ modules like finance, HR, supply chain and inventory management in a single system; b) management support in the effective implementation and continuous updation; c) details about user training of ERP software; d) how the company manages risks or control risk factors on ERP projects;	95

	e) how the company assesses system security, access to sensitive data and segregation of duties.	
5.21	Where an external search consultancy has been used in the appointment of the Chairman or a non-executive director, it should be disclosed if it has any other connection with the company.	N/A
5.22	Chairman's significant commitments and any changes thereto.	N/A
5.23	Disclosure about the Government of Pakistan policies related to company's business/sector in Directors' Report and their impact on the company business and performance.	46
5.24	How the organization's implemented governance practices have been exceeding legal requirements.	
<b>6</b>	<b>Analysis of the Financial Information</b>	
6.01	6.01 Analysis of the financial and non-financial performance using both qualitative and quantitative indicators showing linkage between: (a) Past and current performance; (b) Performance against targets /budget; and (c) Objectives to assess stewardship of management.	115-140
6.02	Analysis of financial ratios ( <b>Annexure I</b> )	124
6.03	Vertical and horizontal analysis of Balance Sheet, Profit and Loss Account and summary of Cash Flow Statement for last 6 years.	125-130
6.04	Graphical presentation of 6.02 and 6.03 above.	138
6.05	Explanation of negative change in the performance against prior year including analysis of variation in results reported in interim reports with the final accounts, including comments on the results disclosed in 6.02 and 6.03 above.	216
6.06	Any significant change in accounting policies, judgements, estimates and assumptions with rationale.	216
6.07	Information about defaults in payment of any debts and reasons thereof period.	Nil
6.08	Methods and assumptions used in compiling the indicators.	Nil
6.09	Cash Flow Statement based on Direct Method (separate Cash Flow for specific funds e.g. Zakat).	Nil
6.10	Segmental review and analysis of business performance including segment revenue, segment results, profit before tax, segment assets and liabilities.	279-282
6.11	a) Share price sensitivity analysis using key variables (i.e. selling price, raw material cost, interest rate and currency) with the consequent impact on the company's earning. b) Composition of local versus imported material and sensitivity analysis in narrative form due to foreign currency fluctuations	140 N/A
6.12	Brief description and reasons: a) for not declaring dividend despite earning profits and future prospects of dividend. b) where any payment on account of taxes, duties, levies etc. is overdue or outstanding.	45
6.13	CEO presentation video on the company's business performance of the year covering the company business strategy to improve and future outlook. (Please provide relevant webpage link of the video in the company's annual report).	Nil
<b>7</b>	<b>Disclosures on IT Governance and Cybersecurity</b>	

7.01	The Board responsibility statement on the evaluation and enforcement of legal and regulatory implications of cyber risks and the responsibilities of the board in case of any breaches.	111-112
7.02	Disclosure related to IT governance and cybersecurity programs, policies and procedures and industry specific requirements for cybersecurity and strategy in place.	
7.03	Disclosures about how cybersecurity fits into the board's risk oversight function and how the board is engaging with management on this issue.	
7.04	Disclosure that at least one board-level committee is charged with oversight of IT governance and cybersecurity matters and how the board administers its IT risk oversight function related to these risks.	
7.05	Disclosure about Company's controls and procedures about an "early warning system" that enables the company to identify, assess, address, make timely disclosures and timely communications to the board about cybersecurity risks and incidents.	
7.06	Disclosure of policy related to independent comprehensive security assessment of technology environment, including third party risks and when last such review was carried out.	
7.07	Disclosure about resilient contingency and disaster recovery plan in terms of dealing with a possible IT failure or cyber breach and details about company's cyber insurance.	
7.08	Disclosure of advancement in digital transformation on how the organization has leveraged 4.0 Industrial revolution (RPA, Block Chain, AI, Cloud Computing etc.) to improve transparency, reporting and governance.	
7.09	Disclosure about education and training efforts of the Company to mitigate cybersecurity risks.	
<b>8</b>	<b>Future Outlook</b>	
8.01	Forward looking statement in narrative and quantitative form including projections or forecasts about known trends and uncertainties that could affect the company's resources, revenues and operations in the short, medium and long term.	186-187
8.02	Explanation of the external environment including political, economic, social, technological, environmental and legal environment that is likely to be faced in the short, medium and long term and how it will affect the organization in terms of its business performance, strategic objectives and availability, quality and affordability of capitals.	184
8.03	Explanation as to how the performance of the company meets the forward looking disclosures made in the previous year.	187-188
8.04	Status of the projects in progress and were disclosed in the forward looking statement in the previous year.	187-188
8.05	Sources of information and assumptions used for projections / forecasts in the forward looking statement and assistance taken by any external consultant.	
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9.01	Stakeholders engagement policy of the company and how the company has identified its stakeholders.	192
9.02	Stakeholders' engagement process and the frequency of such engagements during the year. Explanation on how these relationships are likely to affect the performance and value of	192-196

	the company, and how those relationships are managed. These engagements may be with: a) Institutional investors; b) Customers & suppliers; c) Banks and other lenders; d) Media; e) Regulators; f) Local committees and g) Analysts.	
9.03	Steps taken by the management to encourage the minority shareholders to attend the general meetings.	92, 195
9.04	Investors' Relations section on the corporate website.	91
9.05	Issues raised in the last AGM, decisions taken and their implementation status.	92
9.06	Statement of value added and its distribution with graphical presentation: a) Employees as remuneration; b) Government as taxes (separately direct and indirect); c) Shareholders as dividends; d) Providers of financial capital as financial charges; e) Society as donation; and f) Retained within the business.	121
9.07	Steps board has taken to solicit and understand the views of stakeholders through corporate briefing sessions and disclosure of brief summary of Analyst briefing conducted during the year.	92
9.08	Highlights about redressal of investors' complaints.	92
<b>10</b>	<b>Business Model</b>	
10.01	Describe the business model including inputs, business activities, outputs and outcomes in accordance with the guidance as set out under section 4C of the International Integrated Reporting Framework (IR Framework).	175-178
<b>11</b>	<b>Striving for Excellence in Corporate Reporting</b>	
11.01	Board's responsibility statement on full compliance of financial accounting and reporting standards as applicable in Pakistan (i.e. International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB)).	7-8, 210
11.02	Adoption of IR Framework by fully applying the 'Fundamental Concepts', 'Content Elements' and 'Guiding Principles' in the IR Framework.	94
11.03	BCR criteria cross referred with page numbers of the annual report. (details can be maintained by companies on the Investor Relation section of the company's website).	452-457
11.04	Disclosures beyond BCR criteria (The participating organization to send the list of additional disclosures to BCR Committee).	93
<b>12</b>	<b>Specific Disclosures of the Financial Statements</b>	
12.01	Specific disclosures of the financial statements required under the Companies Act, 2017 and IFRSs ( <b>Annexure II</b> ).	Refer Below
<b>13</b>	<b>Assessment based on Qualitative Factors</b>	
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<b>Profitability Ratios</b>		
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24	Where any property or asset acquired with the funds of the company and is not held in the name of the company or is not in the possession and control of the company, this fact along with reasons for the property or asset not being in the name of or possession or control of the company shall be stated; and the description and value of the property or asset, the person in whose name and possession or control it is held shall be disclosed.	N/A
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# Glossary of Financial and Banking Terms

**Acceptances**  
Promise to pay created when the drawee of a time draft stamps or writes the word ‘accepted’ above his signature and a designated payment date.

**Accounting Policies**  
The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

**Accrual Basis**  
Recognition of the effects of transactions and other events when they occur without waiting for receipt or payment of cash or cash equivalent.

**Actuarial Gain/Loss**  
Gain or loss arising from the difference between estimates and actual experience in an entity’s pension plan.

**Amortisation**  
The systematic allocation of the depreciable amount of an intangible asset over its useful life.

**Amortised Cost**  
Amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction for impairment or un-collectability.

**Associate**  
An entity over which the Bank has significant influence. Available-for-Sale (AFS) Financial Investments All non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, financial investments – Held to maturity and financial investments at fair value through profit or loss.

**Basel III**  
The Basel Committee on Banking Supervision (BCBS) issued the Basel III rules text, which presents the details of strengthened global regulatory standards on bank capital adequacy and liquidity.

**Basis Point (BP)**  
One hundredth of a percentage point (0.01 per cent); 100 basis points is 1 percentage point. Used in quoting movements in interest rates or yields on securities.

**Capital Adequacy Ratio**  
The percentage of risk-adjusted assets supported by capital as defined under the framework of risk-based capital standards developed by the Bank for International Settlements (BIS) and as modified by the CBSL to suit local requirements.

**Cash Equivalents**  
Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**General Loan Impairment Provisions**  
Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses that have been incurred but have not yet been identified at the reporting date.

**Commitments**  
Credit facilities approved but not yet availed by the clients as at the reporting date.

**Contingencies**  
A condition or situation, the ultimate outcome of which will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

**Corporate Governance**  
The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to shareholders and others.

**Correspondent Bank**  
A bank in a foreign country that offers banking facilities to the customers of a bank in another country.

**Cost/Income Ratio**  
Operating expenses as a percentage of total operating income.

**Credit Rating**  
An evaluation of a corporate’s ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

**Credit Risk**  
Risk of financial loss to the Bank, if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the loans and advances to customers and other banks and investment in debt securities.

**Currency SWAPS**  
The simultaneous purchase of an amount of a currency for spot settlement and the sale of the same amount of the same currency for forward settlement.

**Deferred Taxation**  
Sum set aside in the Financial Statements for taxation that may become payable/ receivable in a financial year other than the current financial year. It arises because of temporary differences between tax rules and accounting conventions.

**Delinquency**  
A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans and advances are considered to be delinquent when consecutive payments are missed. Also known as “Arrears”.

**Derivatives**  
A derivative is a financial instrument or other contract, the value of which changes in response to some underlying variable (e.g. interest rate) that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable, and that will be settled at a future date.

**Dividend Yield**  
Dividend earned per share as a percentage of its market value.

**Letters of Credit (LCs)**  
Written undertaking by a bank on behalf of its customers, authorising a third party to draw on the Bank up to a stipulated amount under specific terms and conditions. Such undertakings are established for the purpose of facilitating international trade.

**Domestic Systemically Important Banks (D-SIBs)**  
Systemically Important Banks (SIBs) are perceived as banks that are “Too Big To Fail”. D-SIBs are critical for the uninterrupted availability of essential banking services to the country’s real economy even during crisis.

**Earnings per Share (EPS)**  
The profit attributable to ordinary shareholders divided by the number of ordinary shares in issue.

**Effective Interest Rate (EIR)**  
Rate that exactly discounts estimated future cash payments or receipts through the expected life of the fi instruments or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

**Effective Tax Rate (ETR)**  
Provision for taxation excluding deferred tax expressed as a percentage of the profit before taxation.

**Equity Method**  
This is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor’s share of net assets of the investee. The profit or loss and other comprehensive income of the investor include the investor’s share of the profit or loss and other comprehensive income of the investee.

**ESOP (Employee Share Ownership Plan)**  
A method of giving employees shares in the business for which they work.

**Exposure at Default (EAD)**  
EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal & interest and expected drawdowns of committed facilities.

**Expected Credit Losses (ECLs)**  
ECL approach is the loan loss impairment method under SLFRS 9 on “Financial Instruments”. ECLs are the discounted product of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). ECL measurements are unbiased and are determined by evaluating a range of possible outcomes.

**Fair Value**  
The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**Finance Lease**  
A lease in which the lessee acquires all financial benefits and risks attaching to ownership of the asset under lease.

**Financial Instrument**  
A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity.

**Financial Assets Measured at Amortised Cost**  
A financial asset is measured at amortised cost if the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)**  
FVOCI include debt and equity instruments measured at fair value through other comprehensive income. A debt instrument is measured at FVOCI, if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Equity investments may be irrevocably classified as FVOCI when they meet the definition of Equity under LKAS 32 Financial Instruments: Presentation, and are not held for trading.

**Financial Assets Measured at Fair Value through Profit or Loss (FVTPL)**  
All financial assets other than those classified at Amortised Cost or FVOCI are classified as measured at FVTPL. These are held for trading or managed and their performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

**Forward Exchange Contract**  
Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.



Global Reporting Initiatives (GRI)

The GRI is an international independent standards organisation that helps businesses, governments and other organisations to understand and communicate their impacts on issues such as climate change, human rights and corruption. GRI promotes sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development.

Group

A parent company and all its subsidiaries.

Guarantees

Three party agreement involving a promise by one party (the guarantor) to fulfil the obligations of a person owing a debt if that person fails to perform.

Hedging

A strategy under which transactions are effected with the aim of providing cover against the risk of unfavourable price movements (interest rate, foreign exchange rate, commodity prices, etc.).

Held-to-Maturity (HTM) Investments

Non-derivative fi assets with fi or determinable payments and fi maturity that an entity has the positive intention and ability to hold to maturity.

High Quality Liquid Assets (HQLA)

Assets that are unencumbered, liquid in markets during a time of stress and, ideally, be central bank eligible. These include, for example, cash and claims on central governments and central banks.

Impaired Loans

Loans where the Group does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.

Impairment

This occurs when recoverable amount of an asset is less than its carrying amount.

Impairment Charge

Impairment allowances are provisions held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified and individual (specific) or collective (portfolio).

Intangible Asset

An intangible asset is an identifiable non- monetary asset without physical substance.

Interest Rate SWAP

An agreement between two parties (known as counterparties) where one stream of future interest payments is exchanged for another stream of future interest payments based on a specific principal amount.

Interest Spread

Represents the difference between the average interest rate earned on interest earning assets and the average interest rate paid on interest-bearing liabilities.

Key Management Personnel (KMP)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity.

Liquid Assets

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, Bills of Exchange and Treasury Bills and Bonds.

Loans and Receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those intended to sell immediately or in the near term and designated as fair value through profit or loss or available for sale on initial recognition.

Lifetime Expected Credit Losses (LTECL)

Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. According to SLFRS 9 on “Financial instruments”, the ECL allowance should be based on LTECL unless there has been no significant increase in credit risk since origination.

Liquidity Coverage Ratio – LCR

Refers to highly liquid assets held by Banks to meet short-term obligations. The ratio represents a generic stress scenario that aims to anticipate market-wide shocks.

Loan-to-value ratio (LTV)

The LTV ratio is a mathematical expression which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The LTV ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.

Loss given default (LGD)

LGD is the percentage of an exposure that a lender expects to lose in the event of obligor default.

Market Capitalisation

The value of an entity obtained by multiplying the number of ordinary shares in issue by its market value as at a date.

Market Risk

This refers to the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

Materiality

The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

Net Interest Income (NII)

The difference between the amount a bank earns on assets such as loans and securities and the amount it pays on liabilities such as deposits, refinance funds and inter-bank borrowings.

Net Interest Margin (NIM)

The margin is expressed as net interest income divided by average interest earning assets.

Non-Controlling Interest (NCI)

Equity in a Subsidiary not attributable, directly or indirectly, to a parent.

Nostro Account

A bank account held in a foreign country by a domestic bank, denominated in the currency of that country. Nostro accounts are used to facilitate the settlement of foreign exchange trade transactions.

Net Stable Funding Ratio (NSFR)

Measures the amount of longer-term, stable sources of funding employed by a bank relative to the liquidity profiles of the assets funded and the potential for contingent calls on funding liquidity arising from off-balance sheet commitments and obligations.

Open Credit Exposure Ratio

Total net non-performing loans and advances expressed as a percentage of regulatory capital base.

Operational Risk

This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Parent

An entity that controls one or more entities.

Price Earnings Ratio (P/E Ratio)

Market price of a share divided by the earnings per share.

Price to Book Value

Market price of a share divided by the net assets value of a share.

Probability of Default (PD)

PD is an internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation.

Provision Cover

Total provisions for loan losses expressed as a percentage of net non-performing loans and advances before discounting for provisions on non-performing loans and advances.

Related Parties

One party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Related Party Transaction (RPT)

RPT is a transfer of resources, services or obligations between a reporting entity and a related party, regardless whether a price is charged.

Repurchase Agreement

Contract to sell and subsequently repurchase securities at a specified date and price.

Return on Average Assets (ROA)

Profit after tax expressed as a percentage of the average assets.

Return on Average Equity (ROE)

Net profit attributable to owners expressed as a percentage of average ordinary shareholders’ equity.

Reverse Repurchase Agreement

Transaction involving the purchase of securities by a bank or a dealer and resale back to the seller at a future date at a specified price.

Subsidiary

An entity that is controlled by another entity.

Substance over Form

The consideration that the accounting treatment and presentation of Financial Statements of transactions and events should be governed by their substance and financial reality and not merely by legal form.

Tier I Capital

(Common Equity Tier 1 – CET 1) Common Equity Tier 1 (CET1) is a component of Tier 1 capital that consists mostly of Stated Capital. It is a capital measure that was introduced as a precautionary measure to protect the economy from a financial crisis.

Tier I Capital

(Additional Tier 1 Capital – AT 1) Additional Tier 1 Capital (AT1) is a component of Tier 1 capital that comprises securities that are subordinated to most subordinated debt, which have no maturity, and their dividend can be cancelled at any time.

Tier II Capital

Capital representing revaluation reserves, general provisions and other capital instruments, which combine certain characteristics of equity and debt such as hybrid capital instruments and subordinated term debts.

Yield to Maturity (YTM)

Discount rate at which the present value of future cash flows would equal the security’s current price.





# Contact & other details

## National Bank of Pakistan

Incorporated under the NBP ordinance 1949  
Website: [www.nbp.com.pk](http://www.nbp.com.pk)

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### Investor Relations

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### Disclaimer

This document contains certain statements that are “forward-looking” with respect to certain of the bank’s plans, goals and expectations relating to its future performance, results, strategies and objectives. Words such as “may”, “could”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “aim”, “outlook”, “believe”, “plan”, “seek”, “predict” or similar expressions typically identify forward-looking statements. These forward-looking statements are not statements of fact or guarantees of future performance, results, strategies and objectives, and by their nature involve risk and uncertainty because they relate to future events and circumstances which are difficult to predict and are beyond the bank’s control, including but not limited to, domestic and global economic business conditions, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities (including changes related to capital and solvency requirements), the impact of competition, inflation, deflation, the timing impact and other uncertainties of future acquisitions or combinations within relevant industries, as well as the impact of changes in domestic and global legislation and regulations in the jurisdictions in which the bank and its affiliates operate. The bank’s actual future performance, results, strategies and objectives may differ materially from the plans, goals and expectations expressed or implied in the forward-looking statements. The bank makes no representations or warranty, express or implied, that these forward-looking statements will be achieved, and undue reliance should not be placed on such statements. The bank undertakes no obligation to update the historical information or forward-looking statements in this document and does not assume responsibility for any loss or damage arising as a result of the reliance by any party thereon.

# National Bank Of Pakistan

## 74<sup>th</sup> Annual General Meeting Form of Proxy

Folio No. \_\_\_\_\_ or CDC participant identity no. \_\_\_\_\_  
CDC A/C No. \_\_\_\_\_  
I/We \_\_\_\_\_  
of \_\_\_\_\_  
being a member(s) of the National Bank of Pakistan, holding shares no. \_\_\_\_\_  
hereby appoint \_\_\_\_\_ of \_\_\_\_\_  
also a member of the National Bank of Pakistan (Folio No. \_\_\_\_\_) or failing him/her \_\_\_\_\_  
of \_\_\_\_\_ also a member of National Bank of Pakistan (Folio No. \_\_\_\_\_) as my/our Proxy to attend the  
74<sup>th</sup> Annual General Meeting of National Bank of Pakistan, to be held at 11:30 a.m. (PST) on Thursday, March 30,  
2023, at Mövenpick Hotel, Club Road, Karachi or through electronic means and at any adjournment thereof.

Proxy holder email address (for attending meeting through electronic means): \_\_\_\_\_

and mobile number \_\_\_\_\_.

Signed this \_\_\_\_\_ day of March, 2023

### Witnesses:

Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
CNIC No. \_\_\_\_\_

Name: \_\_\_\_\_  
Address: \_\_\_\_\_  
CNIC No. \_\_\_\_\_

Signature \_\_\_\_\_  
(Signature should agree with the  
specimen signature registered  
with the Bank)

Affix Revenue Stamp  
of Five Rupees.

### NOTE

#### Attending Meeting through Proxies:

- 1.! All members, entitled to attend and vote at the Annual General Meeting, are entitled to appoint another member in writing as their proxy to attend and vote on their behalf. A legal entity, being a member, may appoint any person, regardless of whether they are a member or not, as a proxy.
- 2.! The proxy instrument must be complete in all respects and in order to be effective should be deposited at Office of the Registrar or Office of the Secretary Board, 2<sup>nd</sup> Floor, NBP Head Office, I.I. Chundrigar Road, Karachi, not later than 48 hours before the time of holding the meeting.
- 3.! For attending the meeting through electronic means (Zoom), a proxy form shall be submitted along with the proxy holders’ email address and mobile number.
- 4.! If any member appoints more than one proxy for any meeting and more than one instrument, of the proxy, is deposited with the Registrar or the Bank, all such instruments of proxy shall be rendered invalid.

#### The shareholders will further have to follow the following guidelines for appointing proxies:

- i.! In the case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the regulations shall submit the proxy form as per the requirements mentioned below:
  - a)! The proxy form shall be witnessed by two persons whose names, addresses, and CNIC numbers shall be mentioned on the form.
  - b)! An attested copy of CNIC or valid Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- ii.! In case of Government of Pakistan/State Bank of Pakistan/corporate entity, the original or duly authenticated Board of Directors’ resolution or power of attorney with specimen signatures of the nominee shall be submitted along with proxy form to Messrs. CDC Share Registrar Services Limited or to the Office of the Secretary Board, 2nd Floor, NBP Head Office, I.I. Chundrigar Road, Karachi.

## نیشنل بینک آف پاکستان سالانہ اجلاس عام پراکسی فارم

فولیو نمبر \_\_\_\_\_ یاسی ڈی سی پارٹنرسٹ آئیڈینٹیفیشن نمبر \_\_\_\_\_  
سی ڈی سی اکاؤنٹ نمبر \_\_\_\_\_  
میں / ہم \_\_\_\_\_  
جن کا تعلق \_\_\_\_\_  
سے ہے نیشنل بینک آف پاکستان ہولڈنگ شیئر ڈنمبر \_\_\_\_\_ کا / کے رکن ہوتے ہوئے بذریعہ پدا \_\_\_\_\_ کے \_\_\_\_\_ کو  
جو کہ نیشنل بینک آف پاکستان (فولیو نمبر) \_\_\_\_\_ کا رکن بھی ہے یا \_\_\_\_\_ کے \_\_\_\_\_ کی ناکامی کی صورت میں جو کہ نیشنل بینک  
آف پاکستان (فولیو نمبر) \_\_\_\_\_ کا رکن بھی ہے کو میرے / ہمارے نمائندے کے طور پر نامزد کرتا ہوں / کرتے ہیں تاکہ وہ نیشنل بینک آف پاکستان کے 74 ویں  
سالانہ اجلاس عام میں میرے / ہمارے پراکسی کے طور پر شرکت کریں جو کہ بروز جمعرات 30 مارچ 2023 کو صبح 11:30 بجے مودین پک ہوٹل، کلب روڈ، کراچی اور الیکٹرانک ڈرائنگ  
سے اور اس کے کسی بھی التواء پر منعقد ہوگا۔  
پراکسی کی ای میل ایڈرس (الیکٹرانک ڈرائنگ سے شرکت کے لئے) \_\_\_\_\_ اور موبائل نمبر \_\_\_\_\_  
اسے مارچ 2023 کی \_\_\_\_\_ تاریخ کو دیکھنا کیا گیا:

مکواہان: \_\_\_\_\_  
نام \_\_\_\_\_  
پتہ \_\_\_\_\_  
شناختی کارڈ نمبر \_\_\_\_\_  
نام \_\_\_\_\_  
پتہ \_\_\_\_\_  
شناختی کارڈ نمبر \_\_\_\_\_  
دستخط \_\_\_\_\_  
دستخط دینے والے نمونے سے مطابقت رکھتے ہوں یا بینک میں رجسٹرڈ ہوں

نوٹ  
پراکسی کے ذریعے اجلاس میں شرکت  
1 تمام ممبران، جو سالانہ اجلاس عام میں شرکت کرنے اور ووٹ دینے کے حقدار ہیں، کسی دوسرے ممبر کو تحریری طور پر اپنے پراکسی کے طور پر مقرر کرنے کے حقدار ہیں، تاکہ وہ شرکت  
کریں اور ووٹ دیں۔ ایک قانونی ادارہ، ایک رکن ہونے کے ناطے کسی بھی شخص کو چاہے وہ رکن ہے یا نہیں، بطور پراکسی مقرر کر سکتا ہے۔  
2 پراکسی کی جزئیات ہر لحاظ سے مکمل ہونا چاہیئے اور موثر ہونے کے لئے رجسٹرار کے دفتر یا سیکریٹری بورڈ کے دفتر، دوسری منزل، این بی پی ہیڈ آفس، آئی آئی چندریگر روڈ، کراچی میں  
مینگ کے انعقاد کے وقت سے 48 گھنٹے پہلے جمع کروانا ہوگا۔  
3 الیکٹرانک ڈرائنگ (ڈوم) کے ذریعے مینگ میں شرکت کے لئے پراکسی ہولڈرز کے ای میل ایڈرس اور موبائل نمبر کے ساتھ ایک پراکسی فارم جمع کرایا جائے گا۔  
4 اگر کوئی ممبر کسی بھی مینگ کے لئے ایک سے زیادہ پراکسی کا تقرر کرتا ہے اور پراکسی کے ایک سے زیادہ انسٹرومنٹ رجسٹرار یا بینک کے پاس جمع کرائے جاتے ہیں، تو پراکسی کے ایسے  
تمام انسٹرومنٹ کو غلط قرار دیا جائے گا۔

حصص یافتگان کو پراکسیوں کی تقرری کے لئے درج ذیل رہنما اصولوں پر عمل کرنا ہوگا۔  
I افراد کے معاملے میں، اکاؤنٹ ہولڈر یا ذیلی اکاؤنٹ ہولڈر اور ایادہ شخص جس کی سکیورٹیز گروپ اکاؤنٹ میں ہیں اور ان کی رجسٹریشن کی تفصیلات شواہد کے مطابق اپ لوڈ کی گئی  
ہیں ذیل میں بیان کردہ ضروریات کے مطابق پراکسی فارم جمع کروائیں۔  
الف) پراکسی فارم پر دو افراد گواہی دیں گے جن کے نام، پتے اور شناختی کارڈ نمبر فارم پر درج ہوں گے۔  
ب) قومی شناختی کارڈ کی تصدیق شدہ کاپی یا بینی فیشنل مالکان اور پراکسی کے پاسپورٹ کی کاپی پراکسی فارم کے ساتھ پیش کی جائے گی۔  
II حکومت پاکستان / اٹلیٹ بینک آف پاکستان / کارپوریت ادارے کی صورت میں نامزد شخص کے دستخط کے نمونے کے ساتھ اصل یا باضابطہ تصدیق شدہ بورڈ آف ڈائریکٹرز کی  
قرارداد یا پاور آف اٹارنی میسرز سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ یا سیکریٹری بورڈ کے دفتر، دوسری منزل، این بی پی ہیڈ آفس، آئی آئی چندریگر روڈ، کراچی۔ کو پراکسی فارم کے ساتھ  
جمع کروانا ہوگا۔





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