






Annual Report 2021

Inclusive Development			
	The Nation's Leading Bank		Sustainable Growth
		Strong Performance	
			

Where the Nation Banks



National Bank of Pakistan
نیشنل بینک آف پاکستان



NBP

National Bank of Pakistan

نیشنل بینک آف پاکستان

Where the Nation Banks



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Grow...
one step at a time!!!



Our 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**

IMAGINE

Integrity is the cornerstone of everything we do

IMAGINE

Market leadership is what we aim across all our target sectors

IMAGINE

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

IMAGINE

Good governance and transparency

IMAGINE

Innovation to provide for the customer needs of tomorrow

IMAGINE

Nation building remains our priority

IMAGINE

Employee engagement through a merit-based culture

Coming together is a beginning;
keeping together is progress;
**WORKING TOGETHER
IS GROWTH!!!**





Profile

General information
about the Bank
and its operations

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About this Integrated Report

NBP Annual Report 2021

This 72nd Annual Report-2021 (this Report) of National Bank of Pakistan ("NBP", "the Bank"), covers the financial and non-financial performance of the Bank for the year ended December 31, 2021 and material subsequent events up to the issuance of this Report.

The Board of Directors, in its meeting held on March 8th, 2022, has approved the release of this Report.

We wish you a pleasant read!

Our Strategic Orientation

This Annual Report is structured to provide the readers with an integrated insight into the Bank's business by providing information about the state of affairs, performance and external environment influencing the Bank's functioning & performance. Highlighting the links between business strategy, business model, integrated risk management and corporate governance, this Report fairly addresses the material matters pertaining to the long-term sustainability of the Bank. This Report also comments on linkage of the Bank's sustainability initiatives and strategic imperatives.

Report Boundary & Scope

This Annual Report is prepared in accordance with the following:

- The Banking Companies Ordinance, 1962
- The Companies Act, 2017
- The Listed Companies (Code of Corporate Governance) Regulations, 2019 issued by the Securities and Exchange Commission of Pakistan
- International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board
- Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan
- Directives issued by the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan.

This Report encompasses both financial and non-financial information pertaining to the parent company, i.e. National Bank of Pakistan "the Bank", as well as consolidated information of the Group that includes the Bank, its subsidiary companies, a Joint Venture bank, and its several associated companies.

Key contents of this Report include:

- i. Strategic and Operational Review by the Chairman and the CEO

- ii. Directors' Report on behalf of Board of Directors.
- iii. Standalone Financial Statements of the parent entity; and
- iv. Consolidated Financial Statements of the Bank, its subsidiary companies, a joint venture and associate companies "Group" as depicted in the Consolidated Financial Statements.
- iv. Auditors' Review Report on the Code of Corporate Governance "CCG"
- v. Statement of Compliance with CCG
- vi. Shareholders' Information

Operational and financial analyses and reviews are based on the financial information from the Audited Financial Statements for the year ended December 31, 2021 with the comparative information, where necessary.

Unless stated otherwise, operations of the parent entity account for more than 99% of the consolidated revenue, assets, borrowings and employees. In this Report, the terms 'PKR' and 'Rs.' have been used interchangeably for Pakistan Rupee.

Significant Changes During the Year

There have not been any significant changes in the organisation type, structure, ownership or reporting boundaries since December 31, 2020. No changes in reporting or restatements have been made in the comparative financial information. However, in line with our strategy stated in the Annual Report 2020, the Bank has advanced further in the process for closing certain overseas branches. Appropriate disclosures in this regard have been given in this Report.

Integrated Reporting Framework

NBP, being a domestic systemically important bank, has a greater impact on socio-economic growth in the country. In its strategies, the Bank considers the interest of its diverse group stakeholders, particularly the shareholders, regulators, customers, employees, and the communities where it operates.

In the course of its operations for value generation, the Bank receives inputs i.e. CAPITALS (Financial Capital, Infrastructure Capital, Human Capital, Natural Capital and Social & Relationship Capital), and processes these to achieve its Short, Medium and Long term goals. The Bank is following an integrated reporting model that builds understanding and a holistic view about the Bank, its business model, external influences, the value creation process, business strategies, resource allocation for strategy

execution, opportunities & risks, and performance against the defined strategic objectives. This integrated reporting will further improve the quality of information about the inputs used by the Bank in the process of value generation. This year, matters important for disclosure include:

1. Governance: Responding to organisational challenges.
2. Response: Emergency response to the health and financial crisis amidst the COVID-19.
3. Agility: Making the Bank stronger & resilient.
4. Service: Serving our customers and communities.
5. Performance: Delivering sustainable financial performance.

Responsibility & Basis of Preparation

The Bank's management is responsible for the preparation and fair presentation of the Financial Statements. The Financial Statements, Chairman's Review, Directors' Report, Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, CSR and other information contained in this Report, have been structured in compliance with the requirements of the International Financial Reporting Standards "IFRS" as applicable in Pakistan, the Banking Companies Ordinance, 1962, the Companies Act, 2017, and the related regulations of the State Bank of Pakistan "SBP", the Security & Exchange Commission of Pakistan "SECP", Pakistan Stock Exchange "PSX" and other local and international corporate reporting practices as promoted by ICAP, ICMAP, SAFA, etc.

Information Quality

Every effort has been taken to provide credible & meaningful information with the aid of visual elements such as figures, graphs and tables in a consistent manner facilitating clarity and comparability. Qualitative criteria have been taken into account including materiality, comparability, accuracy & consistency, balanced view and credibility and reliability of the information provided.

The Medium

1. This Annual Report is published within three months of the date 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 have been produced for the shareholders who have requested the same.

For reasons of environmental sustainability, we only produce a limited number of printed copies of this Report.



This year too we will distribute 12,000+ copies of this Annual Report through portable CDs. This will save 1.5 million sheets of paper.



Other Information:

We also have a presence on:

Facebook: <https://www.facebook.com/NBPTheNationsBank>

Instagram: <https://www.instagram.com/nationalbankofpakistan/>

YouTube: <https://www.youtube.com/channel/UCcl-feuO5V4sCcIm0xigzVg>

LinkedIn: <https://www.linkedin.com/company/national-bank-of-pakistan/>

Twitter: <https://twitter.com/TheNBPak>

Contact & 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

Our Profile

Where the Nation Banks

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 1513 (2020:1514) domestic branches in Pakistan and 19(2020:21) 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 and correspondent banking relationships, etc.

With a total asset base of PKR 3.85 trillion, (USD 17.04 billion) and accounting for ~13% 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, 65% of total assets of the Bank are funded by customer deposits. The domestic current and savings account (CASA) ratio was 82.3% as at December 31, 2021.

7 Decades in 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 has been to support the financial wellbeing of the Nation, and to provide strength in uncertain times, Then – Now – and Always!

The Bank's 1500+ employees serve 9+ 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 286.2 billion as Net Assets, NBP is the highest capitalised Bank in Pakistan. The Bank has been designated as Domestic Systemically Important Bank by the State Bank of Pakistan. Therefore, the Bank is required to hold an additional 2.0% loss absorbency surcharge over & above the minimum capital adequacy requirement. However, as a measure to alleviate the effects of COVID-19 and support the banking sector in extending credit facilities to its customers, SBP reduced the capital conservation buffer from 2.5% to 1.5%, for the time being. This resulted in minimum CAR requirement for the Bank being 13.5% at end 2021.

With the Common Equity Tier 1 (CET-1) ratio of 15.42% (2020: 14.99%) and overall Capital Adequacy Ratio (CAR) at 20.39% end 2021 (2020: 19.78%), the Bank is compliant with the enhanced regulatory requirements.

Subsidiaries

1. NBP Fund Management Limited.

It is one of the leading Asset Management Company of Pakistan, managing over 175.0 billion of investors' savings in various investment solutions. The Company has been awarded the highest achievable investment management rating of AM1

54%

2. NBP Exchange Company Limited.

NBP Exchange is the first bank-owned company to start a currency exchange business in the country. The Company is operating with a network of 20 branches to deal in foreign currency exchange.

100%

3. Taurus Securities Limited.

It is an unlisted Public Limited Company in operation since January, 1994. Its activities encompass the following areas:

- Equity brokerage
- Financial and economic research

In terms of market share, Taurus is ranked high among the top tier equity brokers in Pakistan.

58.3%

The Bank's leverage ratio at end 2021 was 3.73% (2020:4.06%). The Bank's liquidity and net stable funding ratios stood at 164% (2020:180%) and 278% (2020:256%), 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.

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%. Other major shareholders include Foreign Companies (6.3%), Public Sector Companies (0.4%), and the general public (12.1%).

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 branches of UK 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.



Subsidiaries

4. CJSC Subsidiary Bank of NBP in Kazakhstan

(under closure)

The Company was formed in the year 2001. It provides Commercial Banking Services in Kazakhstan. The Bank has decided to close this subsidiary company.

100%

5. CJSC Subsidiary Bank of NBP in Tajikistan (under closure)

The Company was formed in the year 2012. It provides Commercial Banking Services in Tajikistan. The Bank has decided to close this subsidiary company.

100%

6. National Bank Modaraba Management Company Limited.

National Bank Modaraba Management Company Limited manages the First National Bank Modaraba which was established in December 2003. It is a perpetual, multi-purpose and multi-dimensional Modaraba.

100%

2021 at a glance

Profitability

Total Income
 PKR 134.6 Bn
4.0% ▼

Pre-Provision Profit
 PKR 74.6 Bn
3.3% ▼

Profit Before Tax
 PKR 52.9 Bn
14.4 % ▲

Profit After Tax
 PKR 28.0 Bn
8.3 % ▼

Financial Position

Total Assets
 PKR 3.8 Tn
27.9% ▲

Net Investments
 PKR 1.9 Tn
32.4 % ▲

Total Deposits
 PKR 3.0 Tn
24.8 % ▲

Gross Advances
 PKR 1.3 Tn
12.5 % ▲

Financial Soundness

Total Capital

20.39%
 2020: 19.78%

CET-1

15.42%
 2020: 14.99%

Net Stable
 Funding

278%
 2020: 256%

Leverage

3.73%
 2020: 4.06%

Liquidity
 Coverage

164%
 2020: 180%

NPL Coverage

91.0%
 2020: 90.0%

Credit Rating

AAA Long-Term

A1+ Short-Term

Our National Impact

Coverage Across the Nation

9+Mn
Customers

1513
Domestic Branches

1500+
ATMs with 98% Up-time

7000+
Kamyab Jawan Borrowers

750+
The Largest Rural Branch Network

>95%
Branches Remained Open

Mera Ghar Scheme Loan
1,300+ Families



Economic Value Distributed

PKR 269 Bn



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

Community Investment

PKR 8.5 Mn



Best Bank for Agriculture Award - 2021

PKR 62.8 Bn Agri Loans

Credit to the Corporate Sector

PKR 628 Bn



Employment

Bank Staff

15,409

Outsourced

1,273



P2G and G2P



Taxes to the Government

PKR 25 Bn

7 Decades for the Nation

(PKR 'Mn)

ASSETS
ADVANCES
DEPOSITS

2021

3,846,684

1,113,392

3,019,155

2020

3,008,527

983,255

2,418,966

2010

1,037,750

477,507

832,152

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 then uncertain times. This created your Bank; THE National Bank of Pakistan. Your Bank's purpose and mission has been to support the financial wellbeing of the Nation, and to provide strength in uncertain times, Then – Now – and Always



2010 Till Today... Still Focused & Driven

- » PKR 52 Bn as Profit After tax in 2021. Highest Ever in History of the Bank. 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 is Awarded Agriculture Bank of the Year Award 2019
- » In 2017, the Bank posted the highest ever after-tax profit of PKR 23.03 billion. NBP became the 'Two Trillion Rupee' Bank and is still growing strong.
- » 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.
- » Won Bank of the Year Award 2015
- » Deployed Core Banking Application.
- » In 2013, with the growing popularity of Islamic Banking, NBP successfully launched its brand 'Aitemaad' to offer the true spirit of Islamic Finance.



2000 – 2009...

- » The decade witnessed a restructuring program, where un-profitable and loss making branches were closed or merged. No. 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.



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	1990	1980	1970	1960	1950
371,636	135,074	32,380	5,374	1,253	120
140,318	47,025	11,803	2,148	664	49
316,493	87,900	21,384	3,343	885	56



The 1980s... New Trends and Alliances

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.

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 1960s... Dawn of Developments

savings habit. This scheme was offered to industrial workers and school & college students.

» Operative in 1,189 schools, deposits raised to Rs. 2.9 million. By 1969, NBP's "worker scheme" raised the total deposits by factory workers into Rs. 2.84 million and the number of accounts opened had touched 8,767.

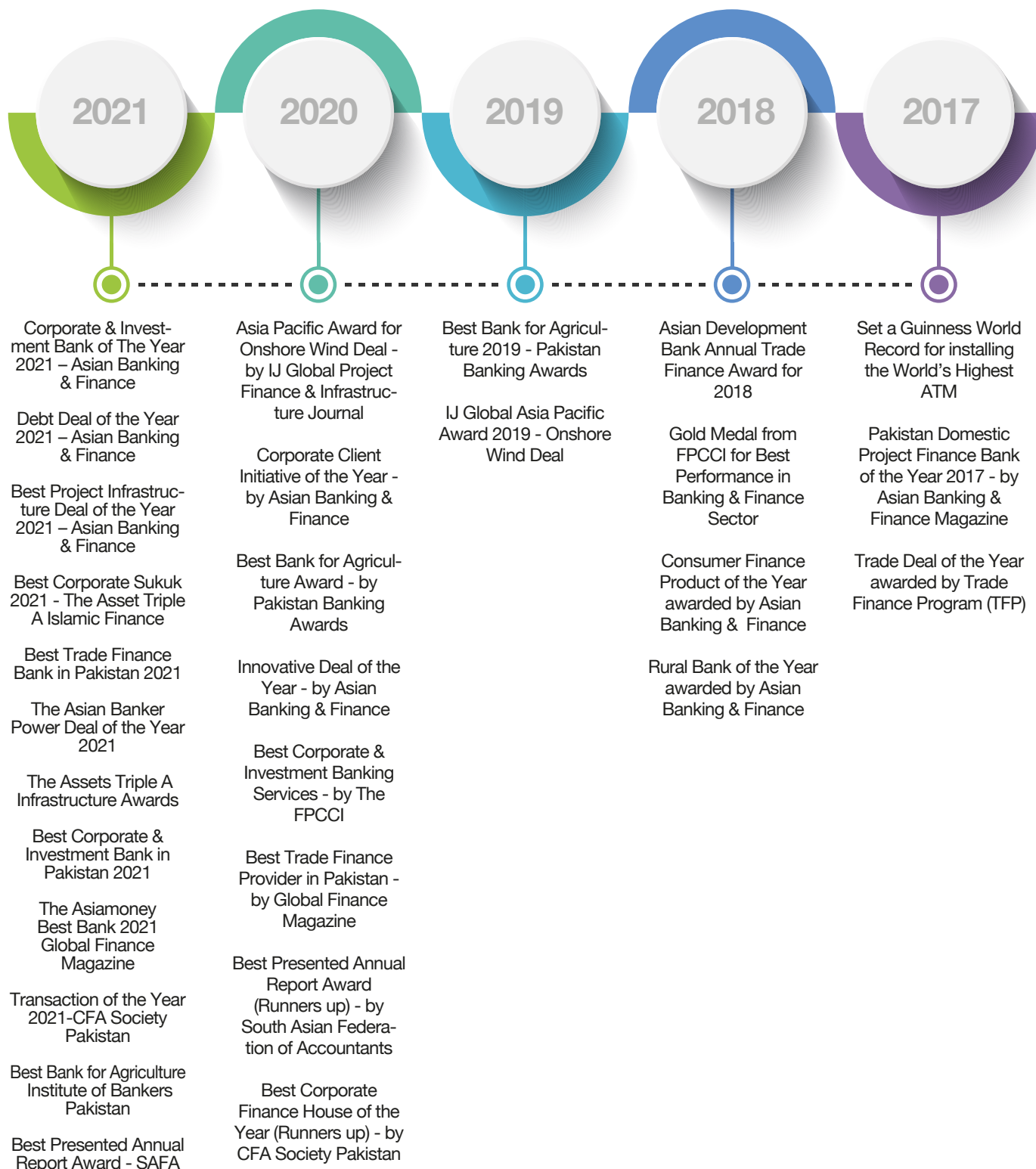
The 1950s... The Beginning

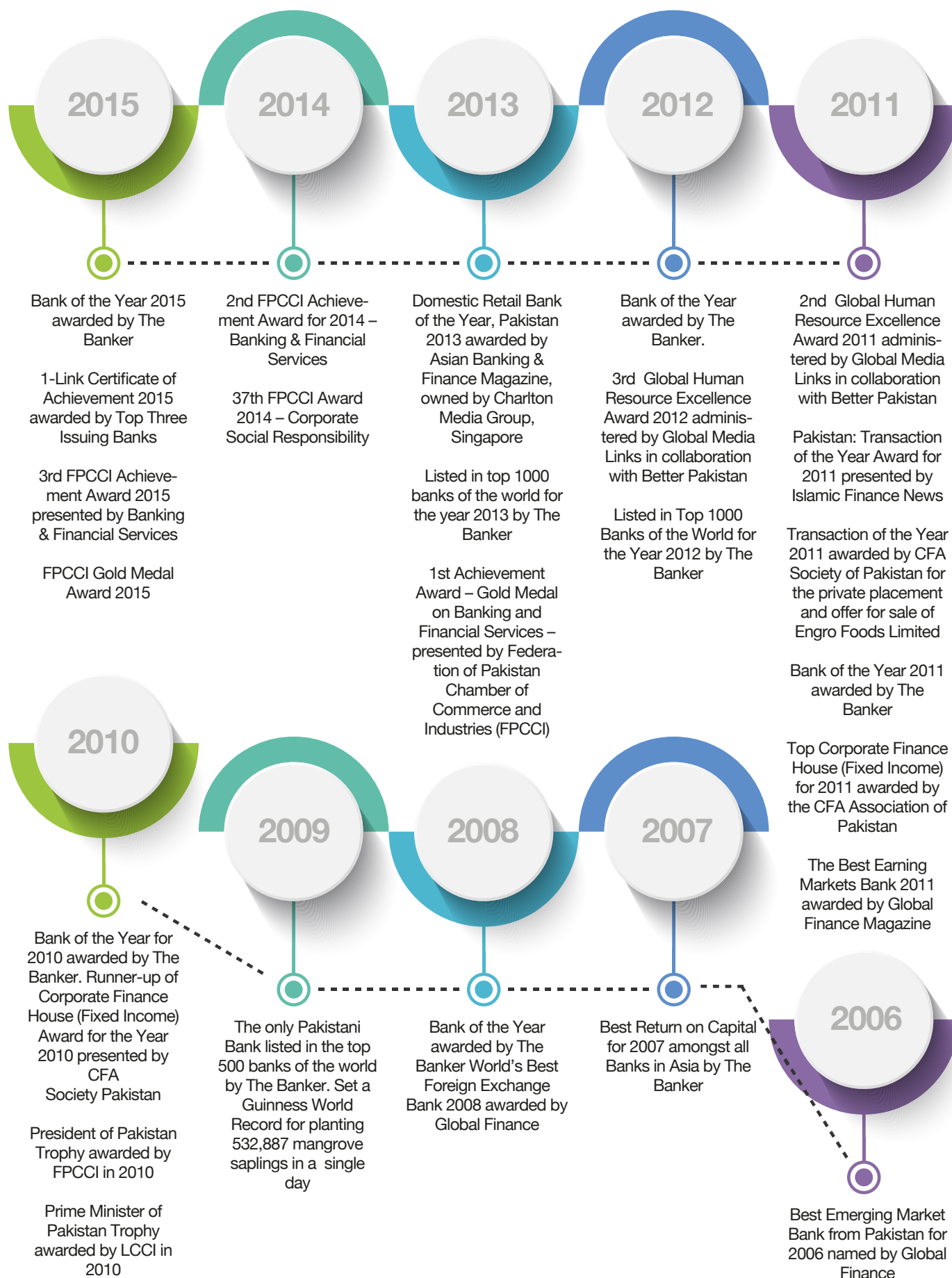
» During the 1950s, the Bank undertook the expansion of the branch network.

» 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 percent of total deposits of all Pakistani banks in 1949 had risen to 38 percent by 1952.

A Legacy of Recognition





Corporate &
Investment Bank of
the Year 2021

**Asian Banking &
Finance**

Debt Deal of the Year
2021

**Asian Banking &
Finance**

Best Project
Infrastructure Deal of
the Year 2021

**Asian Banking &
Finance**

Best Trade Finance
Bank in Pakistan
2021

The Asian Banker

Power Deal of the
Year 2021

**The Assets Triple A
Infrastructure
Awards**



Best Corporate
Sukuk 2021

**The Assets Triple A
Infrastructure
Awards**

Best Bank
2021

**Global Finance
Magazine**

Best Corporate &
Investment Bank in
Pakistan 2021

The Asiamoney

Transaction of the
Year 2021

**CFA Society
Pakistan**

Best Presented
Annual Report Award

SAFA



**Best Bank for Agriculture
Institute of Bankers Pakistan**



NBP Ranked among Top-1000
World Banks

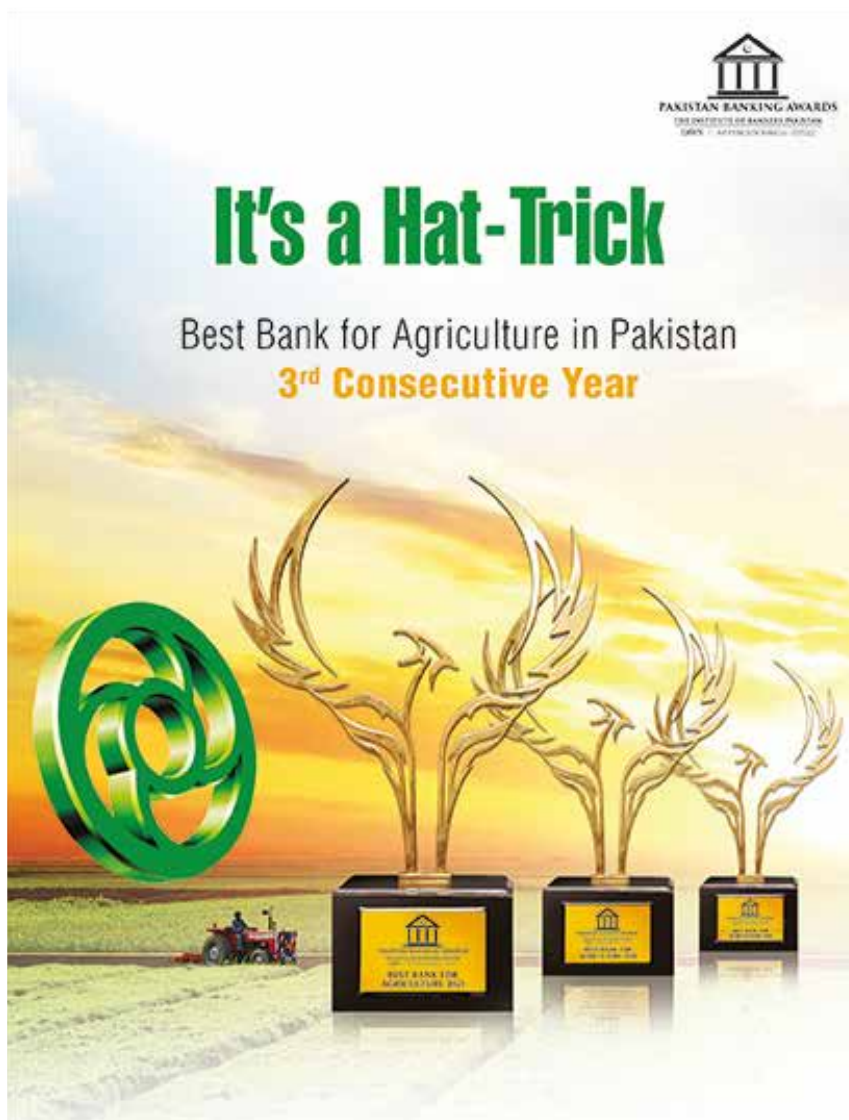
Calendar Of Key Events 2021

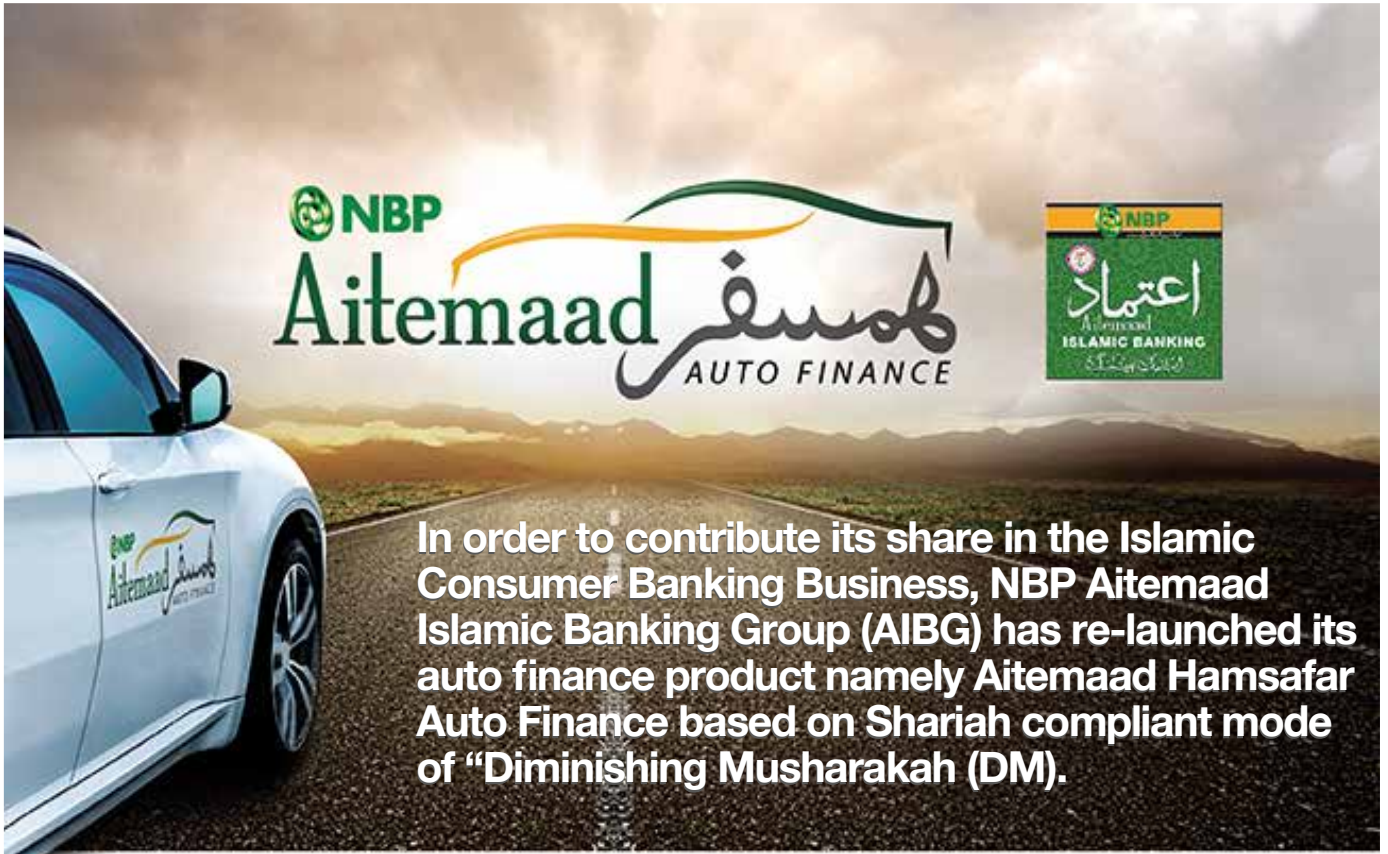
- Annual Financial Statements 2020 Approved by the BoD
February 24, 2021
- Analyst Briefing on Annual Financial Statements 2020
February 24, 2021
- Vaccination drives conducted at the Bank's Head Office
February 26, 2021
- 72nd Annual General Meeting
March 29, 2021
- 1st Quarterly Financial Statements Approved by the BoD
April 28, 2021
- Prime Minister Inaugurates NBP's Low Cost Housing Program
Mobile Unit, June 07, 2021
- 74th Independence Day Celebrated at the Bank's Head Office
August 14, 2021
- NBP Won 'Corporate Client Initiative of the Year'
August 20, 2021
- Half-Yearly Financial Statements Approved by the BoD
August 26, 2021
- NBP Won 'Best Trade Finance Bank in Pakistan'
September 03, 2021
- 3rd Quarterly Financial Statements Approved by the BoD
October 27, 2021
- Analyst Briefing on 3rd Quarterly Financial Statements
November 01, 2021
- NBP Won 'Award for the Best Bank for Agriculture in Pakistan'
November 10, 2021
- NBP approved by ICAP as Training Organization Outside
Practice December 17, 2021





Booster Shots FOR 30 PLUS





In order to contribute its share in the Islamic Consumer Banking Business, NBP Aitemaad Islamic Banking Group (AIBG) has re-launched its auto finance product namely Aitemaad Hamsafar Auto Finance based on Shariah compliant mode of “Diminishing Musharakah (DM).

IDG Shifts to National Inclusive Development Centre at FTC



Inauguration of newly renovated **KPT Branch**



TPL REIT Fund I receives its **first PKR 2 Billion** subscription from **National Bank of Pakistan**



NBP joins hands ICAP to offer training CA students



**NBP
CELEBRATES
AZAADI!**

14TH August is a good day to reflect on NBP's endeavors and role under this government. **For a nation to progress it must have a clear idea of its longer-term aspirations.**

Without this clarity it will neither be able to prepare a coherent Roadmap for action nor adopt and implement the policies that would lead towards the objectives.



Awards 2021

PM Acknowledges NBP's Efforts!



National Bank of Pakistan has disbursed highest number of loans to deserving candidates under Kamyab Jawan Scheme.

NBP's efforts were recognised during 2nd Convention of Kamyab Jawan at Convention Centre, Islamabad.

At this occasion, Prime Minister of Pakistan awarded the trophy to NBP President Mr. Arif Usmani.

Best Presented Corporate Report



National Bank of Pakistan has been awarded Certificate of Merit at the much anticipated "Best Corporate & Sustainability Report Awards 2020". The recognition was announced on August 27, 2021 jointly by the Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost and Management Accountants of Pakistan (ICMAP).

FCG strive towards quality reporting finally got recognition thus winning a place on the list of winners for the 1st time in 2020 for the Annual Accounts – 2019, and has maintained this status for 2021 for the Annual Accounts 2020 too!

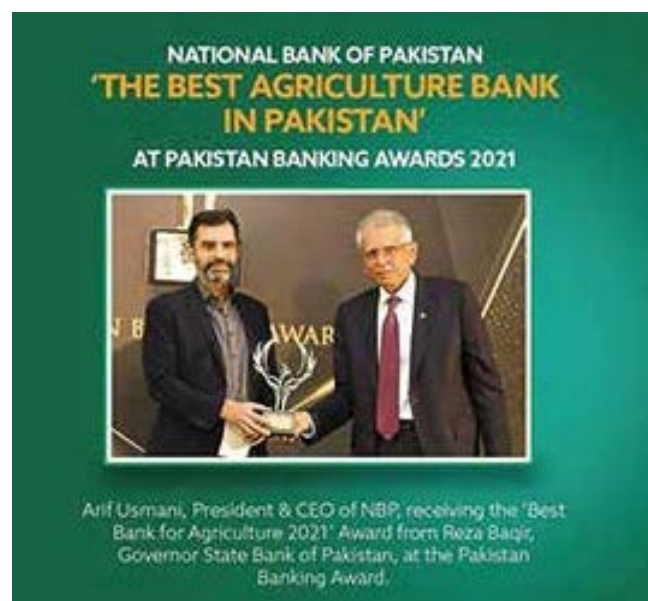
Best Partner Banks Award



National Bank of Pakistan won the Best Partner Banks Award in Pakistan on the 10th Anniversary of Industrial and Commercial Bank of China. NBP over the years has proved to be the best correspondent partner Bank of ICBC; both banks have been successfully collaborating with each other on different business avenues.

The Award was received by Amjad Imran Khan, SEVP/Group Chief, International Institutions & Remittances Group who has recently joined NBP.

Best Agriculture Bank Award



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. Zubyr Soomro, Chairman	Mr. Arif Usmani, President & CEO
Mr. Farid Malik, Director	Mr. Tawfiq A. Hussain, Director
Mr. Imam Bakhsh Baloch, Director	Ms. Sadaf Abid, Director
Mr. Asif Jooma, Director	Mr. Ahsan Ali Chughtai, Director

Board Committees

1. Board Audit Committee	5. Board Inclusive Development Committee
2. Board Risk & Compliance Committee	6. NY Governance Council (Sub-Committee of BRCC)
3. Board HR & Remuneration Committee	7. Board International Franchises & Remittance Committee (Dissolved on 24-02-2021).
4. Board Technology & Digitalization Committee	

Chief Financial Officer

Mr. Abdul Wahid Sethi

Company Secretary

Syed Muhammad Ali Zamin

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
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Registrar & Share Registration Office

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 2021

Yousuf Adil Chartered Accountants	A.F. Ferguson & Co Chartered Accountants
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Legal Advisors

Mandviwalla & Zafar Advocates & Legal Consultants
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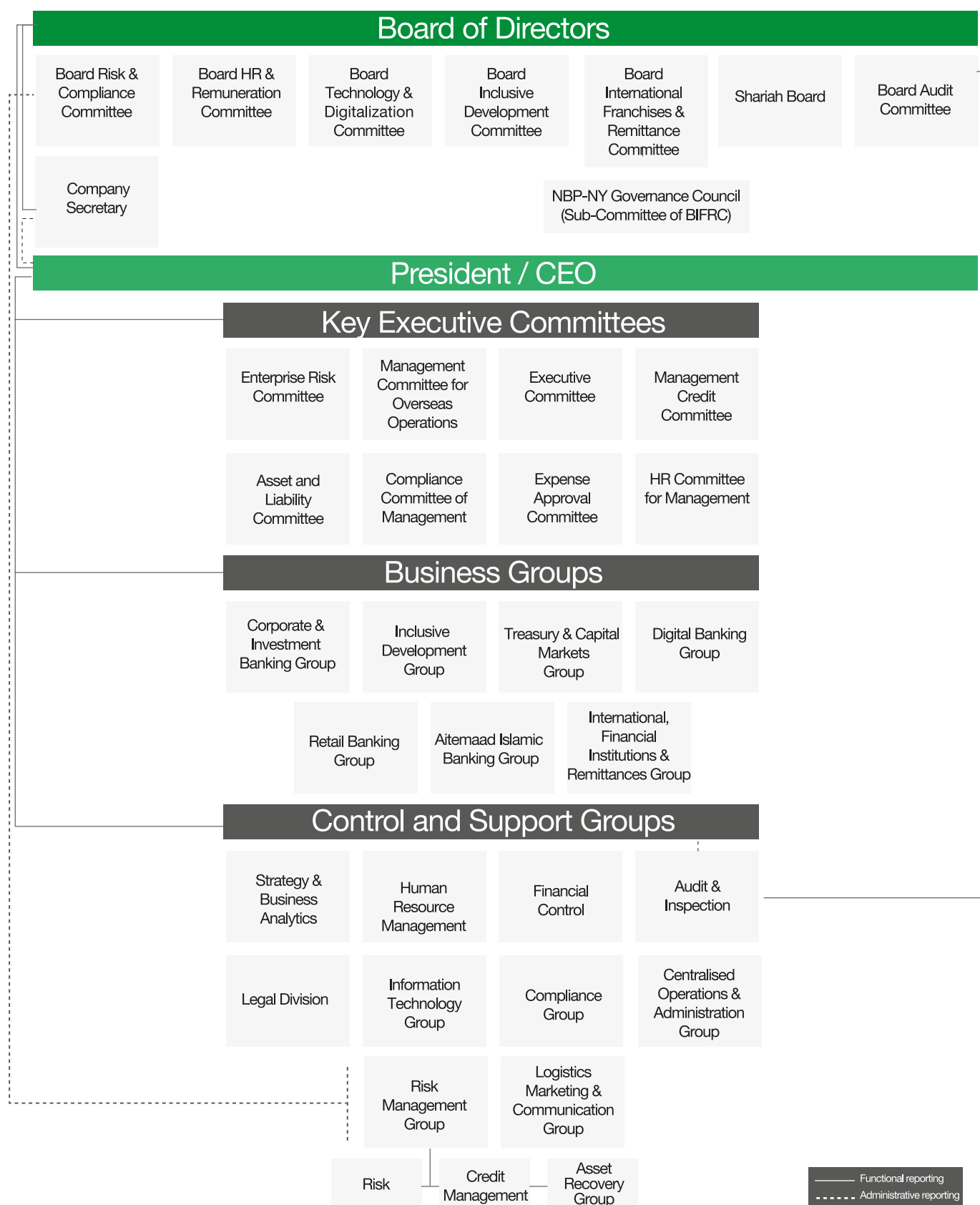
Website

www.nbp.com.pk

Stock Exchange Listing

Pakistan Stock Exchange Symbol "NBP"

Governance



Exploring new dimensions...
DRIVING GROWTH



2

Corporate Governance

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Board of Directors



Mr. Zubyr Soomro
Chairman

Mr. Zubyr Soomro has been a career international banker with 33 years at Citibank in senior assignments in the Middle East, Turkey, UK and Pakistan. In 1997, he was asked by the Government of Pakistan to take a leave of absence from Citibank and return to Pakistan to be Chairman and President of United Bank and restructure it for privatization. For his work @ UBL he was awarded the Quaid-e-Azam Centenary Gold Medal by the State Bank of Pakistan in 2004. This was also in recognition of his leading role in reforms in the banking sector as Chairman of the Pakistan Banks' Association. Thereafter, he was invited by the World Bank in Washington D.C., the IMF in Egypt and the IFC in Bangladesh to speak on the restructuring of public sector banks.

Over the last 20 years, Mr. Soomro, has also been actively involved in financial inclusion and poverty alleviation and was the Chairman of the Pakistan Microfinance Investment Company, the apex entity for the sector majority owned by UK and German Government related entities. He has served on the boards of Pakistan Poverty Alleviation Fund, LUMS, the National Education Management Foundation, LRBT, Aitchison College, Acumen Pakistan and the US based, Grameen Foundation and the Indus Valley School of Arts & Architecture.

He has twice served on the Government's Economic Advisory Council (1997 to 1999 and 2013 to 2018), been a member of the board of the State Bank of Pakistan, and on the policy board of the Securities & Exchange Commission of Pakistan, the board of the National Investment Trust, Chairman of the Board of the Karachi Stock Exchange, President of the Overseas Chamber of Commerce & Industry and President of the American Business Council.

Mr. Zubyr Soomro has a BSc Hons from the London School of Economics (LSE) and a Masters from the School of Oriental and African Studies (London University). He has also attended executive programs at the Harvard Business School and the Harvard Kennedy School in 2015, 2017 and 2020. In addition he received extensive formal training in key areas of commercial, investment and private banking within Pakistan and globally while at Citibank.

Currently, aside from his being Chairman of the Board of NBP, he is Chairman of United National Bank in the UK, and a board member of EFG Hermes, Cairo, which is a leading international financial services group involved in investment banking, brokerage, consumer financing and microfinance.



Mr. Arif Usmani
President & Chief Executive Officer

Mr. Arif Usmani was appointed President and Chief Executive Officer of National Bank of Pakistan for a term of three years on the 12th of February, 2019.

Mr. Usmani has over 40 years of experience across several geographies and markets in various banking disciplines. He started his career with Citi Pakistan in 1981 in the Corporate Banking Group and since then held a number of positions with the company. From 1989 to 1994, he was on deputation from Citi in Saudi Arabia and then relocated to the Asia Pacific region, where for five years he held a number of positions in Singapore and Hong Kong.

Later, he moved as CEO to Citi Slovakia and in 2001 moved to Citi Nigeria as CEO and Regional Head for Citi in West Africa. The latter role involved management of Citi's Franchises in Nigeria, Cote d'Ivoire, Cameroon, Gabon, the Republic of Congo as well as Senegal. In 2003, Mr. Usmani moved back to Saudi Arabia as the Chief Risk Officer of the Samba Financial Group and in 2008 was appointed, CEO of Citi's franchise in Pakistan.

In 2012, Mr. Usmani left Citi and was appointed as Group Head for Wholesale Banking at Abu Dhabi Islamic Bank in Abu Dhabi where he spent five years establishing the bank as a premier player in the corporate finance space. In 2017, he joined Mashreq Bank in Dubai as Chief Risk Officer which was his last assignment before moving back to Pakistan to join NBP.

Mr. Usmani holds a First Class BSc (Hons) degree from Imperial College, University of London and is also an Associate of the Royal College of Science (ARCS).

Board of Directors



Asif Jooma
Director

Mr Asif Jooma started his career in the corporate sector with ICI Pakistan Limited in 1983 and has over 35 years of extensive experience in senior commercial and leadership roles. Following his early years with ICI Pakistan Limited 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 ICI Pakistan Limited as Chief Executive in February 2013.

Mr Jooma has previously served as 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 Fertilisers Limited and Director and Member Executive Committee of the Board of Investment (BOI) – Government of Pakistan. Mr Jooma currently serves on the Board of NBP, Systems Limited, Pakistan Tobacco Company Limited and International Industries Limited.

Mr Jooma graduated cum laude from Boston University with a Bachelor of Arts in Development Economics. He has attended Executive Development Programmes at INSEAD and Harvard Business School.

He 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).



Mr. Tawfiq Asghar Hussain
Director

Mr. Tawfiq Asghar Hussain brings with him 45 years of diverse & rich international experience in Commercial & Central Banking. He started his career in 1976 with American Express Bank (AEB) in Pakistan and was appointed its General Manager, Philippines, in 1994. In late 1995, he became the first Pakistani Country Manager of AEB in Pakistan.

In September 2001, he was also the first person from private sector to be appointed Deputy Governor, State Bank of Pakistan, & served two terms in that position. During his tenure in SBP, he led its capacity building in critical areas like Risk Management, Banking Supervision, Reserve Management etc., and participated in the banking sector reforms, banks' privatization program & market liberalization. As a nominee of SBP, he concurrently served on the boards of Security & Exchange Commission of Pakistan and Pakistan Security Printing Corporation.

Mr. Tawfiq Hussain returned to the private sector in 2008 and was appointed President & CEO, Samba Bank Ltd., Pakistan. He stabilized it & turned it around into a liquid, strong & sustainably profitable bank, practicing highest standards of corporate governance & business ethics. Retired from the bank in September 2013.

Currently he is CEO of Pakistan Banks' Association (PBA). He has also served as the non-executive Chairman of Pakistan Institute of Corporate Governance, Director of Pakistan Stock Exchange & Chairman of its Regulatory Affairs Committee.

Mr. Hussain is MBA from Institute of Business Administration, Karachi.

Board of Directors



Mr. Farid Malik, CFA
Director

Mr. Farid Malik has over 25 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 also on the Board of Fauji Akbar Portia Marine Terminal Limited and has also served on the Board 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.



Ms. Sadaffe Abid
Director

Ms. Sadaffe Abid is a social entrepreneur bringing experience in start ups, women's empowerment, leadership development, digital and financial inclusion. She is the founder of CIRCLE Women Association, a leading non profit working on women's economic empowerment and inclusion through technology, digital literacy, leadership development and entrepreneurship. CIRCLE's flagship initiative, Tech Karo brings digital skills like coding to youth especially women from under served communities to bridge the digital gender divide and empower women through technology. Graduates of Tech Karo have joined the tech sector as software engineers or becoming part of the gig economy. The Digital Literacy Project designed under the pandemic with UN women support bring basic digital literacy, business and life skills to vulnerable women using smartphones. The goal is now to scale this innovation across the country.

With only 26% women in the formal economy, Ms. Sadaffe designed Elevate to mobilize CEOs, business leaders, startups, academia and key stakeholders to commit to gender diversity, build diverse and inclusive work cultures and invest in women and girls. She provides advisory services to grow Elevate to the region. Furthermore, she brought "She Loves Tech" the worlds largest women and start up competition to Pakistan in 2017 to showcase women tech start ups with the winner going to a global platform in Beijing. Ms. Sadaffe was a founding team member, COO and later CEO of Kashf Foundation, a Forbes 50 global micro finance organization that she helped grow to 300,000 women clients in Pakistan delivering a menu of financial products to under served communities. She has also worked as a consultant for World Bank, International Finance Corporation (IFC), Japanese International Corporation Agency (JICA) amongst others advising on leadership development, women's empowerment, digital and financial inclusion.

Ms. Sadaffe is INSEAD's Social Entrepreneur-in-Residence. She chairs the Inclusive Development committee of National Bank of Pakistan to promote agriculture, SMEs, women's empowerment and financial inclusion. She is also on the board of Pakistan Microfinance Network. She has been advisor to the global Dell Women Entrepreneurship Network (DWEN). She completed her Masters at the Harvard Kennedy School, Advanced Management Program at INSEAD and her B.A. at Mount Holyoke College. She received the Mount Holyoke Alumni Achievement award in recognition for her services.

Board of Directors



Mr. Imam Bakhsh Baloch
Director

Mr. Imam Bakhsh Baloch started his banking career in 1974 with United Bank Ltd., as Officer after graduation from University of Balochistan, Quetta. He served in UBL from April 20, 1974 to October 19, 1974. Then he joined National Bank of Pakistan on October 23, 1974. He served NBP for 40 years in various capacities and remained posted in USA for 10 years. He served in Senior Management positions for 24 years in NBP and received various awards during his service in NBP. His last posting was as SEVP / Group Chief, Audit and Inspection group in NBP Head Office. He served as Chairman Audit Committee, First Women Bank Ltd for 6 years. Mr. Imam was on the Board of Security Leasing Corporation Ltd. for a year and half. He also served as Caretaker Finance Minister Government of Balochistan from June 12, 2018 to August 18, 2018. In addition, he also served as member Board of Directors APNA Bank and Chairman of its Board Audit Committee from August 18, 2017 to June 17, 2019. Currently, he is serving as Member Selection Board, University of Turbat.

Mr. Imam has also obtained degree in Law from University Law College, Quetta in 1997. Passed Institute of Bankers of Pakistan Exam in 1988. He has qualified Professional Banking Examination of American Institute of Banker in 1985. Received various certificates in attending various courses in banking.



Mr. Ahsan Ali Chughtai
Director

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

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

Independent Director nominee on the Boards of Lahore Electric Supply Company Limited (LESCO) and Islamabad Electric Supply Company Limited (IESCO).

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

Dear Shareholders,

The tenure of your current Board, inclusive of the President and Chairman, is nearing its end. In this context it is important that I highlight that our focus has been on building a platform enabling accountability at all levels, and developing a corporate culture based on performance and merit that protects the bank going forward, and curtails misuse of the Bank's assets.

To this effect, substantial efforts were made in obtaining a repeal by the government of outdated and wrongly used Staff Service Rules of 1973. With strong support from the Ministry of Finance this repeal was approved by the Federal Cabinet in April 2021, and your Board then instituted fresh Rules to facilitate putting your institution at par with others in the banking system in attracting, rewarding, and retaining the talent necessary for the National Bank of Pakistan to compete.

To put in place a culture of performance management meant bringing in and supporting a senior team of experienced and courageous professionals. They were charged with strict implementation of the bell curve concept, the reintroduction of promotions, and taking steps to improve staff compensation. All this was to be done entirely on a merit basis. This team had to deal with and resist strong internal and external pressures and now to sustain our reforms, the government will need to protect staff against unwarranted and unjustified harassment by government institutions and officials.

The systems and controls in your Bank were also outdated and weak, and through both negligence and fraud, had resulted in significant losses across the branch network. Major operating accounts of the Bank itself, were unreconciled over many years and alerts raised had piled up similarly. Revamped leadership in both retail and operations has addressed these problems and also improved the quality and timeliness of our financial information. The aim now has to be on fully centralizing key areas like account opening and trade which will also help enhance customer service. These major efforts have benefitted from the close oversight of our Board Audit and Compliance Committees.

The continuing problem of software that was 13 upgrades behind and internally supported, had kept your Bank ill equipped against today's competition and risks. There had been an understandable reluctance in proceeding on substantial investments that would leave Bank officials vulnerable to later harassment. Your Board faced this issue head on and drew in qualified vendors who were engaged through structured arrangements with guidance from an active Board Technology Committee. Our Core Banking Application upgrade is now underway and should be completed by the end of next year and position the Bank well against its competitors in today's increasingly digital environment.



Our credit portfolio has had a poor history with uncontrolled exposures and excessive concentrations including to marginal names. The risk architecture of the Bank has thus been materially revamped and specific restrictions brought in to require the approvals of designated Senior Credit Officers alongside business heads so the quality of assets is reinforced through assessments by skilled and independent seniors. This should help going forward, but the Bank's record of weak private and public sector credits will take years to remedy. The Government itself should set an example by paying overdue interest on government guaranteed loans which presently amounts to about PKR 42 Bn. While our problem recognition and provisioning has been good, our efforts at attracting quality senior talent to manage the NPLs, has not been successful and needs to be given greater priority. No doubt experienced and qualified bankers have been hesitant to take on the responsibilities of dealing with substantial exposures involving both negligence and fraud but practical and workable solutions have to be found including breaking up the portfolio into smaller segments reflecting the nature of the credits.

It was recognized that the institution was not equipped to oversee and manage an international franchise spanning 18 countries where staffing appointments may not have been on merit, compliance related skills and standards inadequate and clear strategies lacking and credits unwisely extended. A pull back was initiated and the closure of ten franchises commenced in markets that had potential but our ability to manage them was in question. Historical weaknesses were, however, severe, and despite the Bank's investment in both talent as well as technology, the Bank was subjected to regulatory penalties for noncompliance relating to years before this Board and management took over. These have been duly provided for in the accounts and the Bank's above mentioned investments position it well to avoid non recurrence. The international franchise though, continues to need attention particularly in Bangladesh for recoveries, in Saudi Arabia to crystallise its strategic direction (branch growth vs its small equity in a Saudi bank) and in the other stay locations to establish streamlined businesses that avoid lending in distant markets and instead address the needs of our expat communities and country to country trade flows.

NBP's vision should be refocused to minimize lending to large corporates where the Bank only adds its balance sheet strength and usually at inadequate spreads. Let the private banks deal with those opportunities. Instead it's the credit deprived medium sized companies whose needs the Bank should address with products that are tailored to transactions and shorter tenor risks. This segment that makes up the country's manufacturing heartland has the potential for considerable growth especially in the supply chain sector but has lacked the credit to reach for it.

While doing that NBP should also focus on delivering better service and products to the current and ex government employees who have been our clients but not received the dedicated attention they should from our branch network. A consumer franchise built around this proposition leverages our niche and should help retain customers under threat from competitors.

Over and above this, it is the underserved segments of micro and small businesses, the needs of small farmers to increase productivity, and the massive housing shortages at the lower income levels that merit our engagement and commitment. In these sectors we need to do much more and our preoccupations with the demanding but problematic corporates has distracted us from our purpose. For our governments too, encouraging commercial banks towards the requirements of lower income groups is unlikely to be as successful as developing models to work through microfinance providers who know these types of clients well and who already deal with about 8 million borrowers as against the 2 million borrowers of the commercial banks. A wholesale leveraging of the microfinance network would deliver safer and more effective solutions in less time than the bigger banks would take to work through their bureaucracies and systems. Our Board Committee of Inclusive Development has worked hard in this direction but material progress commensurate to the opportunity at hand has eluded us.

Overall this year your Bank has performed well despite the substantial hits due to overseas regulatory penalties and provisions necessary for one large and earlier booked exposure. Our ability to look after our smaller shareholders has been restricted by the necessity of providing for the past but we are now getting out of that and the one large potential charge relating to our pensions case is the main one that remains but that should not prevent us from seeking to reward long standing small investors in our institution.

There is much to be proud of in our achievements of rebuilding this national institution and the incredibly hard work put in by the President deserves mention as does those in the front line of the change effort for their persistence, professionalism and courage. From our Board there has been great contribution through difficult Covid dominated times with enormous attention to detail in dealing with our many problems through committees and through Board meetings. Our thanks go out to our regulators, particularly at the State Bank, for their guidance, vigilance and accessibility at all times. From our primary shareholder, the Ministry of Finance, we received invaluable support in getting the 1973 Staff Service Rules repealed and this action facilitates the development of an accountable and performance driven corporate culture. At the same time though I must express disappointment in our portfolio issues relating to the PSEs where further support is needed. This will be critical to enable us to weather any storms relating to any adverse court decisions in other areas. The government's support in safeguarding our professionals from unwarranted harassment by other government institutions and individuals is also essential to protect the reforms we have been fortunate enough to bring about.

In closing let me thank all our stakeholders, including our staff who have lived through many changes albeit ones designed to strengthen the institution they support and serve. Our opportunities are considerable and to realise them we should proceed firmly and with resolve.

Zubyr Soomro

Chairman

March 08, 2022 , Karachi

CEO's Review

To our shareholders, regulators and clients,
To my colleagues,

I hope this finds you safe and well.

It is my pleasure to share with you the 2021 NBP Annual Report. I begin by thanking my 15,000+ colleagues for serving the Nation and delivering strong results in these challenging times. I also thank our Board of Directors for their leadership and guidance over this period.

Three years back, when I joined this Bank in Feb '2019, we embarked on a multi-year journey to become a 'better' bank. Over the years, lack of attention to identified structural and operational lapses, had weakened this franchise and resulted in both financial and reputational losses.

A Refreshed Purpose

As we started, we didn't want NBP to just be a larger version of other Pakistani commercial banks. Our raison d'être is to deliver and support the State's priorities around Pakistan's developmental goals and "To be the Nation's leading bank enabling sustainable growth and inclusive development".

Our first response to these challenges was to ensure that our organization was structurally balanced and aligned with its vision and goals were aligned with this vision. I believe, NBP has made steady progress despite difficult external and internal challenges towards fixing many of its chronic issues. Sustainable change is underway at the Bank following reforms put in place covering governance, accountability and culture. We are making progress by addressing root causes of the chronic problems that the Bank faces and by holding ourselves accountable by tracking our performance in areas where we need to improve.

Right Business Model

The heart of our operations is our domestic network of 1,500+ branches which have been revamped by strengthening our control and compliance environment, product innovation and increased use of technology. Within the corporate bank, we focus on large corporate and institutional customers to meet their evolving needs for bank debt, cash management, trade, investments and equity & debt capital markets. A strategic decision which has served us well was to carve out our relations with the Governments into a separate business line, instead of managing this within our retail banking activity previously. Our service quality, however, particularly in the personal customer segment, remains an issue requiring more attention.



Our Inclusive Development Group has also recorded satisfactory results with focus on priority sectors including Agri., SME, Women, CSR and G2P initiatives. Under the Government's Low Cost Housing initiative, NBP stands at No.1 in terms of number of loans disbursed to 1,000+ families.

This year, our Islamic Banking franchise, achieved PKR 100 Bn milestone of total assets (2020: PKR 89 Bn) while diversifying its product suite by introducing e.g. PayPak Debit Card, Hamsafar Auto Finance, SBP Micro Payment Gateway (Raast), etc.

In line with instructions from the Prime Minister's Office, we conducted regular Khuli-Kachehri (telephonic open dialogue sessions) every month wherein the general public can call in and discuss their issues regarding the Bank.

As the digital revolution continues to gather pace, NBP faces serious challenges as our competition across the board unleashes new digital offerings for clients. We have established a Digital Banking Group to prioritise our efforts focused on assisting the Government in managing their G2P and P2G transactions.

Governance, Control & Compliance

In parallel with business growth initiatives, we continued to progress with the remediation of legacy issues in the area of Risk, Asset Quality, Operational Effectiveness, International Franchise and HR. Despite our challenged starting point in 2019, we have made considerable progress on most of these issues via significant strengthening of key personnel in critical positions.

HR Governance

We continued to revamp our HR policies in line with global best practices. One example was the new Staff Service Rules-2021 which replaced the Staff Service Rules-1973. These new rules allow the Board and the management to issue fresh policies/rules to promote accountability and meritocracy in the Bank.

Another significant achievement made was in the matter of litigation in respect of disparity in remunerations paid to two different categories (MTO/NMTO) of employees. We have settled ~75% of ~4,400 cases by entering into out-of-court settlement agreements involving a financial outlay of around PKR 11.0 Bn. Another uphill task yet to be considered is merging the two classes of employees i.e. those appointed on three-year contracts (which usually gets rolled-over) and those who were hired decades ago. Resolving this is critical for the long-term sustainability of the Bank.

Audit, Risk & Compliance

In early 2020, following a major fraud event at two of the Bank's branches, we embarked on an enhanced control journey and strengthened the Bank's critical operational risk, compliance and audit efforts. A Centralised Operations Control Centre (COCC) was created at the Head Office where daily monitoring of key operational risks is now undertaken on a T+1 basis under an initiative which we call 'Project HOW' (Head Office Watch). Key activities of each branch are tracked and remediation of identified

gaps is immediate and prioritised on a risk differentiated basis by amount and severity. This is proving to be an effective tool for near real-time monitoring of branch-level activities for fraud prevention and detection of any SoP violations. Our audit function realigned the audit strategies and methodology in key risk areas to assist the Board Audit Committee in discharging its oversight responsibilities. An e-Audit software has been deployed to automate branch level audits in the challenging environment.

For better risk and capital management, we have redesigned our Risk & Credit governance construct and upgraded risk management frameworks, policies and procedures. A few include introduction of obligor concentration policies, industry specific and generic risk appetite frameworks, expected credit loss model under IFRS-9, stress testing for efficient capital management, value-at-risk models for market and internal vulnerability assessment tools, etc. We are continuously reviewing our portfolio, to identify accounts and industries susceptible to higher than usual risk.

Following an enquiry in the case of major loan default by an oil marketing company with NBP and several other private and public sector banks, the Federal Investigation Agency has registered a case incriminating, inter alia, several current and ex-employees of the Bank. While the matter is under investigation, we have further strengthened our credit policies including risk concentration guidelines and credit administration guidelines for post disbursement monitoring. As also discussed in the Directors' Report, NBP, in consultation with its regulator (SBP) continues to support the investigation to its rightful conclusion.

Compliance & Risk Management at New York Branch / International Franchise

Consequent to deficiencies reported by our US regulators over last several years in their annual supervisory examination of our New York branch, on February 24, 2022, the Bank agreed to consent orders with the Federal Reserve Board, the Federal Reserve Bank of New York (FRBNY), and the New York State Department of Financial Services (NYDFS), the US regulators of NBP's New York branch. The agreements include civil penalty totalling USD 55.4 Mn (PKR 9.8 Bn) focused on historical weaknesses in the compliance program. This matter has also been covered in the Directors' Report to the shareholders. There were no findings of improper transactions or wilful misconduct. Going forward, the Bank and the New York branch remain fully committed to satisfying the regulators' expectations.

Overall, given the sub-optimal performance of many of our overseas operations, we have prudently consolidated and scaled back our international footprint. We are pursuing a strategy of selective growth with focus on trade, remittances and FIs business. We have also rejuvenated our recovery efforts on the overseas NPL portfolio.

Data & Technology

One major challenge facing this institution was to upgrade the Bank's technology / core banking system. On October 30th,

2021, a cyberattack was detected on the Bank's servers which impacted some of its services. Immediate steps were taken to isolate the affected systems from the core servers. While continuity of business operations was ensured with minimal possible disruption, no direct data breach or financial loss was detected. The Board has also recently approved the upgradation of the Core Banking Application. This will enable the Bank to better serve its customers, introduce additional products especially in the digital space and above all significantly enhance its operational controls.

Strategy Translating into Impressive Numbers

Our financial results validate that our strategy is working well despite the general stress the economy experienced over the last two years. We have delivered strong performance in 2021, with the highest ever PBT amounting to PKR 52.9 Bn showing a capacity for sustainable capital generation. Our operating income remained under pressure on multiple grounds including the costs of addressing the pandemic, the loan loss provisions taken to strengthen our balance sheet, subdued quality loan growth and policy responses that led to much lower interest rate during most of the year.

Profitability

Through our three years' journey since 2019, the strong and impressive financial results, as discussed in detail elsewhere in this report, and summarized below, indicate our success. With Net Interest Income of PKR 97.6 Bn and Non-Fund Income of PKR 36.9 Bn, total revenue for the year 2021 closed at PKR 134.6 Bn. Despite high inflationary pressures, total administrative expenses for the year 2021 amounted to PKR 60.0 Bn, and provision charge stood at PKR 11.9 Bn. Despite the PKR 9.8 Bn of civil penalty in the US operations, profit before tax amounted to PKR 52.9 Bn which is 14.4% higher as compared to PKR 46.2 Bn in 2020 and is also the highest ever in the history of the Bank. Net of taxes, profit after tax stood at PKR 28.0 Bn i.e. 8.3% down YoY. With PKR 74.4 Bn in after-tax profits in the last three years, shareholders' net assets increased by 38.3% from PKR 206.9 Bn at the beginning of 2019 to PKR 286.2 Bn at the end of 2021.

Moreover, after identifying and dimensioning the asset quality issues, we created provisions of PKR 48.8 Bn over the last three years. Thus, cumulatively, our balance sheet stands strengthened by PKR 119.3 Bn since the beginning of 2019. These results have been delivered despite multiple challenges and headwinds amidst the Covid-19 pandemic and a significant drag due to non-payment of mark-up in certain legacy public-sector non-performing loans and the Covid-19 related flexibility and repayment relief provided to customers in need. Despite the higher inflationary trends, induction of additional talent, promotion of around 1,700 employees and significant pay increases, our effective cost controls have brought the cost-to-income ratio (excluding the impact of civil penalty of PKR 9.8 Bn) down by 13.1 percentage points from 57.7% in 2018 to 44.6% in 2021.

Balance Sheet

Over the last three years, we took decisive actions to strengthen our capital position, in recognition of the external economic challenges and the significant HR related contingencies pending at the courts. Endorsed by our regulator and many shareholders, our actions have enabled the Bank to manage through the economic headwinds and produce long term sustainable results for its stakeholders. In challenging times, a strong balance sheet is critical. Our efficient strategies have translated into an 11.2% compounded average balance sheet growth as it reached PKR 3.85 Trillion compared to PKR 2.80 Trillion at the start of 2019. We achieved the PKR 3 Trillion milestone in deposits which increased by PKR 600 Bn, of which 80% or PKR 477.4 Bn were customer deposits. As we pursued a prudent and selective loan growth strategy, net advances and total RWA's recorded a moderate growth of 13.2% and 12.5%, respectively.

Funding & Liquidity

Throughout the year, the Bank maintained optimum levels of funding and liquidity through a sufficiently diversified (by type and maturity) funding portfolio. The Bank's liquidity coverage ratio stood at 164% (2020:180%), and the Net Stable Funding Ratio stood at 278% (2020:256%) well above the statutory minimum of 100%.

Capital

Our CET-1 ratio and Total CAR as at December 31, 2021 stood at 15.4% and 20.4%, respectively. These ratios are well above regulatory minimums, and demonstrate a strong buffer. The stronger balance sheet and capital position mean the Bank can make choices about our future from a position of strength and stability. The AAA credit rating and Stable outlook assigned to NBP reflects its conservative capital structure and a strong balance sheet.

The Future

Overall, as I complete my three years tenure, I would like to thank my colleagues, customers, the NBP Board, SBP and other stakeholders, for having given me the opportunity to serve this great institution. My stint here was a small step in the on-going journey of NBP as it continues to transform itself into a modern and efficient company well equipped to deliver against its Vision. If one element would characterise our success it would be that our customers 'want' to deal with us rather than to 'have' to deal with us!

I firmly believe that strong executive commitment to our refreshed Vision is what will continue to create value and deliver reliable returns for all our stakeholders, In Sha Allah.

Arif Usmani
President/CEO

March 08, 2022
 Karachi

Directors' Report to the Shareholders

Standalone Financial Statements

Dear Shareholders,

On behalf of the Board of Directors "the Board", we have pleasure in presenting to you the Annual Report of the National Bank of Pakistan "NBP" "the Bank" together with the audited financial statements for the year ended December 31, 2021 and the independent Auditors' Report thereon. These financial statements of the Bank fairly present its state of affairs, the result of its operations, cash flows and changes in equity.

Macroeconomic Environment

The V-shaped recovery initially observed in 2021, enters 2022 in a weaker position as the Global growth is now expected to moderate from 5.9% in FY21 to 4.4% in FY22. Driven by accommodative monetary and fiscal policies, the Pakistani economy recorded robust growth in 2021 which has been revised upwards to 5.37% from earlier 3.9% (due to change of base year for GDP at constant basic prices from 2005-06 to 2015-16), while the size of the economy is reported up at \$346.8 Bn from the provisional estimate of USD 296 Bn.

During 1H'22, macro indicators maintained momentum growth in Jul-Dec. LSM growth, which was 14.9% in FY'21 (-10.2% during FY'20), posted 3.3% growth during Jul-Nov FY'22. As agriculture credit disbursement recorded a 3.9% increase and reached PKR 641 Bn (PKR 617 Bn SPLY), output situation is expected to remain smooth. Fiscal deficit during Jul-Nov FY'22 stood at PKR 951 Bn i.e. 15.7% up against PKR 822 Bn in SPLY. In terms of GDP, it has been contained at 1.5% i.e. similar to that of SPLY. Whereas, the primary balance posted a deficit of PKR 36 Bn (0.15% of GDP) during Jul-Nov FY'22 against the surplus of PKR 216 Bn (0.45% of GDP) last year. The Ministry of Finance has reported a 35% growth in tax collections during Jul-Dec FY'22, leading to a net 7% increase in federal revenues to PKR 1,482 Bn against PKR 1,391 Bn of SPLY. On the other hand, total expenditures increased by 21% mainly due to sharp rise in subsidies and grants.

As worker's remittances continued their unprecedented streak of above USD 2.0 Bn for the 19th consecutive month in December 2021, Pakistan ended CY'21 with a strong 19.3% YoY growth in remittance to achieve \$31 Bn compared to USD 25.96 Bn in CY'20. A healthy trend is also observed in DFI as the same increased by 20.1% during Jul-Dec FY'22 and reached \$1,056.6 Mn (\$879.7 Mn last year). Amid inflows into the Roshan Digital Accounts (which have crossed \$2 Bn in the one year since launch), Pakistan's total liquid FX reserves stood at \$22.1 Bn at end Jan'21 and are expected to strengthen as talks between the IMF and the Pakistan government on the review of the \$6 Bn Extended Fund Facility are believed to be progressing in the right direction. During this period, while exports (mainly driven by

textiles) grew by 24.9% to \$15.1 Bn, total imports in Jul-Dec FY'22 increased to \$40.6 Bn, posting almost 70% growth.

However, this economic pick-up has triggered micro imbalances as the current account deficit widened to \$9.0 Bn (5.7% of GDP) during Jul-Dec FY'22. Also, average headline inflation during Jul-Dec FY'22 was 9.8% (8.6% during SPLY), somewhat higher than the SBP's initially projected range of 7.0% - 9.0% for FY'22. SBP has recently revised expected inflation to linger in the near-term at 9%-11% in FY'22 and to ease to 5%-7% in FY'23.

Faced with serious choices in balancing the short-term needs of fighting the pandemic and the long-term challenges to maintain sustainable growth, SBP has taken measures to lower the inflation and correct the macro imbalances. These measures include a cumulative 275bps increase (from 7% kept since Jun'20) in the policy rate since Sep'21, higher bank cash reserve requirements, regulatory tightening of consumer finance, and curtailment of non-essential imports. Subsequent to these measures, the current account deficit appears to have stopped growing since Nov'21 and the non-oil current account balance is expected to achieve a small surplus for FY'22. Finally, and importantly, the enactment of the recent Finance (Supplementary) Act, 2022 represents significant additional fiscal consolidation compared to the budget and has lowered the outlook for inflation elevated over the next few months, close to the upper end of the average inflation forecast of 9%-11% in FY'22.

Pakistan stock market witnessed a challenging year in 2021 underperforming to regional markets as well as asset classes amid concerns on external accounts, currency depreciation, geopolitical uncertainty, delay in IMF program, and MSCI's announcement of Pakistan's reclassification to Frontier Markets – which further spurred foreign selling. Share prices of the top 100 companies listed at the PSX improved by a net 2% during 2021, pushing the benchmark KSE-100 index to 44,596 points at the close of trading on the last day of the CY'21.

Banking industry reported healthy profits made not only on investment in government debt securities but also on private sector credit as net lending to the private sector got a boost on the back of extraordinary monetary easing and fiscal stimulus package of the government. During the first half of FY22, private sector credit cumulatively grew by 13.4%, largely driven by increased demand for working capital loans especially by rice, textile, petroleum and steel industries.

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 banking services, currency exchange, modarba, fund management and securities brokerage services.

The Board, Board Committees and Board Meetings

The Board continues to have oversight of management's ongoing efforts to improve outcomes for customers and colleagues and get the basics right, including a strong focus on the remediation work required in financial crime risk management. It is the responsibility of the Board to ensure that adequate 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. BRCC and the executive management along with its relevant committees i.e. Management Credit Committee, Enterprise Risk Committee, ALCO, etc. are responsible to ensure implementation of the risk management framework. A Statement in compliance with the Listed Companies (Code of Corporate Governance) Regulations has been made separately.

Explanation in regard to Emphasis of Matter Para in the Auditors' Report

The external Auditors have included Emphasis of Matter by drawing attention to Note 25.3.3.1 to the financial statements which explains the contingency in relation to litigation by retired employees of the Bank for pension benefits. Based on the advice of the legal counsels, the Bank has reasonably strong legal grounds to convince the Honourable Supreme Court 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, 2021.

Material changes subsequent to the Balance Sheet Date


In February, 2022, the Bank and its New York Branch agreed to a consent order with the Federal Reserve Bank of New York and the New York State Department of Financial Services. These agreements include civil penalty totalling USD 55.4 Mn (PKR 9.8 Bn) which have been recognised into the Financial Statements for the year ended December 31, 2021.

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

Financial Performance - 2021

Despite the continued challenging environment, the Bank has delivered strong financial results for the year ended December 31, 2021. This demonstrates resilience of the Bank's business model and the efforts of its staff during this period. For the year under review, NBP has recorded after-tax profit of PKR 28.0 bn.

KPI (PKR 'Bn)	2021	2020	Better / (Worse)	
NII	97.62	104.16	(6.5)	(6.3%)
NFI	36.94	36.08	0.86	2.4%
Total Income	134.56	140.23	(5.67)	(4.0%)
Operating & Oth. Expenses	60.00	63.11	3.11	4.9%
Profit Before Provisions	74.56	77.12	(2.57)	(3.3%)
Provisions and write offs – net	11.92	30.90	18.98	61.4%
Extraordinary Item	9.78	-	(9.78)	(100%)
Profit Before Tax	52.86	46.22	6.64	14.4%
Profit After Tax	28.01	30.56	(2.55)	(8.3%)
Earnings Per Share (Rs.)	13.16	14.36	(1.20)	(8.3%)



NATIONAL BANK OF PAKISTAN
IS ENABLING WOMEN ENTREPRENEURS IN FULFILLING THEIR DREAMS THROUGH THE KARMYAB JAWAN SCHEME

More than **1,000** female customers have built their businesses using the services of National Bank under the Karmyab Jawan scheme.

National Bank of Pakistan is the first and only bank to achieve this milestone.

NBP is honored to lead the way in promoting SGP's "Banking on Equality" policy to promote access to financial inclusion in Pakistan.



Karmyab Jawan
مہمہ

The Bank recorded profit before tax amounting to PKR 52.9 Bn i.e. the highest ever in history of the Bank. Whereas, due to a significant impact of extraordinary item amounting to PKR 9.8 Bn, the after-tax profit closed at PKR 28.0 Bn which is 8.3% down YoY. For the year 2021, gross mark-up-/interest income closed 10.1% lower YoY at PKR 231.9 Bn (2020:PKR 257.8 bn); whereas the interest/mark-up expense amounted to PKR 134.3 bn, of which PKR 87.8 bn or 65.4% was paid to the depositors. Consequently, net interest/mark-up income "NII" closed at PKR 97.62 bn which is 6.3% lower, 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 36.9 bn (2020:PKR 36.1 bn). Accordingly, total revenue of the Bank closed 4.0% down YoY at PKR 134.6 bn (2020:PKR 140.2 bn).

Operating & other expenses dropped by 4.9% down YoY to close at PKR 60.0 bn as against PKR 63.11 bn of prior year. This translates into a cost-to-income ratio improving 40bps YoY, from 45.0% in 2020 to 44.6% in 2021. Consequently, profit before provision stood at PKR 74.6 bn, marginally 3.3% lower than PKR 77.1 bn of 2020. However, this drop in revenue was off-set by a favourable variance in provision charge that dropped 61.4% to PKR 11.9 bn as compared to PKR 30.9 bn in the prior year. This year, NPLs recorded an increase of 15.6% or PKR 26.6 bn, totalling to PKR 197.9 bn (2020:PKR 171.3 bn). This was mainly triggered by an industry wide default by a major oil marketing company.

Consequently, profit before tax closed 14.4% higher YoY at PKR 52.9 bn (2020: PKR 46.2 bn). As PKR 9.8 of civil penalty is imposed in US operations, profit after tax closed at PKR 28.0 bn which is 8.3% lower than PKR 30.6 bn of previous year. Pertinent to mention, the Bank's income is also subject to a PKR 4.0 bn drag on account of certain legacy public-sector non-performing loans as well as the impact of additional tax due to lower Advance to deposit ratio. The Federal Government, in the Federal Budget-2022, has imposed a 2.5% additional tax on banks if their Advances to Deposit Ratio falls below 50%; and 5% if the ADR goes below 40%. While the banking industry is already subject to a super tax charge of 4%, this additional tax has adversely affected the after-tax profitability of the banks.

The Bank's end of year total assets closed at PKR 3,846.7 bn which is a massive 27.9% increase from PKR 3,008.5 bn at end of 2020. This was mainly driven by a growth of PKR 600.2 bn in the deposits and a growth of PKR 174.4 bn in the borrowings. Capital & reserve closed at PKR 286.2 bn i.e. PKR 18.6 Bn or 7.0% up from PKR 267.6 billion on December 31, 2020.

The Bank's financial soundness also improved significantly during the year 2021. While Common Equity Tier 1 (CET1) Capital ratio improved to 15.42% (2020:14.99%), the Total Capital Ratio also improved at 20.39% (2020:19.78%). Similarly, the Bank's Leverage ratio was 3.47% at the end of 2021(2020:4.06%).

The Bank's liquidity coverage and net stable funding ratios improved to 164% (2020:180%) and 278% (2020:256%), respectively against regulatory requirements of 100%. On a positive note, the Bank maintained its

CASA ratio at 83%. Detailed coverage of the financial performance and other organizational development is also given elsewhere in this Annual Report.

Appropriation of Profit

Profit for the year ended December 31, 2021 after carry forward of accumulated profit of 2020 is proposed to be appropriated as follows:

	(PKR 'Mn)
Profit after tax for the year ended December 31, 2021	28,008.0
Un-appropriated profit brought forward	116,021.3
Other comprehensive income - net of tax	(1,362.8)
Transfer from surplus on revaluation of fixed assets	208.1
	114,866.6
Profit available for appropriations	142,874.6
Appropriation:	
Transfer to Statutory Reserve @10% of PAT	(2,800.8)
Un-appropriated profit carried forward	140,073.8

Principal Risks & Uncertainties Facing the Bank

By the very nature of its business model, the Bank is exposed to certain principal risks being (i) Credit Risk; (ii) Treasury & Capital Risk; (iii) Market Risk; (iv) Operational Risk, and (v) Information Security Risk.

The Bank has established a robust framework to effectively manage these risks and keep the Bank resilient & sustainable. As part of its oversight, the Board ensures that adequate policies and frameworks are in place to recognize all significant/material risks to which the Bank is or may be exposed to and that the required resources i.e. human capital, culture, practices, and systems are adequate enough to mitigate and address such risks. The Board and its relevant committee i.e. Board Risk & Compliance Committee and the senior management along with its committees i.e. Enterprise Risk Management Committee, Assets & Liability Committee, etc. are responsible to ensure formulation and implementation of a comprehensive risk management framework.

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 cyber-security risks. A detailed indication of the principal risks and uncertainties as well as the future prospects is discussed in the financial statements.

Governance, Internal Controls and Compliance

Progressing with the Board's HR strategy, the Bank has continued to induct talent at senior levels. Also, the outdated Staff Service Rules that enabled staff to file frivolous suits directly at the High Court levels, have been repealed by the Staff Service Rules-2021 pursuant to the approval of the Federal Cabinet in April, 2021. This will also set the foundation for promoting a culture of accountability & meritocracy in the Bank. This Board acknowledges & appreciates the support of the 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 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 AML/KYC, data accuracy & authenticity and generating quality MIS for efficient decision making.

To promote a culture of effective control & compliance, the Board has remained frequently involved in addressing the issues related to accountability and meritocracy. As stated in our prior year's report, priority focus is being accorded to the major task of upgrading the Core Banking Application. Necessary in-principle approvals have been granted by the Board and the management will be moving soon to implement the project.

Compliance & Risk Matters in the New York Branch

The Bank remains committed to ensure compliance with all the applicable laws, rules, regulations, and codes in the spirit of good governance. To

this end, the Board has given strategic directions to invest, throughout the Bank's operations, in new technological platforms for effective AML/CFT/CPF controls, data accuracy and authenticity, internal controls over the financial reporting, etc. Our Branch in New York, which is licensed by the New York State Department of Financial Services, and is subject to oversight and supervision by the Federal Reserve Bank of New York, as in the case of all foreign banks. Initially, the 2014 examination uncovered certain compliance & risk management deficiencies in the NY Branch. In 2016 the Bank and the Branch entered into a Written Agreement with FRBNY to acknowledge and remediate identified deficiencies relating to Anti-Money Laundering and the US Bank Secrecy Act requirements, as well as implementation of requisite systems, enhancement of controls and allocation of adequate resources to ensure full compliance with such requirements.

As these issues persisted, we took serious steps in February 2020, by hiring entire new leadership including the Branch manager and the senior compliance officer, and tripled the number of compliance staff, increasing from 7 in May'20 to 24 in Nov'21. We also implemented new policies and procedures, began enhancing the compliance, internal audit, and managerial oversight functions to close open issues from the Written Agreement and past examinations. We also hired outside counsel to help guide the Bank in remediating past problems. These enhancements were completed recently and validated by an independent third party.

In 2020, while U.S. regulators recognized many positive changes resulting from new management, it however concluded that the Bank had yet to fully address prior examination findings and the BSA/AML provisions of the Written Agreement. Consequently, in February 2022, the Bank agreed to consent orders with The Federal Reserve Bank of New York, and the New York State Department of Financial Services, the US regulators of NBP's New York branch. The agreements include civil penalty totalling USD 55.4 Mn (PKR 9.8 Bn) focused on historical weaknesses in the compliance program as discussed above. There were



no findings of improper transactions or wilful misconduct. Going forward, the Bank and the New York branch remain fully committed to satisfying the regulators' expectations.

Ongoing Investigation by the FIA

The FIA is conducting an investigation in the matter of M/s Hascol Petroleum's banking arrangements with the NBP as well as several private and other public sector banks. NBP has been and continues to cooperate fully with the FIA on this investigation and has made available all relevant records and transactional history, including arranging meetings with its employees who have managed Hascol's relationship with the Bank.

NBP's own stance on this matter has been documented in a submission made to the State Bank of Pakistan and also subsequently to the FIA. The fundamental challenges identified by NBP stemmed from a material negative re-statement of the company's financial records with acknowledgement of fraud by Hascol management at that time. At NBP, credit decisions were based on a set of published audited financial statements of Hascol, and were made as per the policies of the Bank and SBP regulations then in vogue. As the fraud unfolded, two of the company's auditors resigned, citing financial irregularities within Hascol. However, it is pertinent to mention that Hascol has acknowledged its indebtedness to NBP for the entire outstanding loans of PKR 18.80 Bn and the same are reflected in the books of accounts of the Bank. NBP, in consultation with its primary regulator i.e. State Bank of Pakistan, continues to support the FIA investigation to its rightful conclusion of the investigation.

IT Network & System Security

On October 29th, 2021, a cyberattack was detected on the Bank's servers which impacted some of its services. While continuity of business operations was ensured with minimal possible disruption, the Bank decided to shut down IT Network to avoid damage to systems. 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 are underway. The cyber-incident impacted the Bank's Microsoft Virtualization Platform only, whereas no financial loss or data loss was identified on the Core Banking front. To-date, the systems are up and running and the Bank has normalized operations.

Moreover, as a major technology initiative, the Board has also recently approved the upgradation of the Bank's Core Banking Application. This will enable the Bank to better serve its customers, introduce additional products especially in the digital space and above all significantly enhance its operational controls.

Progress on Closure of Foreign Subsidiaries/Branches

In line with our revised strategy on international franchises, the Board has

approved closure 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) so their carrying amount will be recovered principally through continuing use. Necessary approvals in this regard have been sought from the Ministry of Finance and the State Bank of Pakistan. Further, it has been decided to restrict the country operations in Afghanistan and Bangladesh only to one branch in each country located in Kabul and Dhaka respectively.

As of December 31, 2021, Bank has closed down its operations in Tashkent (Uzbekistan), Jalalabad (Afghanistan) and Sylhet (Bangladesh).

NBP Premium Aamdani

**APNAY
BARHTAY
KHARCHON
KAI LIAY
MAHANA
AAMDANI
BARHAIYE**

Salient Features:

- Earn up to 7.50% p.a.*
- Profit paid on monthly basis
- Running finance facility up to 90%
- Minimum deposit of Rs. 20,000/- with maximum investment of Rs. 10 million for 5 years
- Free NBP Cash Card, cheque book, Demand Draft & Pay Order
- Free SMS alerts

The licenses of Ashgabat (Turkmenistan), Dushanbe (Tajikistan) and Almaty (Kazakhstan) have been cancelled and these locations are under closure process. Further, as of January 17, 2022, the BoD has approved the closure of its operation of Paris branch.

Contingency Regarding the Pension Case

Status of the case is the same as disclosed in Note 25.3.3.1 to the Annual Financial Statements for the year ended December 31, 2020. The Bank estimates overall increase in pension liability, based on the independent

actuarial firm report, amounted to PKR 74.4Bn, excluding any penal interest / profit payment (if any) due to delayed payment. Further, the potential pension expense for the year 2021 onward will also increase by PKR 8.4 Bn due to this 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.

Changes in the Board of Directors

In exercise of powers conferred under Section 11(3) (a) of the Banks (Nationalization) Act, 1947, the Federal Government appointed Mr. Ahsan Ali Chughtai as an Independent Director on the Board of National Bank of Pakistan. Whereas, Mr. Muhammad Suhail Rajput resigned from the NBP Board. Further details are given in the Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulation, 2019

Credit Ratings

NBP is rated as 'AAA' by both the recognised credit rating agencies in Pakistan. In June 2021, 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).

Our Response to Covid-19

Covid-19 continues to pose health and financial risks to the Bank, its employees and its customers, with varied impacts across industries, communities and states. NBP has remained open for business, and continues to work alongside governments, regulators and the broader industry to support customers and the community. During these challenging times, the Board stood with the Management in framing responses to emerging risks related to e.g. (i) Employee Health & Safety; (ii) Customer Relief; (iii) Operational Resilience; (iv) Financial Soundness of the Bank; and (v) effective AML/CFT/KYC monitoring, etc. In these challenging times, your Board and the Management are actively monitoring the situation and adapting responses required to build resilience of the Bank, while creating opportunities for the Bank's customers and the communities it serves.

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 are putting in place appropriate mechanisms to identify, assess and mitigate environmental risks.

Appointment of Auditors

The existing auditors of the Bank M/s Yousuf Adil Chartered Accountants and M/s A. F. Ferguson & Co. Chartered Accountants will be retiring on 73rd AGM. The Board is pleased to endorse the recommendation of the Board Audit Committee for re-appointment of M/s Yousuf Adil Chartered

Accountants and M/s A. F. Ferguson & Co. Chartered Accountants both having offered and eligible for the same, as external auditors of the Bank for the year ending December 31, 2022 on such remuneration as approved by the shareholders in the 73rd Annual General Meeting to be held on March 30, 2022.

Endorsement

The Board of Directors is pleased to endorse following statements included in this Annual Report:

- Statement of Internal Controls
- Pattern of holding of the Shareholding
- Corporate Sustainability initiatives as disclosed separately in the Annual Report

Future Outlook

The continued rollout of the Covid-19 vaccination program, structural reforms, and the expansion of social protection programs are all key to ensuring inclusive and sustainable growth towards achieving the forecast growth of ~5%. Fiscal incentives and policies to boost export competitiveness, bolster the performance of the manufacturing sector and augment private investment will continue to play an instrumental role in strengthening the economic outlook. However, some volatility may be expected amidst the recent geo-political changes in the region. While policy responses are expected to remain accommodative and soften the blow dealt to businesses by the pandemic outbreak, these may not fully offset the effects.

Your Bank will continue to play its National role towards supporting a robust economic recovery in the country, while also maintaining a strong & resilient balance sheet to deliver performance for its shareholders. The Bank's business strategy will remain focused on financing and supporting underserved sectors including SME, Microfinance, Agriculture Finance and the PM's Low-Cost Housing initiative as well as Islamic financing on a priority basis.

Acknowledgement & Appreciation

We appreciate the continued efforts & dedication of our employees towards ensuring continuity of uninterrupted service to the Nation amidst the pandemic. We pay special respect and tribute to all those NBP staff members who lost their lives in the line of duty during the Covid-19. May Allah grant them the highest place in Jannah.

We would like to acknowledge the Government of Pakistan, the State Bank of Pakistan, the SECP and other regulatory bodies for their continued support in enabling the Bank to achieve its true potential and contribute towards the socio-economic development of Pakistan.

We would also like to thank our present teammates and the retiring teammate, Mr. Muhammad Suhail Rajput for his contributions on the Board towards making the Bank resilient and capable of creating inclusive growth opportunities for the Nation.

For and on behalf of the Board of Directors

Arif Usmani
President & CEO
Karachi
March 08, 2022

Zubyr Soomro
Chairman

پیش کرتے ہیں جنہوں نے کووڈ-19 کے دوران ڈیوٹی کے دوران اپنی جانیں گنوائیں۔ اللہ ان کو جنت میں اعلیٰ مقام عطا فرمائے۔
ہم حکومت پاکستان، اسٹیٹ بینک آف پاکستان، ایس ای سی پی اور دیگر ریگولیٹری اداروں کی جانب سے بینک کو اپنی حقیقی صلاحیتوں کو حاصل کرنے اور پاکستان کی سماجی و اقتصادی ترقی میں اپنا کردار ادا کرنے کے قابل بنانے میں مسلسل تعاون کا اعتراف کرنا چاہیں گے۔

ہم اپنے موجودہ ساتھیوں اور ریٹائر ہونے والے، ٹیم کے ساتھی، جناب محمد سہیل راجپوت کا بھی شکریہ ادا کرنا چاہیں گے کہ انہوں نے بینک کو پگھلا کر اور قوم کے لیے جامع ترقی کے مواقع پیدا کرنے کے قابل بنانے کے لیے بورڈ میں شرکت کی۔ ہم جناب احسن علی چغتائی کو بورڈ میں خوش آمدید کہتے ہیں۔

بورڈ آف ڈائریکٹرز کے لیے اور اس کی جانب سے

زبیر سومرو

چیئر مین

عارف عثمانی

صدر اور سی ای او

کراچی

تاریخ: 08 مارچ 2022

کریڈٹ ریٹنگ

پاکستان میں دونوں تسلیم شدہ کریڈٹ ریٹنگ ایجنسیوں کے ذریعہ بنک کو 'AAA' کا درجہ دیا گیا ہے۔ جون 2021 میں، M/s VIS کریڈٹ ریٹنگ کمپنی نے بینک کی اسٹیٹڈ لون کریڈٹ ریٹنگ "AAA" کی دوبارہ توثیق کی ہے، جو پاکستان میں کسی بینک کے لیے کمپنی کی طرف سے دی جانے والی سب سے زیادہ کریڈٹ ریٹنگ ہے۔ اسی طرح، میسرز PACRA کریڈٹ ریٹنگ کمپنی نے بھی بینک کو طویل مدتی ادارہ کی درجہ بندی AAA (ٹرپل AAA) اور مختصر مدت کی کریڈٹ ریٹنگ A+ (A-One Plus) کے طور پر توثیق کی ہے۔

کوڈ-19 پر ہمارا عمل

کوڈ-19 کے صنعتوں، کمیونٹیز اور ریاستوں پر مختلف اثرات کے ساتھ بینک، اس کے ملازمین اور اس کے صارفین کے لیے صحت اور مالیاتی خطرات لاحق ہے۔ بینک کا روبار کے لیے کھلا رہا، اور صارفین اور کمیونٹی کی مدد کے لیے حکومتوں، ریگولیٹرز اور وسیع تر صنعت کے ساتھ مل کر کام کرتا رہا۔ ان مشکل وقتوں کے دوران، بورڈ ابھرتے ہوئے خطرات کے جوابات تیار کرنے میں انتظامیہ کے ساتھ کھڑا رہا جیسے (i) ملازمین کی صحت اور حفاظت؛ (ii) کسٹمر ریلیف؛ (iii) آپریشنل چیلج؛ (iv) بینک کا مالی استحکام اور (v) موثر KYC/CFT/AML مانٹرنگ وغیرہ۔ ان مشکل وقتوں میں، آپ کا بورڈ اور انتظامیہ سرگرمی سے صورتحال کی نگرانی کر رہے ہیں اور بینک کی چلک پیدا کرنے کے لیے درکار ردعمل کوڈ ہال رہے ہیں۔ بینک خدمت کر کے صارفین اور کمیونٹیز کے لیے مواقع پیدا کر رہا ہے۔

ماحولیات پر بینک کے کاروبار کا اثر

بینک اپنے کاموں 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 اسٹیٹ بینک آف پاکستان کے گرین بینکنگ رہنما خطوط کے تحت گرین بینکنگ کے اقدامات کو لاگو کرنے کے لیے اقدامات کیے ہیں تاکہ معیشت کو موسمیاتی چکرا معیشت میں تبدیل کرنے کے لیے فنانس فراہم کیا جاسکے۔ ہم ماحولیاتی خطرات کی شناخت، تشخیص اور ان کو کم کرنے کے لیے مناسب طریقہ کار وضع کر رہے ہیں۔

آڈیٹری کی تقرری

بینک کے موجودہ آڈیٹر میسرز یوسف عادل چارٹرڈ اکاؤنٹنٹس اور میسرز اے ایف فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس اس سال ریٹائر ہو جائیں گے۔ بورڈ کو دونوں میسرز اے ایف فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس اور میسرز یوسف عادل چارٹرڈ اکاؤنٹنٹس جنہوں نے پیشکش کی ہے اور اس کے لیے اہل ہیں کی بطور بیرونی آڈیٹرز۔ 31 دسمبر 2022 کو ختم ہونے والے سال کے لیے، اس معاوضے پر جو 30 مارچ 2022 کو ہونے والی 73 ویں سالانہ جنرل میٹنگ میں شیئر ہولڈرز نے منظور کی تھی، دوبارہ تقرری کے لیے بورڈ آڈٹ کمیٹی کی سفارش کی توثیق کرتے ہوئے خوشی ہے۔

توثیق

بورڈ آف ڈائریکٹرز اس سالانہ رپورٹ میں شامل درج ذیل بیانات کی بخوشی توثیق کرتا ہے:

- اسٹیٹمنٹ آف انٹرنل کنٹرولز

- حصص کی ملکیت کا اسلوب

- کارپوریٹ پائیداری کے اقدامات کی سالانہ رپورٹ۔

مستقبل کا آؤٹ لک

COVID-19 کی پیکسینیشن پروگرام کے مسلسل رول آؤٹ، ساختی اصلاحات، اور سماجی تحفظ کے پروگراموں کی توسیع، یہ سب جامع اور پائیدار ترقی کو یقینی بنانے کی 5 فیصد کی ترقی کی پیشن گوئی کو حاصل کرنے کے لیے کلید ہیں۔ برآمدی مسابقت کو فروغ دینے، مینوفیکچرنگ سیکٹر کی کارکردگی کو بڑھانے اور نجی سرمایہ کاری کو بڑھانے کے لیے مالی ترغیبات اور پالیسیاں اقتصادی نقطہ نظر کو مضبوط بنانے میں اہم کردار ادا کرتی رہیں گی۔ تاہم، خطے میں حالیہ جغرافیائی سیاسی تبدیلیوں کے درمیان کچھ اتار چڑھاؤ کی توقع کی جاسکتی ہے۔ اگرچہ پالیسی کے ردعمل سے توقع کی جاتی ہے کہ وہ موافق رہیں گے اور وبائی امراض کی وجہ سے کاروباروں کو گلنے والے دھچکے کو کم کریں گے، لیکن یہ اثرات کو پوری طرح سے دوڑ نہیں کر سکتے ہیں۔

آپ کا بینک ملک میں مضبوط معاشی بحالی کی حمایت میں اپنا قومی کردار ادا کرتا رہے گا، ساتھ ہی ساتھ اپنے شیئر ہولڈرز کے لیے کارکردگی کی فراہمی کے لیے ایک مضبوط اور چکدار بنیلنس شیٹ کو بھی برقرار رکھے گا۔ بینک کی کاروباری حکمت عملی ترجیحی بنیادوں پر ایس ایم ای، مائیکرو فنانس، ایگریکلچر فنانس اور زیرعظم کے کم لاگت ہاؤسنگ اقدام کے ساتھ ساتھ اسلامی فنانسنگ سمیت غیر محفوظ شعبوں کی مالی اعانت اور معاونت پر مرکوز رہے گی۔

اعتراف اور تعریف

ہم وبائی امراض کے درمیان قوم کی بلا قفل خدمات کے تسلسل کو یقینی بنانے کے لیے اپنے ملازمین کی مسلسل کوششوں اور لگن کو سراہتے ہیں۔ ہم بینک کے ان تمام عملے کے ارکان کو خصوصی احترام اور خراج تحسین

ایف آئی اے کی جانب سے جاری تحقیقات۔

ایف آئی اے، بینک کے ساتھ ساتھ، کئی نجی اور دیگر پبلک سیکٹر بینکوں کے ساتھ میسرز ہسکول پیٹرولیم کے بینکنگ انتظامات کے معاملے میں تحقیقات کر رہی ہے۔ بینک اس تحقیقات پر ایف آئی اے کے ساتھ مکمل تعاون کرتا رہا ہے اور کر رہا ہے اور اس نے تمام متعلقہ ریکارڈز اور لین دین کی تاریخ کو دستیاب کر لیا ہے، بشمول اس کے ملازمین کے ساتھ میٹنگز کا اہتمام کرنا جنہوں نے بینک کے ساتھ ہسکول کے تعلقات کا انتظام کیا ہے۔

اس معاملے پر بینک کا اپنا موقف اسٹیٹ بینک آف پاکستان اور اس کے بعد ایف آئی اے کو جمع کرائے گئے ایک گزارش میں دستاویزی شکل میں دی گئی ہے۔ بینک کی طرف سے جن بنیادی آزمائشوں کی نشاندہی کی گئی ہے وہ کمپنی کے اہم مالیاتی ریکارڈز کے منفی نتائج کے ساتھ دوبارہ بیانیہ سے پیدا ہوئے جس میں اس وقت ہسکول انتظامیہ کی جانب سے دھوکہ دہی کا اعتراف کیا گیا۔ بینک میں، کریڈٹ کے فیصلے ہسکول کے شائع شدہ آڈٹ شدہ مالیاتی بیانات کے ایک سیٹ پر مبنی تھے، اور بینک اور اسٹیٹ بینک کے اس وقت کے رائج ضوابط کی پالیسیوں کے مطابق کیے گئے تھے۔ جیسے ہی دھوکہ دہی کا انکشاف ہوا، کمپنی کے دو آڈیٹرز نے ہسکول کے اندر مالی بے ضابطگیوں کا حوالہ دیتے ہوئے استعفیٰ دے دیا۔ تاہم، یہ بات قابل ذکر ہے کہ ہسکول نے 18.80 ارب روپے کے تمام بقایا قرضوں کے لیے بینک سے اپنے مقروض ہونے کا اعتراف کیا ہے اور یہ بینک کے کھاتوں کی کتابوں میں بھی ظاہر ہوتا ہے۔ بینک، اپنے بنیادی ریگولیٹری یعنی اسٹیٹ بینک آف پاکستان کے ساتھ مشاورت سے، ایف آئی اے کو اس کی تحقیقات کے صحیح نتیجے تک پہنچانے میں مدد جاری رکھے ہوئے ہے۔

آئی ٹی نیٹ ورک اور سسٹم کی بورڈ

130 اکتوبر 2021 کو، بینک کے سرورز پر ایک سہ ماہی کا پتہ چلا جس نے اس کی کچھ خدمات کو متاثر کیا۔ جب کہ کم سے کم ممکنہ رکاوٹ کے ساتھ کاروباری کاروائیوں کے تسلسل کو یقینی بنایا گیا تھا، بینک نے سسٹم کو نقصان سے بچانے کے لیے آئی ٹی نیٹ ورک کو بند کرنے کا فیصلہ کیا۔ ماہر سہ ماہی کی بورڈ کی کنسلٹنٹس نقصانات پر قابو پانے اور واقعے کے رد عمل کا اندازہ وضع کرنے کے لیے مختلف صلاحیتوں میں مصروف تھے، جس کی بنیاد پر پرائیویٹس کی خریداری اور عمل درآمد جاری ہے۔ سہ ماہی واقعے نے صرف بینک کے مانیٹرنگ و سافٹ ور چوکلر نریشن پلیٹ فارم کو متاثر کیا، جبکہ کوری بینکنگ کے محاذ پر کسی مالی نقصان یا ڈیٹا کے نقصان کی نشاندہی نہیں کی گئی۔ آج بھی سسٹم صحیح چل رہا ہے اور بینک نے کام کو معمول پر رکھا ہے۔

مزید برآں، ایک بڑے ٹیکنالوجی اقدام کے طور پر، بورڈ نے حال ہی میں بینک کی کوری بینکنگ ایپلی کیشن کو اپ گریڈ کرنے کی بھی منظوری دی ہے۔ اس سے بینک اپنے صارفین کی بہتر خدمت کر سکے گا، خاص طور پر ڈیجیٹل اسپیس میں اضافی مصنوعات متعارف کرائے گا اور سب سے بڑھ کر اپنے آپریشنل کنٹرول کو نمایاں طور پر بڑھا دے گا۔

غیر ملکی ماتحت اداروں/شاخوں کی بندش پر پیش رفت

بین الاقوامی فریجھانز کے بارے میں ہماری نظر ثانی شدہ حکمت عملی کے مطابق، بورڈ نے الماتی (قازقستان) اور دوشنبہ (تاجکستان) میں موجود دو بیرون ملک ذیلی کمپنیوں کے ساتھ ساتھ باکو (آذربائیجان)، بشکیک (کرغزستان) اور اشک آباد (ترکمانستان) میں واقع تین بیرون ملک شاخوں کو بند کرنے کی منظوری دی ہے۔ لہذا ان کی جاری مالیت بنیادی طور پر مسلسل استعمال کے ذریعے وصول کی جائے گی۔ اس سلسلے میں وزارت خزانہ اور اسٹیٹ بینک آف پاکستان سے ضروری منظوری مانگ لی گئی ہے۔ مزید یہ کہ افغانستان اور بنگلہ دیش میں ملکی کارروائیوں کو بالترتیب باطل اور ڈھاکہ میں واقع ہر ملک میں ایک شاخ تک محدود رکھنے کا فیصلہ کیا گیا ہے۔

31 دسمبر 2021 تک، بینک نے تاشقند (ازبکستان)، جلال آباد (افغانستان) اور سلہٹ (بنگلہ دیش) میں اپنا کام بند کر دیا ہے۔ اشک آباد (ترکمانستان)، دوشنبہ (تاجکستان) اور الماتی (قازقستان) کے لائسنس منسوخ کر دیے گئے ہیں اور یہ مقامات بند ہونے کے عمل میں ہیں۔ مزید، 17 جنوری 2022 تک، بورڈ نے پیرس برانچ کے اپنے آپریشن کو بند کرنے کی منظوری دے دی ہے۔

پنشن کیس سے متعلق ہنگامی صورتحال

کیس کی حیثیت وہی ہے جو 31 دسمبر 2020 کو ختم ہونے والے سال کے سالانہ مالیاتی گوشواروں میں نوٹ 25.3.3.1 میں ظاہر کی گئی ہے۔ آزاد اچھو ریل فرم کی رپورٹ کی بنیاد پر، پنشن کے ذمہ میں بینک کا تاخیر سے ادائیگی کی وجہ سے کسی بھی جرمانہ سود/منافع کی ادائیگی (اگر کوئی ہے) کو چھوڑ کر تخمیناً مجموعی اضافہ 74.4 ارب روپے ہے۔ مزید یہ کہ اس فیصلے کی وجہ سے 2021 کے بعد پنشن کے ممکنہ اخراجات میں 8.4 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 سازگار نتائج کا یقین ہے۔ بینک کے بیرونی آڈیٹرز نے ان کی آڈٹ رپورٹ میں اس پر زور دیا ہے۔

بورڈ آف ڈائریکٹرز میں تبدیلیاں

بکس (نیشنلائزیشن) ایکٹ، 1947 کے سیکشن 11(3)(a) کے تحت حاصل اختیارات کو بروئے کار لاتے ہوئے، وفاقی حکومت نے جناب احسن علی چغتائی کو نیشنل بینک آف پاکستان کے بورڈ کے ایک آزاد ڈائریکٹر کے طور پر مقرر کیا ہے۔ جبکہ جناب محمد سہیل راجپوت نے این بی پی بورڈ سے استعفیٰ دے دیا۔ مزید تفصیلات لسٹڈ کمپنیوں کے (کوڈ آف کارپوریٹ گورننس) ریگولیشن 2019 کے ساتھ تعمیل کے بیان میں دی گئی ہیں۔

بینک نے ان خطرات کو موثر طریقے سے منظم کرنے اور بینک کو چلدار اور پائیدار رکھنے کے لیے ایک مضبوط فریم ورک قائم کیا ہے۔ اپنی نگرانی کے ایک حصے کے طور پر، بورڈ اس بات کو یقینی بناتا ہے کہ ان تمام اہم/مادی خطرات کو پہچاننے کے لیے مناسب پالیسیاں اور فریم ورک موجود ہیں جن سے بینک لاحق ہو سکتا ہے اور یہ کہ مطلوبہ وسائل یعنی انسانی سرمایہ، ثقافت، طرز عمل اور نظام اس طرح کے خطرات کو کم کرنے اور ان سے نمٹنے کے لیے کافی ہے۔ بورڈ اور اس کی متعلقہ کمیٹی یعنی بورڈ ریسک اینڈ کمپلائنس کمیٹی اور سینئر مینجمنٹ اس کی کمیٹیوں یعنی انٹر پرائز ریسک مینجمنٹ کمیٹی، اثاثہ جات اور ذمہ داری کمیٹی وغیرہ ریسک مینجمنٹ کے ایک جامع فریم ورک کی تشکیل اور عمل درآمد کو یقینی بنانے کے لیے ذمہ دار ہیں۔

بینک اپنے کریڈٹ پورٹ فولیو کا مسلسل جائزہ لیتا ہے، تاکہ ایسے کھاتوں اور صنعتوں کی نشاندہی کی جاسکے جو زیادہ خطرے سے دوچار ہیں، اس مشکل وقت میں۔ مزید برآں، کووڈ-19 کے نتیجے میں پیدا ہونے والے انفارمیشن سیکورٹی ریسک مینجمنٹ اور بینک سرورز پر سائبر حملے کے حالیہ واقعے کے حوالے سے، بینک نے سائبر سیکورٹی کے بدلتے خطرات کا جواب دینے اور ان کی نگرانی کے لیے مناسب اقدامات کیے ہیں۔ بنیادی خطرات اور غیر یقینی صورتحال کا تفصیلی اشارہ مالی بیانات میں مستقبل کے امکانات کے ساتھ ساتھ بات چیت کی گئی ہے۔

گورننس، اندرونی کنٹرول اور تعمیل

بورڈ کی انسانی خدمات کی حکمت عملی کے ساتھ ترقی کرتے ہوئے، بینک نے اعلیٰ سطحوں پر ہنر کو شامل کرنا جاری رکھا ہے۔ نیز، فرسودہ اسٹاف سروس رولز جو عملے کو ہائی کورٹ کی سطح پر براہ راست غیر سنجیدہ مقدمہ دائر کرنے کے قابل بناتے تھے، 01 اپریل 2021 کو وفاقی کابینہ کی منظوری کے بعد اسٹاف سروس رولز-2021 کے ذریعے منسوخ کر دیے گئے ہیں۔

اس سے ملازمین کی طرف سے دائر کیے گئے غیر سنجیدہ اور ناگوار مقدمات کی تعداد میں نمایاں کمی آئے گی جو ضروری اصلاحات کی پیروی سے انتظامیہ کی توجہ ہٹاتے ہیں۔ یہ بینک میں احتساب اور میرٹ کرہی کے کلچر کو فروغ دینے کی بنیاد بھی قائم کرے گا۔ بورڈ اس سلسلے میں حکومت کے تعاون کو تسلیم کرتا ہے اور اس کی تعریف کرتا ہے۔

بینک گورننس کی روح میں تمام قابل اطلاق قوانین، قواعد، ضوابط اور ضابطوں کی تعمیل کو یقینی بنانے کے لیے پرعزم ہے، اور اپنے اندرون ملک اور بیرون ملک نیٹ ورک کے اندر اس کی تعمیل اور کنٹرول کی صلاحیت کو بہتر بنانے کی ضرورت کو تسلیم کرتا ہے۔ کنٹرول اور تعمیل کو مضبوط بنانے کے لیے 2021 میں نیٹ ورک کے ڈھانچے کی ایک بڑی اصلاح عمل میں لائی گئی ہے۔ نیز، موثر ICFR، KYC/AML، ڈیٹا کی درستگی اور صداقت کے لیے نئے تکنیکی پلیٹ فارمز کے حصول اور موثر فیصلہ سازی کے لیے معیاری MIS پیدا کرنے میں اہم فنڈز لگائے گئے ہیں۔

موثر کنٹرول اور تعمیل کے کلچر کو فروغ دینے کے لیے، بورڈ احتساب اور میرٹ کرہی سے متعلق مسائل کو حل کرنے میں اکثر شامل رہا ہے۔ جیسا کہ ہماری گزشتہ سال کی رپورٹ میں بتایا گیا ہے، بنیادی توجہ کور بینکنگ ایپلی کیشن کو اپ گریڈ کرنے کے اہم کام پر دی جا رہی ہے۔ بورڈ کی طرف سے ضروری اصولی منظوری دے دی گئی ہے اور انتظامیہ جلد ہی اس منصوبے کو عملی جامہ پہنانے کے لیے آگے بڑھے گی۔

نیویارک برانچ میں تعمیل اور خطرے کے معاملات

بینک اچھی حکمرانی کی روح میں تمام قابل اطلاق قوانین، قواعد و ضوابط اور ضابطوں کی تعمیل کو یقینی بنانے کے لیے پرعزم ہے۔ اس مقصد کے لیے، بورڈ نے CPF/CFT/AML کنٹرولز، ڈیٹا کی درستگی اور صداقت، مالیاتی رپورٹنگ پر اندرونی کنٹرول وغیرہ کے لیے، بینک کے پورے آپریشنز کے دوران، نئے تکنیکی پلیٹ فارمز میں سرمایہ کاری کرنے کے لیے اسٹریٹجک ہدایات دی ہیں۔ نیویارک میں ہماری برانچ، جو نیویارک اسٹیٹ ڈیپارٹمنٹ آف فنانشل سروسز (NYSDFS) کے ذریعہ لائسنس یافتہ ہے، اور تمام غیر ملکی بینکوں کی طرح، فیڈرل ریزرو بینک آف نیویارک (FRBNY) کی نگرانی کے تابع ہے۔ ابتدائی طور پر 2014 کی جانچ نے نیویارک برانچ میں کچھ تعمیل اور ریسک مینجمنٹ کی خامیوں کی نشاندہی کی۔ 2016 میں بینک اور برانچ نے FRBNY کے ساتھ ایک تحریری معاہدہ کیا تاکہ انسداد دہشت گردی اور پولیس بینک سیکرہی ایکٹ کے تقاضوں کے ساتھ ساتھ مطلوبہ نظاموں کے نفاذ، کنٹرول میں اضافہ اور اس طرح کی ضروریات کے ساتھ مکمل تعمیل کو یقینی بنانے کے لئے مناسب وسائل کی تقسیم سے متعلق شناخت شدہ کمیوں کو سمجھا جائے اور ان کو دور کیا جاسکے۔

جیسا کہ یہ مسائل برقرار رہے، بینک نے فروری 2020 میں برانچ مینیجر اور سینئر کمپلائنس آفیسر سمیت پوری نئی قیادت کی خدمات حاصل کرتے ہوئے سنجیدہ اقدامات کیے، اور تعمیل کرنے والے عمل کی تعداد کو تین گنا کر دیا، جو مئی 2020 میں 7 سے بڑھ کر نومبر 2021 میں 24 ہو گیا۔ ہم نے نئی پالیسیاں اور طریقہ کار بھی نافذ کیے، تحریری معاہدے اور ماضی کے امتحانات سے کھلے مسائل کو ختم کرنے کے لیے تعمیل، اندرونی آڈٹ، اور انتظامی نگرانی کے افعال کو بڑھانا شروع کیا۔ ہم نے ماضی کے مسائل کو دور کرنے میں بینک کی رہنمائی میں مدد کرنے کے لیے بیرونی مشیروں کی بھی خدمات حاصل کیں۔ یہ اضافہ حال ہی میں مکمل کیا گیا ہے اور ایک آزاد فریق ثالث کے ذریعہ ان کی توثیق کی گئی ہے۔

2020 میں، جب کہ امریکی ریگولیٹرز نے نئی انتظامیہ کے نتیجے میں بہت سی مثبت تبدیلیوں کو تسلیم کیا، تاہم اس نے یہ نتیجہ اخذ کیا کہ بینک نے ابھی تک پیشگی امتحانی نتائج اور تحریری معاہدے کی AML/BSA دفعات کو مکمل طور پر حل کرنا ہے۔ نتیجتاً، فروری 2022 میں، بینک نے فیڈرل ریزرو بینک آف نیویارک، اور نیویارک اسٹیٹ ڈیپارٹمنٹ آف فنانشل سروسز (NYDFS)، NBP کی نیویارک برانچ کے امریکی ریگولیٹرز کے ساتھ رضامندی کے احکامات پر اتفاق کیا۔ معاہدوں میں مجموعی طور پر 55.4 ملین ڈالر (9.8 ارب روپے) کا دیوانی جرمانہ شامل ہے جو کہ تعمیل پروگرام کی تاریخی کمزوریوں پر مرکوز ہے جیسا کہ اوپر زیر بحث آیا۔ غلط لین دین یا جان بوجھ کر بدانتظامی کی کوئی نشاندہی نہیں ہوئی۔ آگے بڑھتے ہوئے، بینک اور نیویارک برانچ ریگولیٹرز کی توقعات کو پورا کرنے کے لیے پوری طرح پرعزم ہیں۔

بینک نے ٹیکس سے پہلے 52.9 ارب روپے کا منافع ریکارڈ کیا جو کہ بینک کی تاریخ میں اب تک کا سب سے زیادہ ہے۔ جبکہ 9.8 ارب روپے کی غیر معمولی آئٹم کے نمایاں اثر کی وجہ سے، بعد از ٹیکس منافع 28.0 ارب روپے پر بند ہوا جو کہ سالانہ 8.3% کم ہے۔ سال 2021 کے لیے، مجموعی مارک اپ/سود کی آمدنی 10.1% کم ہو کر سالانہ 231.9 ارب روپے (2020: 257.8 ارب روپے) پر بند ہوئی، جبکہ سود/مارک اپ اخراجات 134.3 ارب روپے تھے، جس میں سے 87.8 ارب روپے 65.4 فیصد جمع کنندگان کو ادا کیے گئے۔ نتیجتاً، خالص سود/مارک اپ آمدنی "NII" 97.62 ارب روپے پر بند ہوئی جو کہ 6.3 فیصد کم ہے، YOY سال کے دوران سستی تجارتی اور کاروباری سرگرمی کے باوجود، بینک اپنی نان مارک اپ/سود کمانے والے "NFI" کے سلسلے کو برقرار رکھنے میں کامیاب ہوا جو 36.9 ارب روپے (2020: 36.1 ارب روپے) پر بند ہوا۔ اس کے مطابق، بینک کی کل آمدنی 4.0 فیصد سالانہ کمی کے ساتھ 134.6 ارب روپے (2020: 140.2 ارب روپے) پر بند ہوئی۔ آپریٹنگ اور دیگر اخراجات سالانہ 4.9 فیصد کم ہو کر 60.0 ارب روپے پر بند ہو گئے جو پچھلے سال کے 63.11 ارب روپے تھے۔ یہ سال 2020 کے 45.0 فیصد سے 2021 میں 44.6 فیصد ہو کر 40bps سالانہ لاگت سے آمدنی کے تناسب کو بہتر بناتا ہے۔ نتیجتاً، پروویژن سے پہلے کا منافع 74.6 ارب روپے رہا، جو 77.1 ارب روپے کے مقابلے میں معمولی طور پر 3.3 فیصد کم ہے۔ پروویژن چارج میں ایک سائز کی تغیر کی وجہ سے ریونیو کو آف سیٹ کیا گیا تھا جو پچھلے سال کے 30.9 ارب روپے کے مقابلے میں 61.4 فیصد گر کر 11.9 ارب روپے ہو گیا تھا۔ اس سال NPLs میں 15.6 فیصد یا 26.6 ارب روپے کا اضافہ ریکارڈ کیا گیا، جو کہ 197.9 ارب روپے (2020: 171.3 ارب روپے) ہو گیا۔ یہ بنیادی طور پر ایک بڑی آئل مارکیٹنگ کمپنی کی طرف سے صنعت کے ڈیفالٹ کی وجہ سے شروع ہوا تھا۔

نتیجتاً، قبل از ٹیکس منافع 14.4 فیصد زیادہ سال بہ سال 52.9 ارب روپے (2020: 46.2 ارب روپے) پر بند ہوا۔ جیسا کہ امریکی آپریٹرز میں 9.8 ارب روپے سول جرمانہ عائد کیا جاتا ہے، ٹیکس کے بعد منافع 28.0 ارب روپے پر بند ہوا جو کہ گزشتہ سال کے 30.6 ارب روپے سے 8.3 فیصد کم ہے۔ قابل ذکر بات یہ ہے کہ بینک کی آمدنی 4.0 ارب روپے کے موروثی پبلک سیکٹر کے نان پرفارمنگ قرضوں کے ساتھ ساتھ کم ایڈوائس ٹوڈ پازٹ تناسب کی وجہ سے اضافی ٹیکس کے اثرات سے بھی مشروط ہے۔ وفاقی حکومت نے فیڈرل بجٹ 2022 میں بینکوں پر ایڈوائس ٹوڈ پازٹ ریشو 50 فیصد سے نیچے آنے کی صورت میں 2.5 فیصد اور ایڈوائس ٹوڈ پازٹ ریشو 40 فیصد سے نیچے آنے کی صورت میں 5 فیصد کا اضافی ٹیکس عائد کیا ہے۔ جبکہ بینکنگ انڈسٹری پہلے ہی 4 فیصد کے سپر ٹیکس چارج کے تابع ہے، اس اضافی ٹیکس نے بینکوں کے بعد از ٹیکس منافع کو بری طرح متاثر کیا ہے۔

سال کے آخر میں بینک کے کل اثاثے 3,846.7 ارب روپے پر بند ہوئے جو 2020 کے آخر میں 3,008.5 ارب روپے سے 27.9 فیصد زیادہ ہے۔ یہ بنیادی طور پر ڈپازٹس میں 600.2 ارب روپے کی نمو اور 174.4 ارب روپے اضافے کی وجہ سے ہوا۔ سرمایہ اور ریزرو 31 دسمبر 2020 کے 267.6 ارب روپے سے 18.6 ارب روپے یا 7.0 فیصد زیادہ ہو کر 286.2 ارب روپے پر بند ہوا۔ سال 2021 کے دوران بینک کی مالی استحکام میں بھی نمایاں بہتری آئی۔ جبکہ کامن ایکویٹی ٹائر 1 (CET1) کیپٹل ریشو 15.42 فیصد (2020: 14.99 فیصد) تک بہتر ہوا، کل کیپٹل تناسب بھی 20.39 فیصد (2020: 19.78 فیصد) بہتر رہا۔ اسی طرح بینک کا لیوریج تناسب 2021 کے آخر میں 3.47 فیصد (2020: 4.06 فیصد) رہا۔ بینک کی لیکویڈیٹی کوریج اور خالص مستحکم فنڈنگ کا تناسب بالترتیب 164 فیصد (2020: 180 فیصد) اور 278 فیصد (2020: 256 فیصد) تک بہتر ہوا، جو کہ 100 فیصد کی ریگولیٹری ضروریات کے خلاف ہے۔ ایک مثبت نوٹ پر، بینک نے اپنا CASA تناسب 83 فیصد پر برقرار رکھا۔ مالیاتی کارکردگی اور دیگر تنظیمی ترقی کی تفصیلی کوریج بھی اس سالانہ رپورٹ میں دی گئی ہے۔

منافع کی تخصیص

31 دسمبر 2021 کو ختم ہونے والے سال کا منافع 2020 کے جمع شدہ منافع کو آگے بڑھانے کے بعد مندرجہ ذیل طور پر مختص کرنے کی تجویز ہے۔

(ملین روپے)

31 دسمبر 2021 کو ختم ہونے والے سال میں ٹیکس کے بعد منافع	28,008.0
غیر تصرف شدہ آگے لایا جانے والا منافع	116,021.3
دیگر جامع آمدنی۔ بعد از ٹیکس	(1,362.8)
جامد اثاثوں کی نظر ثانی شدہ قدر کی وجہ سے ذخائر سے منتقلی	208.1
تصرف کے لیے دستیاب منافع	<u>142,874.6</u>
تصرف:	
قانونی ذخائر میں منتقلی	(2,800.8)
غیر تصرف شدہ منافع۔ آگے بڑھانے کے لیے:	<u>140,073.8</u>

بینک کو درپیش بنیادی خطرات اور غیر یقینی صورتحال

اپنے کاروباری ماڈل کی نوعیت کے مطابق، بینک کو بعض بنیادی خطرات کا سامنا ہے (i) کریڈٹ رسک؛ (ii) ٹریڈری اوپنیشنل رسک؛ (iii) مارکیٹ رسک؛ (iv) آپریشنل رسک، اور (v) انفارمیشن سیکورٹی رسک۔

بیرونی کھاتوں، کرنسی کی قدر میں کمی، جغرافیائی سیاسی غیر یقینی صورتحال، IMF پروگرام میں تاخیر اور MSCL کے پاکستان کی دوبارہ درجہ بندی کے اعلان کے درمیان علاقائی منڈیوں کے ساتھ ساتھ اثاثہ جات کی اقسام کے ساتھ ساتھ 2021 میں پاکستان اسٹاک مارکیٹ نے ایک آزمائشی سال دیکھا جس نے فرنٹیر مارکیٹوں کو مزید فروخت کیا۔ PSX میں درج سرفہرست 100 کمپنیوں کے حصص کی قیمتوں میں 2021 کے دوران خالص 2 فیصد بہتری آئی، جس نے CY'21 کے آخری دن ٹریڈنگ کے اختتام پر بیچ مارک KSE-100 انڈیکس کو 44,596 پوائنٹس پر دھکیل دیا۔

بینکنگ انڈسٹری نے نہ صرف سرکاری قرضوں کی سیکورٹیز میں سرمایہ کاری پر بلکہ نجی شعبے کے قرضوں پر بھی صحت مند منافع کی اطلاع دی کیونکہ حکومت کے غیر معمولی مالیاتی نرمی اور مالیاتی محرک پیکج کی وجہ سے نجی شعبے کو ملنے والے خالص قرضوں کو فروغ ملا۔ مالی سال 2022 کی پہلی ششماہی کے دوران، نجی شعبے کے قرضے میں مجموعی طور پر 13.4 فیصد اضافہ ہوا، جس کی بڑی وجہ چاول، ٹیکسٹائل، پیٹرولیم اور اسٹیل کی صنعتوں کی جانب سے ورکنگ کپٹل قرضوں کی بڑھتی ہوئی مانگ ہے۔

پرنٹل سرگرمیاں

سال کے دوران بینک کی بنیادی سرگرمیاں پچھلے سال کی طرح ہی رہیں اور اس میں عام بینکنگ خدمات، کریڈٹ ATM اور ڈیٹ کارڈ کی سہولیات، سرمایہ کاری بینکنگ ایڈوائزری، ٹریڈری اور کپٹل مارکیٹس، ہاؤسنگ اور جزل فنانس، ٹرانزیکشن بینکنگ، کیش منیجمنٹ، ڈیجیٹل بینکنگ، بین الاقوامی تجارت اور ترسیلات زر وغیرہ۔ بینک کے ذیلی ادارے بینکنگ خدمات، کرنسی ایکسچینج، مضاربہ، فنڈ منیجمنٹ اور سیکورٹیز بروکرینج کی خدمات پیش کرتے ہیں۔

بورڈ، بورڈ کمیٹیوں اور بورڈ کے اجلاس

بورڈ صارفین اور ساتھیوں کے لیے نتائج کو بہتر بنانے اور بنیادی باتوں کو درست کرنے کے لیے انتظامیہ کی جاری کوششوں کی نگرانی کرتا رہتا ہے، مالیاتی جرائم کے خطرے کے انتظام میں درکار اصلاحی کام پر بھرپور توجہ کے ساتھ ساتھ، یہ بورڈ کی ذمہ داری ہے کہ وہ اس بات کو یقینی بنائے کہ ان تمام اہم/مادی خطرات کو پہچاننے کے لیے مناسب پالیسیاں اور فریم ورک موجود ہیں جن سے بینک لاحق ہو سکتا ہے اور یہ کہ درکار انسانی وسائل، ثقافت، طرز عمل اور نظام ان سے نمٹنے کے لیے کافی ہیں۔ بورڈ اور اس کی متعلقہ کمیٹی BRCC اور ایگزیکٹو منیجمنٹ اس کی متعلقہ کمیٹیوں کے ساتھ یعنی منیجمنٹ کریڈٹ کمیٹی، انٹرپرائز رسک کمیٹی ALCO وغیرہ خطرے کے انتظام کے فریم ورک کے نفاذ کو یقینی بنانے کے لیے ذمہ دار ہیں۔ لیسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز کی تعمیل میں ایک بیانیہ الگ سے بنایا گیا ہے۔

آڈیٹرز کی رپورٹ میں ترمیم کے حوالے سے وضاحت

بیرونی آڈیٹرز نے نوٹ 25.3.3.1 کی طرف توجہ دلاتے ہوئے مالیاتی بیانات کی طرف توجہ مبذول کرائی 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۔ قانونی مشیروں کے مشورے کی بنیاد پر، بینک کے پاس معزز سپریم کورٹ 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 2021 کو ختم ہونے والے سال کے مالیاتی گوشواروں میں شامل نہیں کیا گیا ہے۔

بیلنس شیٹ کی تاریخ کے بعد مواد کی تبدیلیاں

فروری 2022 میں، بینک اور اس کی نیویارک برانچ نے فیڈرل ریزرو بینک آف نیویارک اور نیویارک اسٹیٹ ڈیپارٹمنٹ آف فنانشل سروسز کے ساتھ رضامندی کے آرڈر پر اتفاق کیا۔ ان معاہدوں میں مجموعی طور پر 55.4 ملین ڈالر (9.8 ارب روپے) کا دیوانی جرمانہ شامل ہے جسے 31 دسمبر 2021 کو ختم ہونے والے سال کے مالیاتی گوشواروں میں تسلیم کیا گیا ہے۔

بیلنس شیٹ کی تاریخ کے بعد ایسے کوئی اہم واقعات رونما نہیں ہوئے ہیں جن کے باعث منسلک مالی گوشواروں میں ردوبدل کی ضرورت ہو۔

مالیاتی کارکردگی-2021

درج ذیل مالی بحث اور تجزیہ قانونی معلومات پر مبنی ہے جب تک کہ دوسری صورت میں بیان نہ کیا جائے۔ مسلسل چیلنجنگ ماحول کے باوجود، بینک نے 31 دسمبر 2021 کو ختم ہونے والے سال کے لیے مستحکم مالیاتی نتائج پیش کیے ہیں۔ یہ اس عرصے کے دوران بینک کے کاروباری ماڈل اور اس کے عمل کی کوششوں کی چمک کو ظاہر کرتا ہے۔ زیر جائزہ سال کے لیے، NBP نے 28.0 ارب روپے کا بعد از ٹیکس منافع ریکارڈ کیا ہے۔

مالیاتی کارکردگی	2021	2020	بھرتی / (اچری)	(ارب روپے)
خالص سودی آمدنی	97.62	104.16	(6.5)	(6.3%)
غیر نقد آمدنی	36.94	36.08	0.86	2.4%
مُل آمدنی	134.56	140.23	(5.67)	(4.0%)
آپریٹنگ اور دیگر اخراجات	60.00	63.11	3.11	4.9%
قبل از تصرف منافع	74.56	77.12	(2.57)	(3.3%)
خالص تصرف	11.92	30.90	18.98	61.4%
غیر معمولی معاملات	9.78	-	-	-
قبل از ٹیکس منافع	52.86	46.22	6.64	14.4%
بعد از ٹیکس منافع	28.01	30.56	(2.55)	(8.3%)
نی حصص آمدنی	13.16	14.36	(1.20)	(8.3%)

ڈائریکٹرز کا جائزہ سالانہ مالیاتی گوشوارے 31 دسمبر 2021

عزیز حصص مالکان ساتھیوں

ہم بورڈ آف ڈائریکٹرز کی جانب سے 31 دسمبر 2021 کو ختم ہونے والے سال کے لیے بینک کی سالانہ رپورٹ کے ساتھ بینک کے آڈٹ شدہ مالی گوشوارے اور ان سے متعلق خود مختار آڈیٹرز کی رپورٹ پیش کرنے میں خوشی محسوس کر رہے ہیں۔ یہ مالیاتی گوشوارے مالیتی امور، کاروباری سرگرمیوں کے نتائج، کیش فلو اور ایکویٹی میں تبدیلیوں کو منصفانہ طور پر پیش کرتے ہیں۔

مجموعی معاشی ماحول

ابتدائی طور پر 2021 میں دیکھی گئی V کی شکل کی بحالی، 2022 میں کمزور پوزیشن میں داخل ہو رہی ہے کیونکہ عالمی منو اب مالی سال 2021 میں 5.9 فیصد سے مالی سال 2022 میں 4.4 فیصد تک اعتبار پر آنے کی توقع ہے۔ موافق مانیٹری اور مالیاتی پالیسیوں کی وجہ سے پاکستانی معیشت نے 2021 میں مضبوط ترقی ریکارڈ کی جو (2005-06 سے 2015-16 تک مستقل بنیادی قیمتوں پر جی ڈی پی کے لیے بنیادی سال کی تبدیلی کی وجہ سے) پہلے کے 3.9 فیصد سے بڑھ کر 5.37 فیصد ہو گئی ہے۔ جبکہ معیشت کا حجم 296 ارب ڈالر کے عارضی تخمینہ سے بڑھ کر 346.8 ارب ڈالر ہے۔ سال 2022 کی پہلی ششماہی کے دوران مجموعی معاشی انڈیکسز نے جولائی - دسمبر میں رفتار کی نمونہ برقرار رکھا۔ LMS نمو، جو کہ مالی سال 2021 میں 14.9 فیصد تھی (مالی سال 2020 کے دوران 10.2 فیصد)، جولائی - نومبر 22 FY کے دوران 3.3 فیصد اضافہ ہوا۔ چونکہ زرعی قرضوں کی تقسیم میں 3.9 فیصد اضافہ ریکارڈ کیا گیا اور 641 ارب روپے (617 ارب روپے SPLY) تک پہنچ گیا، پیداوار کی صورتحال ہموار رہنے کی امید ہے۔ جولائی تا نومبر مالی سال 2022 کے دوران مالیاتی خسارہ 951 ارب روپے جو کہ SPLY میں 822 ارب روپے کے مقابلے میں 15.7 فیصد زیادہ رہا۔ جی ڈی پی کے لحاظ سے یہ SPLY کی طرح 1.5 فیصد پر مشتمل ہے۔ جبکہ پرائمری بیلنس نے جولائی - نومبر مالی سال 2022 کے دوران پچھلے سال کے 216 ارب روپے (GDP 0.45% فیصد) کے سرپلس کے مقابلے میں 36 ارب روپے (GDP 0.15% فیصد) کا خسارہ کیا۔ وزارت خزانہ نے مالی سال 2022 جولائی - دسمبر کے دوران ٹیکس وصولیوں میں 35 فیصد اضافے کی اطلاع دی ہے، جس کے نتیجے میں وفاقی محصولات میں خالص 7 فیصد اضافہ ہوا ہے جو SPLY کے 1,391 ارب روپے کے مقابلے میں 1,482 ارب روپے ہو گیا ہے۔ دوسری طرف کل اخراجات میں 21 فیصد اضافہ ہوا ہے جس کی بنیادی وجہ سبسڈیز اور گرانٹس میں تیزی سے اضافہ ہے۔

چونکہ وکٹر کی ترسیلات زر نے مسلسل 19 ویں مہینے دسمبر 2021 میں 2.0 ارب ڈالر سے اوپر کا اپنا بے مثال سلسلہ جاری رکھا، پاکستان نے CY21 کا اختتام سال 2020 میں 25.96 بلین ڈالر کے مقابلے میں 31 بلین ڈالر کی ترسیلات زر میں 19.3 فیصد کی مضبوط سالانہ نمو کے ساتھ کیا۔ DFI میں بھی ایک صحت مندرجہ جہان دیکھا گیا ہے کیونکہ جولائی تا دسمبر مالی سال 2022 کے دوران اس میں 20.1 فیصد اضافہ ہوا 1,056.6 بلین ڈالر (879.7 بلین ڈالر پچھلے سال) تک پہنچ گیا۔ روشن ڈیجیٹل اکاؤنٹس میں فنڈز کی وصولیوں کے باعث (جو شروع ہونے کے بعد سے ایک سال میں 2 بلین ڈالر سے تجاوز کر چکا ہے) جنوری 21 کے آخر میں پاکستان کے کل مائع غیر ملکی زرمبادلہ کے ذخائر 22.1 بلین ڈالر تھے اور امید کی جاتی ہے کہ آئی ایم ایف اور پاکستان حکومت کے درمیان بات چیت کے بعد مزید مضبوط ہوں گے۔ خیال کیا جاتا ہے کہ 6 بلین ڈالر کی توسیعی فنڈسہولت کا جائزہ درست سمت میں آگے بڑھ رہا ہے۔ اس عرصے کے دوران، جب کہ برآمدات (بنیادی طور پر ٹیکسٹائل کے ذریعے چلائی جاتی ہیں) 24.9 فیصد اضافے سے 15.1 بلین ڈالر تک پہنچ گئیں، مالی سال 2022 جولائی تا دسمبر میں کل درآمدات 40.6 بلین ڈالر تک بڑھ گئیں، جس میں تقریباً 70 فیصد اضافہ ہوا۔

تاہم، اس اقتصادی اضافے نے جزیاتی عدم توازن کو جنم دیا ہے کیونکہ جولائی تا دسمبر مالی سال 2022 کے دوران کرنٹ اکاؤنٹ خسارہ 9.0 ارب ڈالر (GDP 5.7% فیصد) تک بڑھ گیا۔ اس کے علاوہ، جولائی تا دسمبر مالی سال 2022 کے دوران اوسط ہیڈ لائن افراط زر 9.8 فیصد (SPLY کے دوران 8.6 فیصد) تھا، جو کہ SBP کی ابتدائی طور پر مالی سال 2022 کے لیے 7.0 فیصد - 9.0 فیصد کی متوقع حد سے کچھ زیادہ تھا۔ اسٹیٹ بینک نے حال ہی میں متوقع مہنگائی مالی سال 22 میں 9 فیصد - 11 فیصد تک رہنے اور مالی سال 23 میں 5 فیصد - 7 فیصد تک آنے والی متوقع مہنگائی پر نظر ثانی کی ہے۔

وبائی مرض سے لڑنے کی قلیل مدتی ضروریات اور پائیدار ترقی کو برقرار رکھنے کے لیے طویل المدتی چیلنجوں میں توازن کے لیے سنجیدہ انتخاب کا سامنا کرتے ہوئے، SBP نے افراط زر کو کم کرنے اور میکرو عدم توازن کو درست کرنے کے لیے اقدامات کیے ہیں۔ ان اقدامات میں ستمبر 2021 کے بعد سے پالیسی ریٹ میں مجموعی طور پر 275 bps کا اضافہ (جون 2020 کے بعد سے 7 فیصد رکھا گیا)، بینک کیش ریزرو کی اعلیٰ ضروریات، صارفین کے مالیات کی ریگولیٹری سختی اور غیر ضروری درآمدات میں کمی شامل ہے۔ ان اقدامات کے بعد ایسا لگتا ہے کہ کرنٹ اکاؤنٹ خسارہ نومبر 2021 سے بڑھنا بند ہو گیا ہے اور غیر تیل کے کرنٹ اکاؤنٹ بیلنس سے مالی سال 2022 کے لیے ایک چھوٹا سرپلس حاصل کرنے کی امید ہے۔ آخر میں اور اہم بات، حالیہ مالیاتی (خنمی) ایکٹ 2022 کا نفاذ اہم اضافی مالی سال کی نمائندگی کرتا ہے۔ بجٹ کے مقابلے میں استحکام اور اگلے چند مہینوں میں بلند ہونے والی افراط زر کے نقطہ نظر کو کم کر دیا ہے، جو کہ مالی سال 2022 میں 9 فیصد - 11 فیصد کی اوسط افراط زر کی پیش گوئی کی اوپری حد کے قریب ہے۔

Corporate Governance

Our philosophy of Corporate Governance is to ensure balance and sustainable success & growth for each class of the Bank's stakeholders.

Safeguarding and rebuilding national institutions is a challenging task. Your Board, appointed in 2019, has worked hard to achieve this for NBP. Our efforts and strategy have been focused upon strengthening the institution's balance sheet, inducting a team of professionals with the required expertise, developing a framework of policies and controls to protect the Bank, and building a corporate culture based on performance and accountability. Material progress has been made in each of these key areas.

While the Board of Directors is responsible for overall stewardship of the Bank with integrity and in compliance with all applicable laws and regulations, the CEO and senior management are responsible for efficient delivery of strategy and execution of business operations.

In this Covid-19 dominated period, your Board has worked on looking after the health and wellbeing of staff and customers while steadfastly continuing the process of reforms so that the past problems do not recur. Specifically, to lead the restructuring process, a strong team of talented seniors have been inducted to head critical functions in the Bank.



Board Composition

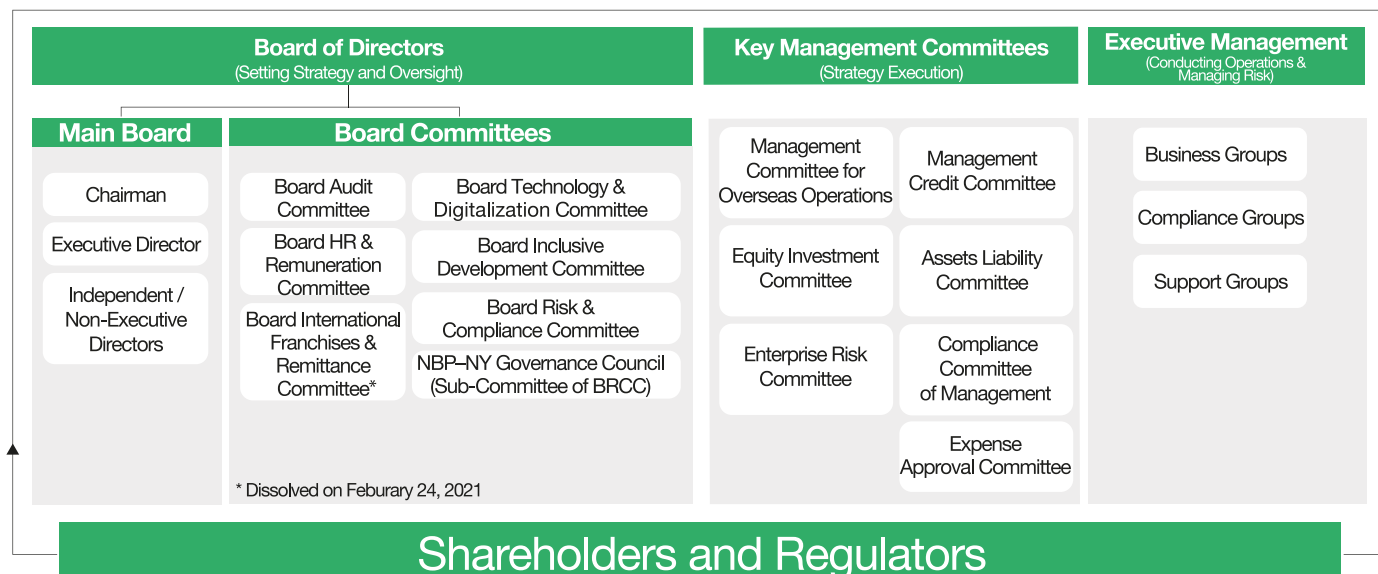
Non-Executive and Executive Directors	
Independent	6
Non-Executive	1
Executive	1

Chairman CEO

Board's Gender Composition	
07 Male	01 Female























Directors' Industry Experience
Commercial & Central Banking
Public Service
Finance & Accounting
Inclusive Development
Legal & Regulatory
Economics

Governance & Stewardship



Directors' Participation

Directors' Attendance in Meetings held during 2021:

Sr. no.	BODY	BOD		BAC		BHRRC		BRCC		BTDC		BIDC *		BIFRC **		NBP- NY GC (Sub-committee Of BRCC)	
	TOTAL MEETINGS HELD	11		06		06		05		06		05		01		05	
	NAME OF DIRECTOR	STATUS	A	STATUS	A	STATUS	A	STATUS	A	STATUS	A	STATUS	A	STATUS	A	STATUS	A
1.	Mr. Zubyr Soomro	Chairman	11/11				6/6										
2.	Mr. Arif Usmani	President	11/11				2/2		5/5		5/6		1/1		1/1		5/5
3.	Mr. Farid Malik	Director	11/11				5/6				6/6						
4.	Mr Tawfiq Asghar Hussain	Director	11/11		6/6				5/5						1/1		5/5
5.	Mr. Imam Bakhsh Baloch	Director	11/11		5/5				5/5				1/1				
6.	Ms. Sadaf Abid	Director	10/11								6/6		5/5				
7.	Mr. Asif Jooma	Director	09/11		6/6		6/6						3/3				
8.	Mr. Ahsan Ali Chughtai ***	Director	05/05										3/3				
9.	Mr. Muhammad Sohail **** Rajput	Director	03/04		1/2								2/2				



Chairperson



Member

* Reconstitution in 322nd Board Meeting held on July 28, 2021.

** Dissolved in 317th Board Meeting held on February 24, 2021.

*** Appointed on the Board on June 21, 2021.

**** Resigned from the Board on May 27, 2021.

Key Board Activities

Approval of Interim and Annual Financial Statements.
Recommendation of 10% i.e. Rs. 1.0 Dividend payout for the year 2021.

Reviewed the Composition of all Board Committees, respective Committee Charters and Terms of Reference.

Repeal of outdated Staff Service Rules of 1973 by the Federal Cabinet in April 2021, and promulgation of Staff Service Rules-2021.

Based on recommendations made by the Board HR & Remunerations Committee, revived the process of promotion. 1,700+ staff promoted to next cadres during 2021.

Materially revamped the risk architecture of the Bank so that the quality of assets is reinforced through assessments by skilled and independent seniors.

Recomposition of the Board Committees to align with the challenging environment.

Conducted the 72nd Annual General Meeting virtually by using a digital platform in line with the guidelines issued by the regulators.

Concluded the Consent Order Agreement with Regulators in United States of America.

Resolved, through Out-of-Court arrangements, ~75% of the ~4,000 cases relating to pay scale disparity among MTO/NMTO cadre of the Bank's employees.

Based on recommendations made by the Board Technology & Digitalization Committee, approved Core Banking Application upgrade.

Rationalised the Bank's overseas operations through closure / scale back of ten franchises.

Annual strategy meeting with the Executive Management Team to approve Annual Budget.

Committees of the Board

The Board has seven (07) committees, as follows:

1. Board Audit Committee (BAC)
2. Board HR & Remuneration Committee (BHRRC)
3. Board Risk & Compliance Committee (BRCC)
4. Board Inclusive Development Committee (BIDC)
5. Board Technology & Digitalization Committee (BTDC)
6. Board International Franchises & Remittance Committee (BIFRC)*
7. NBP – NY Governance Council (Sub-Committee of BRCC)

*dissolved On February 24, 2021

1. Board Audit Committee (BAC)

Chairman of the Committee: Mr. Tawfiq A. Hussain, Chairman BAC

Number of meetings held during the year 2021: 06

BAC Members and their attendance in 2021

Name	Status	# of Meetings Attended	Non-Executive/ Independent
Mr. Tawfiq A. Hussain	Chairman	06 out of 06	Independent Director
Mr. Asif Jooma	Member	06 out of 06	Non-Executive Director
Mr. Imam Bakhsh Baloch	Member	05 out of 05	Independent Director
Mr. Muhammad Sohail Rajput*	Member	01 out of 02	Non-Executive Director

*(Resigned on May 27, 2021)

The Board Audit Committee ensured the existence of an independent internal audit function in the Bank with adequate resources and staffing. The Committee reviewed the progress of the approved annual internal audit plan 2021 on a quarterly basis, reviewed and approved the updated / revised internal audit manual, AIG & BAC Charters and Audit Policy during the year 2021.

The Committee ensures effective coordination between internal and external auditors, recommends the appointment of external auditors, reviewed the external audit plan for 2021, discussed the financial results with the external auditors, including significant issues of the audit and giving direction to the management for its

resolution. The Committee reviewed and recommended the pre-audited financial results to the Board of Directors for approval.

The Committee maintained an effective working relationship with the Board and the Bank's management. The Committee reviewed, discussed and monitored the matters related to improvement in internal audit, compliance issues, financial reporting and corporate governance. The Committee also reviewed the effectiveness of the internal controls of the Bank which need further improvement and recommended various steps for strengthening the internal controls and compliance culture within the Bank on an ongoing basis.

2. Board HR & Remuneration Committee (BHRCC)

Chairman of the Committee: Mr. Zubyr Soomro

Number of meetings held during the year 2021: 06

BHRCC Members and their attendance in 2021

Name	Status	# of Meetings Attended	Non-Executive/ Independent
Mr. Zubyr Soomro	Chairman	06 out of 06	Independent Director
Mr. Arif Usmani	Member	02 out of 02	President / CEO
Mr. Farid Malik	Member	05 out of 06	Independent Director
Mr. Asif Jooma	Member	06 out of 06	Non-Executive Director

ToRs of the Committee include the followings:

- Review and recommend human resource policies for the approval of the Board of Directors.
- Review and recommend the Bank's Remuneration Policy and remuneration setting mechanism at least once every two years.
- 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).
- 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.
- Review and guide management on industrial relations issues.
- 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 Risk & Compliance Committee (BRCC)

Chairman of the Committee: Mr. Tawfiq A. Hussain

Number of meetings held during the year 2021: 05

Name	Status	# of Meetings Attended	Non-Executive/ Independent
Mr. Tawfiq A. Hussain	Chairman	05 out of 05	Independent Director
Mr. Arif Usmani	Member	05 out of 05	President / CEO
Mr. Imam Bakhsh Baloch	Member	05 out of 05	Independent Director
Mr. Ahsan Ali Chughtai*	Member	-	Independent Director

*w.e.f December 06, 2021

ToRs of the Committee include the followings:

- 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.

- ix) 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.
- x) Review the performance of the Risk Management Group.
- xi) Review various exception and MIS reports prepared by RMG.
- xii) Review TORs for functions and committees responsible for credit, market, liquidity and operational Risk Management and establishing minimum risk reporting criteria.
- xiii) Monitor that the resources allocated for risk management are adequate given the size, nature and volume of the business.
- xiv) 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.
- xv) Review FI Placements Limits on a regular basis.

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

- i) 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.
- ii) 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.
- iii) 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.
- iv) Maintain and promote a high compliance culture and values of honesty and integrity in NBP.
- v) 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.
- vi) 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.

- vii) 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.
- viii) Recommend to the BoD for any disciplinary action or termination of the Group Chief/Head of Compliance Group.
- ix) Ensure that the position of the Group Chief/Head of Compliance Group does not remain vacant for more than 60 days.
- x) 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.
- xi) 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.
- xii) Review the minutes of the Compliance Committee of Management (CCM) meetings to ascertain its effectiveness in managing Compliance Risk.
- xiii) 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.
- xiv) 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.
- ix) Monitoring of FATCA and CRS Implementation and Due Diligence Milestones.
- vi) Reviewing the Suspicious Transactions Reports (STR) submitted to the Financial Monitoring Unit.
- x) Review Compliance status of the Regulatory Inspection Reports of overseas branches (as and when received).
- vii) Updating status on staff trainings on AML/CFT/CPF/Sanctions Compliance.
- xi) Quarterly review of penalties imposed on the overseas branches.
- viii) Quarterly review of status of Bank's Policies.
- xii) Discussing any other significant regulatory gap or development related to the NBP overseas branch network, which is escalated to the Committee.

4. Board Inclusive Development Committee (BIDC)

Chairperson of the Committee: Ms. Sadaffe Abid

Number of meetings held during the year 2021: 05

Name	Status	# of Meetings Attended	Non-Executive/ Independent
Ms. Sadaffe Abid	Chairperson	05 out of 05	Independent Director
Mr. Zubyr Soomro*	Member	-	Independent Director
Mr. Arif Usmani**	Member	01 out of 01	President / CEO
Mr. Imam Bakhsh Baloch**	Member	01 out of 01	Independent Director
Mr. Asif Jooma	Member	03 out of 03	Non-Executive Director
Mr. Ahsan Ali Chughtai	Member	03 out of 03	Independent Director
Mr. Muhammad Sohail Rajput**	Member	02 out of 02	Non-Executive Director

*w.e.f December 6, 2021,

**Reconstitution in 317th board meeting held on February 24, 2021.

ToRs of the Committee include the followings:

- i) Advise and report to the NBP Board on the status of development finance activities and initiatives in the Bank.
- ii) 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.
- iii) For the SME Sector, evaluate and recommend policies to promote value chain financing leveraging existing and new corporate relationships.
- iv) 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.
- v) 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.
- vi) 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.
- vii) Receive periodic updates from the Bank staff to monitor all Development Finance related projects approved by the NBP Board.
- viii) Review the Bank's CSR strategy and align it with the Financial Inclusion and Development Finance mandate. Receive periodic updates on the CSR activities.
- ix) 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.
- x) 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.
- xi) Work with the Government of Pakistan and SBP to promote low cost housing and reduce impediments.
- xii) Evaluate and review the existing agriculture financing structure and "Farm-to-Fork" financing.
- xiii) To explore financial intermediation in underserved areas including healthcare.
- xiv) If deemed necessary, the Committee may seek expert opinion from independent sources.

5. Board Technology & Digitalization Committee (BTDC)

Chairman of the Committee: Mr. Farid Malik

Number of meetings held during the year 2021: 06

Name	Status	# of Meetings Attended	Non-Executive/ Independent
Mr. Farid Malik	Chairman	06 out of 06	Independent Director
Mr. Arif Usmani	Member	05 out of 06	President / CEO
Ms. Sadaf Abid	Member	06 out of 06	Independent Director

ToR of the Committee include the followings:

- Advise and respond to NBP Board on the status of technology activities and digital initiatives in the Bank.
- Review overall need of businesses and the resources available to meet these needs.
- Review and recommend IT and Digital strategies and relevant policies before submission to the Board.
- Access technology resources including hardware, software, security and networking are up-to date to meet the requirement on an up-to-date basis.
- 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.
- Review and monitor technology policies and plans such as Strategic Technology Implementation Plan, DR Plan, Cyber-Security Implementation Plan, etc.
- Receive periodic updates from IT steering Committee to monitor all technology-related projects approved by NBP Board.
- Review BCP arrangement; in particular, DR and Backup arrangements in an on-going basis.
- Ensure that technology procurement are aligned with the IT strategy approved by the Board.
- approve terms of reference or any change in the constitution of IT Steering Committee.
- Board ratification of the decisions taken by BTDC, to be subsequently obtained, wherever applicable.
- If deemed necessary, the Committee may seek expert opinion from independent sources.

6. Board International Franchises & Remittance Committee (BIFRC)*

Chairman of the Committee: Mr. Arif Usmani

Number of meetings held during the year 2021: 01 (the Committee was dissolved on February 24, 2021)

Name	Status	# of Meetings Attended	Non-Executive/ Independent
Mr. Arif Usmani	Chairman	01 out of 01	President / CEO
Mr. Tawfiq A. Hussain	Member	01 out of 01	Independent Director

ToRs of the Committee include the followings:

- Addressing concerns and ensuring compliance with all applicable laws and regulatory instructions of the respective host jurisdictions of all international offices.
- Periodically reviewing, monitoring and placing to the BoD the jurisdiction-wise Board-approved strategic plan with well-defined and measurable deliverables.
- Overseeing and regularly evaluating the financial and operational performance of its overseas subsidiary, joint venture operations, and that of overall overseas branch operations. Conducting a thorough variance analysis for subsidiaries, JV and / or branches / jurisdictions.
- 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.
- Reviewing the detailed "Review Report" submitted by the Bank's Management on the financial and operational performance of the Bank's overseas operations in each jurisdiction on a periodic basis (preferably twice a year).
- Reviewing the minutes to remain aware of the issues being faced by overseas subsidiaries as well as evaluating the performance of the overseas subsidiaries' board and taking necessary actions/decisions to address deficiencies.

- vii. Ensuring that comprehensive policies, procedural manuals /SOPs, competent staff and proper system support are put in place in all critical areas of Operations, Risk, Compliance, Audit, HR, etc.
- viii. Ensuring that a proper Human Resource Rotation Policy is developed and implemented in letter and spirit on employees posted at overseas branches / jurisdictions at all hierarchical levels.
- ix. Reviewing a cost benefit analysis of overseas Representative Offices on a periodic basis and shall consider closing those offices that do not provide any net financial benefit to the Bank. In cases where the Bank wants to continue those offices despite the fact that they do not provide any net financial benefit to Bank, proper reasons & justifications will be recorded for such a decision at Board level.
- x. Periodically reviewing;
 - 1) major litigations of overseas operations,
 - 2) host regulator inspection reports and resolution of outstanding critical issues
 - , 3) conflicts of interest (if any) in organizational structure of overseas operations and their removal.
- xi. Reviewing the Bank's performance on Home Remittances vs Industry.
- xii. Reviewing Technology Improvement for Home Remittances.
- xiii. Reviewing strategic expansion plans which includes deployment of resources in key target markets. Resources may include human resources, physical as well as digital infrastructure.
- xiv. Reviewing of plan for revamping, revisiting overseas branches and opening of new specialized branches wherever necessary.

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

Chairman of the Committee: Mr. Tawfiq A. Hussain

Number of meetings held during the year 2021: 05

Name	Status	# of Meetings Attended	Non-Executive/ Independent
Mr. Tawfiq A. Hussain	Chairman	05 out of 05	Independent Director
Mr. Arif Usmani	Member	05 out of 05	President / CEO

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.

Role of the Board of Directors

Good governance is pivotal in helping the business deliver its strategies whilst generating sustainable shareholder value and balancing competing demands of other stakeholders. It revolves around the basic principles of fairness, integrity, transparency and accountability with a prime focus on the role and composition of the Board of Directors.

The Board has an overall responsibility for formulating policies towards the management of business and affairs of the Bank, the establishment of the Bank's strategy, and is accountable to shareholders for financial and operational performance. The Board considers strategic issues and ensures that the Bank manages risks effectively through approving and monitoring the Bank's risk appetite, considering the Bank's stress scenarios and agreed mitigant and identifying longer term strategic threats to the Bank's business operations. The Board's Terms of Reference include key aspects of the Bank's affairs reserved for the Board's decision and are reviewed at least annually. There are a number of areas where the Board has delegated specific responsibilities to its Committees and management, including the Chief Executive Officer. These include the responsibility for the operational management of the Bank's businesses as well as reviewing high level strategic issues and considering risk policies and risk management strategies which are in advance being considered by the Board and/or its Committees. Specific delegated authorities are also in place in relation to business commitments

across the Groups. The Chairman leads the Board and ensures the effective engagement and contribution of all executive and non-executive Directors. The Chief Executive has a responsibility for all Groups' businesses and acts in accordance with authority delegated by the Board. The non-executive Directors combine broad business and commercial experience with independent and objective judgement.

The Chairman is responsible for the leadership of the Board and to ensure that the Board plays an effective role in fulfilling its responsibilities. The Chairman also ensures that:

- The Bank's strategies and policies are aligned with its vision & mission and steer the Bank in the right direction towards achieving its long-term strategic goals and objectives.
- The overall Board, its individual Members and its Committees, discharge their roles efficiently & effectively in line with regulatory requirements.
- Individual members of the Board participate in its meetings and have the opportunity to express their opinion.
- Minutes of the meeting truly reflect what transpired during the meeting and dissent of Directors, if any, is properly recorded in the minutes.

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.

Responsibilities of the Management and the Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of the 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 these 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. The Board of Directors is responsible for overseeing the Bank's financial reporting process.

Directors' Remuneration Policy

Remuneration policy "the 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.

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.

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 "Categories of Shareholders" section of the Annual Report.

Leadership Structure of those charged with Governance

The Bank's operations are governed under the Board of Directors. The Board comprises of non-executive Directors and an executive Director. The Chairman leads the Board. The Directors'

pro-les, describing their experience and education, have been disclosed at the start of this section.

Non-Executive Directors

At present, all Directors on the Board are non-executive except the President/CEO of the Bank. The non-executive Directors provide an outside viewpoint to the Board. They are neither

involved in managing the daily affairs of the Bank, nor are they from the Executive Management Team of the Bank.

Independent Directors

The Board has 6 independent Directors who meet the criteria of independence stipulated under the Companies Act, 2017 and the directives issued by the State Bank of Pakistan. These Directors

play a crucial role in the independent functioning of the Board. They bring in an external and broader perspective to decision-making by the Board.

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.

Directors' Training Programme

The Bank is fully compliant with the Directors' Training requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019. The other Directors, with a minimum of 14 years of education and 15 years of experience on the Board of a listed company, local and/or foreign, stand exempted from the Directors' Training Programme as allowed under Code of Corporate Governance (CCG), 2019. During 2021, the Bank arranged

training for the following Directors:

- Mr. Farid Malik - Independent Director
- Mr. Imam Bakhsh Baloch - Independent Director
- Ms. Sadaf Abid - Independent Director
- Mr. Asif Jooma - Non - Executive Director
- Mr. Ahsan Ali Chughtai - Independent Director

Whistle Blowing / Speak-up Policy

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 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 reprisal, 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 confiden-

tiality 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 Grievances

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).

Covid-19 Response Plan

The COVID-19 pandemic has created a crisis unprecedented in terms of scale, socio-economic and environmental implications. The consequences of this crisis are manifold and of exceptional severity for organizations. The pandemic has created a chaotic situation of uncertainty and confusion about risks to employees, measures and best practices that organizations adopt, stakeholder pressures, government shutdown and recovery plans (health facilities) and potential for new waves of contamination. NBP's initiatives in this pandemic are tremendous and being a socially responsible corporate entity, NBP always ensures health & safety of its employees and takes affirmative action towards their well-being.

Staff Loans & Welfare Wing (SL&WW), Compensation & Benefits Division has taken eloquent steps to counter the effects of COVID-19 crisis since its beginning in early 2020. Now, we have specialized arrangements with the following panel hospitals for the treatment against COVID-19 for NBP employees and their families.

COVID-19 Hospitalization

- Quaid-e-Azam International hospital, Islamabad.
- University of Lahore Teaching Hospital, Lahore
- Najam Hospital, Lahore
- Liaquat National Hospital, Karachi.
- Ziauddin Hospital, Karachi
- OMI hospital, Karachi.
- Altamash Hospital, Karachi.

- Hill Park hospital, Karachi
- Hamdard University Hospital (Taj Medical Complex), Karachi
- Habib medical Centre, Karachi.

In addition to this, Portal was designed in order to facilitate employees to update their vaccination status by themselves.

In compliance of SBP directives for vaccination drive in Public Sector/ State Owned Enterprises, the same were conducted within NBP premises.

Vaccination drives have been conducted at NBP Head Office premises under the auspices of our partner hospital:

Hospital/Lab	Vaccination Drive Date 2021	Total vaccination administered
Hashmani Group of Hospitals	29 th July	203
Hashmani Group of Hospitals	2 nd August	191
Services Hospital, Sindh Government	3 rd August	189
Hashmani Group of Hospitals	31 st August	256
Advanced Laboratories Pvt. Ltd	13 th September	248

The above-mentioned steps taken by SL&WW, C&BD speak for the management's commitment to ensure the well-being of our employees and provision of the best available medical services and we assure our constant efforts for the betterment of our health facilities in future.

Forward Looking Statement

This Annual Report contains statements that are, or may be deemed to be, forward looking statements. These forward looking statements may be identified by the use of forward looking terminology, e.g. "estimate", "plan", "project", "anticipate", "expect", "may", "will", "could", "should" etc., or by discussions of strategy, plans, objectives, targets, goals, future events or intentions.

An indications of, and guidance on, future earnings and financial position and performance are also forward looking statements. Since there are uncertainties related to the occurrence of future events, readers are cautioned not to place undue reliance on such forward looking statements for decision making by the users of the Annual Report. Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Bank, which may cause actual results to differ materially from those expressed or implied in such statements.

Outlook

For the year 2022, real sector growth is being projected in the range of 4-5% with growth expected on all major sectors. External environment continues to remain challenging and uncertain amidst the emerging geopolitical flare-ups. The factors behind in the Current Account deficit in recent months now appear to be alleviating to a degree as imports have started moderating; the country may return to a more sustainable deficit, albeit short-term pressures during 1H'22.

Pakistan's banking sector is expected to continue face some headwinds in the near term. The slower economic growth, rising

interest rates and geopolitical unrest may have some impact on quality of earning assets. Considering the ongoing political distractions and the twin deficit pressures, the socio-economic and regulatory landscape will continue to transform rapidly; hence, further exacerbating the external challenges surrounding our operating environment. Irrespective of such external dependencies and pressures, the Bank is committed to delivering strong results to its stakeholders for the year 2022.

The Bank's strategic plan, centered on the key pillars of customer centricity, digital expansion & transformation and people development, takes into consideration the evolving operating and economic scenario and paves Bank's future road map.

Uncertainties that could affect the Bank's Resource, Revenues and Operations

Forward-looking statements made in the Annual Report are, by nature, subject to certain risks and uncertainties. Major factors that can affect the Bank's resource, revenues and operations are given below:

- Adverse judgements in the HR related litigations as disclosed in Note 25.3.3 of the Financial Statements.
- Any sharp change in the Fiscal and Monetary policy;
- Impact of any flare-ups in the Covid-19;
- Geopolitical unrests across the geographies that we operate in;
- Political stability and Law & Order situation in the country;
- Tax laws and other regulations;
- Emergence of disruptive technologies;
- Risk of cyber-security.

Capital expenditures

Capital expenditure during the year:

The total capital expenditure during 2021 was PKR 2.5 Bn for business expansion, renovation and improvement of IT infrastructure, that mainly includes:

- PKR 260 Mn for software implementation at Hong Kong branch.
- PKR 97 Mn for branches development.
- PKR 39 Mn for penetration testing solution.

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 2016-2021
- 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 PMDU Cell

• The PMDU Cell NBP was established on 15-10-2018 by the PM Office with a vision to promote citizen-centric and participatory governance. The PMDU Cell NBP directly reports to President NBP and PM Office through live dashboards.

• PMDU handles two dashboards i.e. PCP & the product specific Kamyab Jawan.

• As of 31-12-2021, 18,291 complaints were received on President NBP Portal out of which 17,884 stand addressed. Besides, 20,018 complaints received on Kamyab Jawan Portal of which 19,787 were addressed.

• On PCP Portal, 58.53% complainants posted their feedback out of which 47.24% 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 2021, eleven (11) Khuli Kachehri sessions have been conducted as per the given SOPs of PM's Office, wherein, 312 calls have been taken.

• PMDU Cell handles time limit cases as assigned by PM Office as task. Have handled 4 major tasks in this respect within stipulated time frame. This includes:

• Reopened complaints by PM Office / Finance Division

• Task of Facilitation of overseas Pakistanis through establishment of dedicated sections /desk and nomination of officers at ministries/division/attached departments.

• Established minimum required standard of public facilitation at main branches of major cities.

• Task on archiving of old files record, auction of condemn machinery equipment vehicles furniture etc.

Complaint Handling

The Bank manages consumer grievances handling through a centralized Complaints Management Wing. Complaint management is meant to facilitate quick lodgment of customer grievances, SMS acknowledgement of lodged complaints and its resolution on a fast-track basis. Now the complainants can track the status of their lodged complaint in a click at link activated on Bank's web site.

As a result of making visible complaint handling to customers and effective utilization of call center as a source to contact the

Bank 24/7, the Bank received a total of 130,090 complaints (2020: 72036), and managed to maintain a complaint resolution rate of 98.7% (2020: 99.2%). In spite of an increased number of complaints processed, on a comparative node the average complaint responding time has also reduced from 9.8 in 2020 to 8 working days in 2021.

The Bank's Complaint Management Services is based on the following principles:

• Promote a culture that values customer experience with Courtesy

- Fair and efficient resolution of consumer grievances with Impartiality & Transparency
- Every complaint must be resolved within the shortest possible time as per customer satisfaction and prevailing rules.

As a post resolution activity, complaints data is being examined

to identify gaps and areas of improvement besides bringing more 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.

Conflicts 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. The Bank has a meticulous system in place to avoid 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 Bank exercises particular care in monitoring whether or not it

is placed in a position of actual or potential conflicts. In dealing with conflicts of interest, the Bank pays close attention to the:

- Provision of the Companies Act, 2017 and Listed Companies (Code of Corporate Governance) Regulations, 2019;
- SBP's Corporate Governance Regulatory Framework; and
- NBP bye-laws

Managing and monitoring conflicts of interest:

- 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 enters 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 Related Party Transactions Policy, approved by the Board of Directors. This policy aims to ensure that the Bank meets its obligations under:

- The Companies Act, 2017;
- The Banking Companies Ordinance, 1962;

- The Prudential Regulations of State Bank of Pakistan;
- The Listed Companies (Code of Corporate Governance) Regulations 2019
- Pakistan Stock Exchange (PSX) Rule Book; and
- Applicable International Financial Reporting Standards.

Names of related parties, with whom the Bank had entered into transactions or had agreements and/or arrangements in place during the financial year, have been disclosed as part of the Organizational Review section of this Annual Report and Note 45 of the Financial Statements.

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Name of Company: **National Bank of Pakistan (The Bank)**

Year ending: **December 31, 2021**

The Bank has complied with the requirements of the regulations in the manner that in case of any conflict between Code of Corporate Governance Regulations, 2019 (the Regulations) and the Banks (Nationalization) Act, 1974, the provisions of Banks (Nationalization) Act, 1974 have been followed.

1. The total number of directors are 08 as per the following:

a. Male: 07

b. Female: 01

2. The composition of Board is as follows:

The Board of Directors of the Bank are appointed as per the provisions of The Banks (Nationalization) Act, 1974. The President / CEO is the only Executive Director. The remaining Board consists of one non-executive director and six independent directors, including one independent director representing minority shareholders as required by the Code. At year-ended December 31, 2021, the Board comprised of the following directors:

Names		Category
Mr. Zubyr Soomro	Chairman / Independent Director	Chairman appointed by the Federal Government under Section 11(3)(a) of The Banks (Nationalization) Act, 1974.
Mr. Tawfiq A. Hussain	Independent Director	Appointed by the Federal Government under Section 11(3)(a) of The Banks (Nationalization) Act, 1974.
Mr. Imam Bakhsh Baloch	Independent Director	
Ms. Sadaf Abid	Independent Director	
Mr. Ahsan Ali Chughtai	Independent Director	
Mr. Asif Jooma	Non - Executive Director	
Mr. Farid Malik	Independent Director	Director representing Private Shareholders and Minority Interest elected in terms of Section 11(b) of The Banks (Nationalization) Act, 1974.
Mr. Arif Usmani	President / CEO	Appointed by the Federal Government under Section 11(3)(a) of The Banks (Nationalization) Act, 1974.

3. The Government of Pakistan, Finance Division, vide its Notification No.F.1(33) Bkg-III/2018-218 dated February 14, 2022 has extended the term of Mr. Arif Usmani as President / Chief Executive Officer, National Bank of Pakistan, for a period of three months or till the appointment of regular incumbent, whichever is earlier.

4. The Federal Government appointed Mr. Ahsan Ali Chughtai as Director on the Board of the Bank for a term of three (03) years with immediate effect vide GOP, Finance Division, Notification No.F.1 (11) Bkg-III/2017-919 dated June 21, 2021;

5. Dr. Muhammad Sohail Rajput was appointed on the Board by the Federal Government of Pakistan under section 11(3)(a) of The Banks' (Nationalization) Act 1974 when he was Additional Finance Secretary (AFS), Finance Division. However, he was subsequently transferred to another Ministry (i.e., Special Secretary in Ministry of Commerce). Therefore, he resigned from the Bank's Board;

6. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Bank;

7. The Bank has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures;

8. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Bank;

9. All 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;

10. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Companies Act, 2017 and the regulations with respect to frequency, recording and circulating minutes of meeting of the Board;

11. The Board of Directors have a formal policy and transparent procedures for remuneration of Directors in accordance with the SBP BPRD Circular No. 3 dated August 17, 2019, Companies Act, 2017 and these Regulations;

12. The Board has arranged Directors' Training programme for the following:

- i) Mr. Farid Malik - Independent Director
- ii) Mr. Imam Bakhsh Baloch - Independent Director
- iii) Ms. Sadaffe Abid - Independent Director
- iv) Mr. Asif Jooma - Non - Executive Director
- v) Mr. Ahsan Ali Chughtai - Independent Director

13. The Board has approved appointment of Chief Financial Officer and Company Secretary including their remuneration and terms & conditions of employment and complied with relevant requirements of the Regulations. Moreover, Head of Internal Audit was appointed by Board Audit Committee as required in terms of State Bank of Pakistan's BPRD Circular No. 02 of 2019 dated April 3, 2019;

14. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;

15. The Board has formed committees comprising of members given below:

a. Board Audit Committee (BAC)

Names of Directors	Status
Mr. Tawfiq A. Hussain	Chairman
Mr. Asif Jooma	Member
Mr. Imam Bakhsh Baloch	Member

b. Board HR & Remuneration Committee (BHRR)

Names of Directors	Status
Mr. Zubyr Soomro	Chairman
Mr. Farid Malik	Member
Mr. Asif Jooma	Member

c. Board Risk & Compliance Committee (BRCC)

Names of Directors	Status
Mr. Tawfiq A. Hussain	Chairman
Mr. Arif Usmani	Member
Mr. Ahsan Ali Chughtai*	Member
Mr. Imam Bakhsh Baloch	Member

* w.e.f December 6, 2021

d. Board Technology & Digitalization Committee (BTDC)

Names of Directors	Status
Mr. Farid Malik	Chairman
Mr. Arif Usmani	Member
Ms. Sadaffe Abid	Member

e. Board Inclusive Development Committee (BIDC)

Names of Directors	Status
Ms. Sadaffe Abid	Chairperson
Mr. Zubyr Soomro*	Member
Mr. Asif Jooma	Member
Mr. Ahsan Ali Chughtai	Member

* w.e.f December 6, 2021

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

Names of Directors	Status
Mr. Tawfiq A. Hussain	Chairman
Mr. Arif Usmani	Member

g. Board International Franchises and Remittance Committee (BIFRC)

Names of Directors	Status
Mr. Arif Usmani	Chairman
Mr. Tawfiq A. Hussain	Member

* Dissolved in 317th Board Meeting held on February 24, 2021

16. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance;

17. The frequency of meetings of the committees were as per following:

Name of Committee	No. of Meetings held during the year
Board Audit Committee (BAC)	06
Board HR & Remuneration Committee (BHRRC)	06
Board Risk & Compliance Committee (BRCC)	05
Board Technology & Digitalization Committee (BTDC)	06
Board Inclusive Development Committee (BIDC)	05
Board International Franchises and Remittance Committee (BIFRC)	01
NBP – NY Governance Council (Sub-Committee of BIFRC)	05

18. 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;

19. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review program 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;

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Companies Act, 2017, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard; and

21. 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 27(1)(iv), the secretary of the audit committee shall either be the company secretary or head of internal audit. The secretarial role for the Board Audit Committee has been performed by a representative of the Company Secretary.

Yousuf Adil

Chartered Accountants
Cavish Court,
KCHSU Shahrah-e-Faisal
Karachi 75350, Pakistan

A.F Ferguson & Co

Chartered Accountants
State Life Building No. 1-C
I.I Chundrigar Road
P.O. Box 4716
Karachi 74000, Pakistan

Independent Auditors' Review Report

To the members of National Bank of Pakistan

Review report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) and Bank (Nationalization) Act, 1974 prepared by the Board of Directors of National Bank of Pakistan (the Bank) for the year ended December 31, 2021 in accordance with the requirements of Regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Bank. Our responsibility is to review whether the Statement of Compliance reflects the status of the Bank's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. 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 Regulations.

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 Regulations 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. 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.

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 requirements contained in the Regulations as applicable to the Bank for the year ended December 31, 2021.

Further, we highlight below instance of non-compliance with the requirement of the Regulations as reflected in paragraph 21(i) to the Statement of Compliance:

Reference	Description
i. Paragraph 21(i)	The secretarial role for the Board Audit Committee has been performed by a representative of the Company Secretary.

Yousuf Adil

Chartered Accountants

A.F Ferguson & Co

Chartered Accountants

Place: Karachi

Date: February 25, 2021

Statement of Internal Control

Reporting of Internal Control System

The Bank's management has established and is managing system of internal control which encompasses the policies, procedures, processes and tasks as approved by the Board of Directors that facilitate effective and efficient operations. The internal control system comprises of various inter-related components to gauge overall control environment, including 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 effectiveness and efficiency in external and internal reporting, maintenance of proper records and processes, operational loss data base, compliance with applicable laws and regulations and internal policies with respect to conduct of business. The Bank remains cognizant of its responsibility to continuously improve and strengthen its system of internal control on an on-going basis. Recently, the Bank has reached agreements with The Federal Reserve Board and Federal Reserve Bank of New York, and the New York State Department of Financial Services, the US regulators of NBP's New York branch. The agreements include focused on historical compliance program weaknesses and delays in making compliance related enhancements. There were no findings of improper transactions or willful misconduct.

In compliance with SBP directives issued vide OSED circular no.1 of 2014, the Bank has completed the implementation of roadmap regarding Internal Control Over Financial Reporting ("ICFR"). The Long Form report on the assessment of Bank's ICFR for the year 2020 issued by the statutory auditor has been submitted to SBP in compliance with SBP directive. In the year 2021, the Bank engaged external consultants to assist in a scoping and diagnostic exercise for the ICFR program with view to its on-going 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 program objectives.

Evaluation of Internal Controls

Besides the monitoring of the implementation of internal control system at management level, the Bank has an independent Internal Audit function namely Audit & Inspection Group with three Area Audit & Inspection Offices that conduct audit of Branches, Regions and Groups at Head Office on an on-going basis to evaluate the efficiency and effectiveness of internal control system. In addition, an Internal Control function is established under Operation Group for testing & monitoring key controls across operations. Monitoring & QA wing under Compliance group is responsible for testing of controls against "key regulatory requirements" to identify the control weaknesses.

For the year 2021, 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 efficacy of its in-built 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

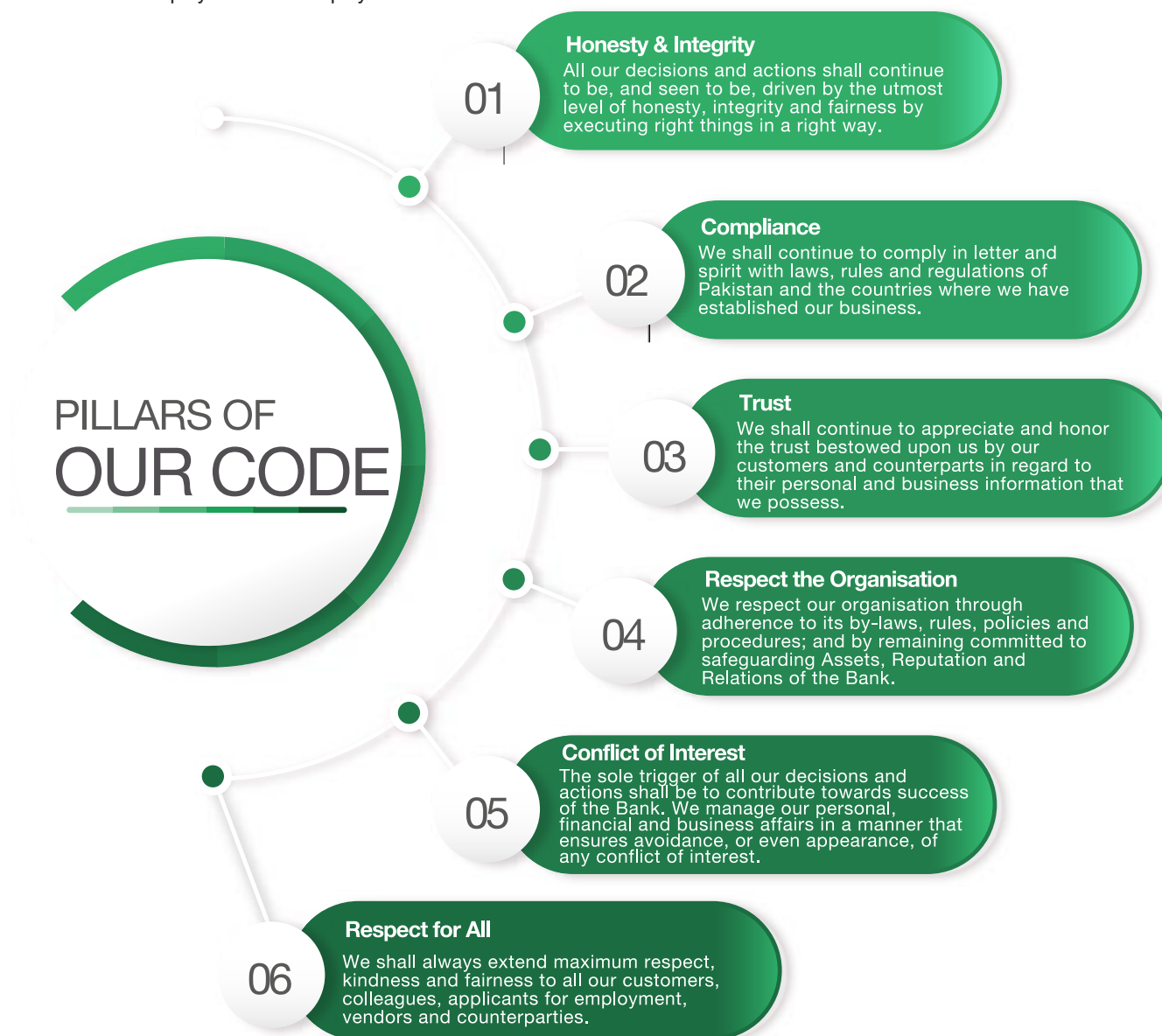
Umair Wasti
Chief Internal Auditor

Stakeholders' Engagement Process

Stakeholders	Why We Focus on Them	What Their Aspirations Are	How We Respond to Their Aspirations	Frequency of Engagement
Customers	Our customers and clients are at the heart of our business.	<ul style="list-style-type: none"> • Customer Service, Security and Privacy • Fair Treatment & Service Quality • Financial Inclusion • Convenience & Affordability of Products • Grievance Handling Mechanism • Financial Education and Literacy 	<ul style="list-style-type: none"> • Visits by Relationship Managers • Complaint Management Centre • Branch Managers • Call Centers • Bank's Website • Media Advertisements • SMS Alerts 	As Required 24/7 As Required 24/7 As Required 24/7 As Required As Required
Shareholders and Analysts	Growing shareholders' value and retaining their trust is the key to our very existence. The financial capital they have provided enables us to continue and grow our business. We are under a fiduciary responsibility to manage their investment with care and diligence.	<ul style="list-style-type: none"> • Financial Position & Performance • Corporate Governance • Transparency & Disclosure • Business Strategy & Growth • Risk Management • Organisational Sustainability 	<ul style="list-style-type: none"> • Annual Reports / AGM • Quarterly Financial Statements • Extraordinary General Meetings • Corporate / Analyst Briefings • Investor Relations Office • Analyst Discussions / Calls • Press Release / Announcement to PSX 	Annual Quarterly As Required At Least Annual As Required As Required As Required
Employees	Our human capital is our most valuable asset. Engaging our people is critical to deliver on our strategy to meet our customers' requirements.	<ul style="list-style-type: none"> • Performance and Reward Management • Training and Development • Career Advancement Opportunities • Work-Life Balance • Retirement Benefit Plans • Perception of a Prosperous Bank 	<ul style="list-style-type: none"> • Groups' Off-Site Conferences • Town Hall Meetings • Training & Development Programs • Internet • Instructions' Circulars / Newslines • Employee Satisfaction Survey 	As Required Frequent On-going On-going As required As required
Government & Regulators	Regulatory compliance is key to ensure consistency and long-term continuity of the process of value creation for our stakeholders.	<ul style="list-style-type: none"> • Regulatory Compliance • Network Expansion & Growth • Microfinance and SME Development • Soundness of the Financial Sector 	<ul style="list-style-type: none"> • On-Site Monitoring / Periodic Returns • Regulatory Directives and Circulars • Meetings and Briefings • Announcements / Press Releases • Consultation on Draft Regulations 	As Specified under Related Laws and Regulations
Community & Environment	We have to be socially responsible to promote financial inclusion and the socio-economic upbringing of the underprivileged people, thus	<ul style="list-style-type: none"> • Responsible and Inclusive Financing • CSR to Community • Financial Inclusion • Environmental Performance • Employment Opportunities 	<ul style="list-style-type: none"> • Branch Network & Delivery Channels • CSR Initiatives • Media Advertisements • Public Events • Bank's Website 	On-going As Required As Required On-going 24/7

Our Ethics & Code of Conduct

It is an obligation on us all 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.



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 the 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.

Dedicating our WINS to our customers



These globally renowned awards go a long way in acknowledging the high quality service NBP's Corporate & Investment Banking Group (CIBG) renders its corporate clients, and highlight the fact that you, our valued client, continue to choose NBP as your preferred and trusted long-term partner and being the most challenging of them. These accolades also demonstrate that NBP's "CIBG Brand" is well recognized and accepted by large corporations and government organizations throughout Pakistan. NBP is proud of its association with you and will endeavor to continue as your preferred partner in our joint venture business.

Asia Pacific's Best
Investment Bank
2021



Best Corporate &
Investment Bank
in Pakistan 2021

ESTIMONEY

Best Corporate
Finance House
2021



Transaction of the
Year 2021



Best Investment
Bank in Pakistan
2021

GLOBAL FINANCE

Best Bank
2021

GLOBAL FINANCE

Corporate &
Investment Bank
of the Year 2021



Corporate Client
Initiative of the
Year 2021



Best Deal of the
Year 2021



Best Project
Infrastructure Deal
of the Year 2021



Best Corporate
Bank 2021



Best
Credit-Sovereign
Bank 2021



Power Deal of the
Year 2021



Project Finance
House of the Year
2021



Best Trade
Finance Bank in
Pakistan 2021

THE ASIAN
BANKER

PHOTO: NBP



UAN 111 607 607 | www.nbp.com.pk



Nation Bank of Pakistan
Nationalized and public sector

Risk Management Overview

RMG, as an integrated group, is comprised of Enterprise Risk Management Group (ERMG), Credit Risk Management Group (CRMG), Retail & Program Lending Group (R&PLG), and Information Security Division (ISD) under the supervision of the Chief Risk Officer (CRO). RMG functions as an independent group reporting directly to the President. Its efforts are to have a focused approach to cater to all material risks that the Bank may be exposed to. These risks are mainly categorized as Credit Risk, which is managed through a well-defined Credit Risk Management Group, including but not limited to credit approvals based on risk appetite framework, risk profiling, well-defined centralized credit approval mechanism, tools/models development and assessment through frameworks and portfolio reviews. Asset Remedial process has also been strengthened through restructuring and integrating with overall risk management, so that, timely and coordinated recovery efforts are taken to address the Non-Performing Loans. Market & Liquidity risk, which is managed through market risk management framework and regular review and monitoring of the investment portfolio by the Bank's Asset Liability Management Committee (ALCO). Operational risk is managed through an Operational Risk Management Framework approved by the BoD. This framework includes aspects related to Governance, OR Strategy, Risk & Control Self-Assessment (RCSA), Key Risk Indicators (KRIs), and Loss Data Management. The information security risk is managed through a well-established information security and cybersecurity framework. Apart from the above-mentioned risks, the Pillar-II risks, and overall integration of risk management in the Bank come under the ambit of Enterprise Risk which is being managed accordingly.

The Bank adopts different 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. RMG acts as a second line of defense in the risk management structure of the Bank, assuming the role of establishing a risk management framework, development of risk tools & systems for effective risk management along with review and reporting of deviations of activities from set standards, to Senior Management and the Board.

The mission of maximizing stakeholders' value through sustainable growth 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 the parameters to achieve effective risk management.

Our Approach towards Risk Management

The Bank applies the Basel framework as a cornerstone of the NBP's risk management framework and capital strategy. The Bank maintains a strong capital, funding, and liquidity position in line with its ongoing commitment to maintaining balance sheet strength. The strength of risk profile management of the Bank stands on the following pillars:

- Identification and assessment of significant material risks to which the Bank is, or, maybe exposed to
- Overseeing and managing the risk profile of the Bank within the context of the risk appetite
- Ensure the business profile and plans of the bank are consistent with the risk appetite
- Optimize risk/return decisions by aligning them to the business objective of achieving sustainable optimum growth
- Manage the risk profile of the Bank to ensure that specific financial deliverables remain achievable under a range of emergent business conditions.

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.

Identify & Assess: All business groups are responsible for risk recognition & assessment and development of controls in their respective areas of operation. As part of the risk assessment process, the groups ensure that not only the relevant risks are identified but their implications are considered, and the basis provided for managing and measuring (as far as possible) the risks.

Respond: The Risk Management Group ensures that effective controls are in place to mitigate each of the identified risks considering its impact and likelihood and such controls are reviewed regularly to appropriately address any new risk or risk not managed well previously. The results of risk assessment are reviewed at various levels within the Bank including Enterprise Risk Committee (ERC) with summary assessments shared with the Board Risk & Compliance Committee.

Monitor: Once the principal risks have been identified and

measured, and mitigating controls have been put in place, progress towards objectives is tracked continuously. At NBP, risk monitoring is a proactive and ongoing process that may prompt a re-evaluation of the risks and/or changes in mitigating responses. It includes ensuring the risks are maintained within the overall risk appetite and checking that risk controls are functioning effectively without jeopardizing the value creation objective of the Bank.

Risk Governance Structure

The Board is responsible to ensure active oversight over the implementation of policies and frameworks 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. BRCC and the senior management along with its relevant committees i.e. Management Credit Committee, ERC, ALCO, etc. are responsible to ensure formulation and implementation of a comprehensive risk management framework through its committees.

Board Risk & Compliance Committee (BRCC)

BRCC is an independent committee of the Board of Directors which plays a vital role in improving the risk culture in NBP through active reviews of ICAAP, Risk Appetite, Stress testing, Credit & Investment portfolio, Risk Management Frameworks / Policies, Operational Risk events, and other risk management reports / MIS.

Enterprise Risk Committee (ERC)

ERC is a senior management body mainly covering risks from an overall perspective of strategy, policy/framework development, assessment measurement tools, MIS framework, and Basel framework implementation, whereas routine aspects in relation to such risks shall be managed by the RMG. ERC has representation from various business and support groups.

Management Credit Committee (MCC)

MCC is a senior management committee that is responsible for the approval/review of credit exposures, counterparty/borrower limits, as per the Credit Approval Authority Booklet (CAAB)/ delegated by the Board.

Risk Management Framework Implementation

The Bank implements a 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.

The First Line of Defence: Business groups have primary responsibility for identifying, measuring, and controlling the risks within their areas of accountability. They are required to implement effective procedures and controls to ensure compliance with the related policy requirements, to maintain appropriate risk management skills, and to act within defined parameters as a set and approved by the Board.

The Second Line of Defence: Risk Management and the Compliance functions in the Bank oversee and independently challenge the effectiveness of risk management actions taken by business groups. The recommendations are escalated to the Board Risk & Compliance Committee for deliberation and decision-making.

The Third Line of Defence: Board Audit Committee and Audit & Inspection Group provide independent, objective assurance and consulting activity designed to add value and improve risk management functions of the Bank. A&IG helps the Bank accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Shariah Board

Mufti Ehsan Waquar

Chairman Shariah Board

Mufti 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, 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), 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 knowledge of 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 conducts 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, Faysal Bank, Takaful Pakistan Limited (2005-2014) and Alfalah GHP Islamic Fund (2007-2014).

Dr. Aazami has more than 22 years of research experience related to Islamic Finance and other Shari'ah 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 include Takhas-us-fil-Fiqh, Masters in Islamic Banking & Finance, 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 more than 11 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

Shariah Board

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), Takhas-sus 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 12 & 6 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 6 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), Takhas-sus 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 five 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 - 2021

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, 2021.

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 Shari'ah principles at all times, we are required to submit a report on the overall Shari'ah compliance environment of NBP – Aitemaad Islamic Banking.

To form our opinion as expressed in this report, the Shari'ah 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 Shari'ah 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 noncompliance 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. This year, SCD enhanced the checklist based on their field functionaries' experiences. Further, in order to assess staffs' level of Islamic Banking & Finance understanding, SCD has upgraded the assessment papers.

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. 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 Ninety-Two Thousand (Rs.92,000/-) was collected on account of late payments and deposited in the Charity account and charity amounting Rupees Six Hundred Fifty Thousand (Rs.650,000/-) was disbursed to charitable institutions.

Charity Fund – 2021

	Rupees in '000
Opening Balance	621
Received from customers on account of delayed payment including profit on charity saving account	93
Payments / utilization during the period	650
Closing Balance	64

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 on monthly basis has reviewed the profit distribution. 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 34 in house training sessions on different topics of Islamic Banking basic concepts, products and services, and customer services where two hundred and twenty seven (227) staff were trained during the year.

Along with Islamic Banking staffs' training, the bank arranged 08 session on basic Islamic Banking and Finance topic for the staff of Islamic Banking Windows in conventional branches where 176 staff were trained during the year. The Bank in co-ordination with SCD, has arranged 02 awareness sessions for the customers in different regions as part of its Islamic Banking promotion activities.

For addressing public queries related to Shariah and Islamic Banking, the Bank is managing an “ask Shariah” portal i.e. 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. Provision of adequate resources to Shariah Compliance Department (SCD)

SCD, in order to operate with reasonable head counts, has initiated requisition request for replacement of the staff resigned. SCD shall anticipate future requirement for the future windows operation and inform the management with the same, if any.

Other Developments

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

The Shariah Compliance Department has conducted review of 149 deposit branches, 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 189 dedicated Islamic banking branches. NBP has initiated the process to open Islamic Banking Windows in selected conventional branches targeting the greater reach of Islamic Banking.

iii. Product Development

Alhamdulillah, in 2021, NBP Aitemaad Islamic Banking has introduced following Products & Services;

PayPak Debit Card

Foree Remittance Account

Hamsafar Auto Finance

Dividend Payment with SBP Micro Payment Gateway (Raast)

Issuance of Debit Card & Cheque Book through Call Center

IBT and IBFT through ATM

Enhanced Key Fact Statement for Deposit Products

NBP Aitemaad has diversified range of products as it is offering fifteen (15) Deposit products and Seven (07) financing products for its valued Customers.

iv. Asset Review

The overall earning assets of NBP Aitemaad have increased by 15.2% amounting PKR 91.8billion in comparison with PKR 79.7 billion of previous year. Total Financing has reached at PKR 42.3 billion with an increase of 12.8% maintaining NBP Aitemaad’s Finance to Deposit Ratio rounding to 51%. Total Investments including Bai Muajjal stood at PKR 49.6 billion in comparison with PKR 42.1 billion preceding year with an increase of 17.8%.

v. Liability Review

Aitemaad total deposits have increased by 12.7% to PKR 84.8 billion in comparison with PKR 75.3 billion last year.

vi. Shariah Board Meetings

SB has conducted five (05) meetings during the year. Major SB approvals are summarized as below;

- | | |
|--|--|
| • Islamic Banking Window Policy, SOP & Training Plan | • Islamic Export Refinance Scheme (IERS)–Policy & Manual |
| • Policy on Sale of Third-Party Products | • Pay Pak Debit Card Manual |
| • Financing Products Policy | • Musawamah Manual |
| • Shariah Non-Compliance Risk (SNCR) Policy / Framework | • Salam Manual - Revised |
| • Islamic Treasury Policy – Revised | • Istisna Manual - Revised |
| • Pool Management Policy - Revised | • Tijarat Manual - Revised |
| • Financial Consumer Protection Framework (FCPF)/ Fair Treatment to Consumers (FTC) Policy - Revised | • Murabaha Manual - Revised |
| • Islamic Scheme for Long Term Finance Facility (ILTFF)-Policy & Manual Revised | • Ijarah Manual - Revised |
| | • DM Manual – Revised |
| | • Standard Procedure Manuals (SPMs) of Operations |

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. The Board of Directors had approved the Shariah Compliant Staff Financing policy back in Oct 2020 while its implementation is still pending.

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 اصرار كما حملته على الذين 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.

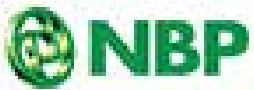
Mufti Ehsan Waquar
Chairman Shariah Board
NBP – Aitemaad

Mufti Sajjad Ashraf Usmani
Shariah Board Member
NBP – Aitemaad

Dr. Mufti Khalil Aazami
Shariah Board Member
NBP – Aitemaad

Mufti Muhammad Ahmad
Shariah Board Member
NBP – Aitemaad

Mufti Muhammad Imran
Resident Shariah Board Member
NBP – Aitemaad



**WE ARE ONE
UNDER ONE FLAG**

Celebrating
INDEPENDENCE DAY
14th August



vi سال 2021 میں شریعہ بورڈ کے اجتماعات (میٹنگز)

سال 2021 میں شریعہ بورڈ کی کل (5) میٹنگز منعقد ہوئیں۔ ان میں اہم منظور شدہ امور درج ذیل ہیں:

اسلامک ونڈوز پالیسی، ٹریننگ پلان اور ایس او پی (SOP)	آپریشن سے متعلق اسٹینڈرڈ پروسیجر (SPMs) مینول
شریعیہ نان کمپلائنس ریک (SNCR) پالیسی / فریم ورک	تھرڈ پارٹی کے خدمات کی فروختگی سے متعلق پالیسی
پے پاک ڈیٹ کارڈ مینول	اسلامک ٹریڈری پالیسی - (ترمیم)
مساومہ مینول	پول مینجمنٹ پالیسی - (ترمیم)
سلم مینول - (ترمیم)	فائنانشل کنزیومر پروٹیکشن فریم ورک (FCPF) /
استصناع مینول - (ترمیم)	فینڈ ٹیمٹ ٹو کنزیومر پالیسی (FTC) - (ترمیم)
حجرات مینول - (ترمیم)	اسلامک اسکیم فار لونگ ٹرم فنانس فیسلٹی (ILTF) پالیسی اور مینول - (ترمیم)
مراجہ مینول - (ترمیم)	اسلامک ایکسپورٹ ری فنانس اسکیم (IERS) - پالیسی اور مینول
اجارہ مینول - (ترمیم)	سرمایہ کاری خدمات کی پالیسی
(شرکت متناقصہ مینول - (ترمیم)	

سفارشات

بینک کے لیے ہماری سفارشات درج ذیل ہیں

- ۱۔ بینک نے پول مینجمنٹ سسٹم کے ڈیپازٹ والے حصے کو مکمل طور پر خود کار بنادیا ہے تاہم تعمیل و سرمایہ کاری والے حصے کو خود کار بنانا ابھی باقی ہے۔
- ۲۔ لنن بی پی کے عملے کے لیے اثاثہ فنانسنگ پالیسی کے شرعی اصولوں کے مطابق نفاذ کو یقینی بنایا جائے کیونکہ اس پر عمل درآمد طویل عرصے سے التواء کا شکار ہے حالانکہ بورڈ آف ڈائریکٹرز نے سال 2020 اکتوبر میں بینک کے اثاثہ کے لیے شرعی اصولوں پر مبنی اثاثہ فنانسنگ پالیسی کی منظوری دے دی ہے۔
- ۳۔ ایک جامع اسلامک بینکنگ ٹریننگ پالیسی کے نفاذ کو یقینی بنایا جائے، جو بینک کے عملے 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 اصرار كما حملته على الذين من قبلنا
ربنا ولا تحملنا ما لا طاقة لنا به 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 سجاد عثمانی
ممبر شریعہ بورڈ
این بی پی اعتماد

مفتی محمد احمد خان
ممبر شریعہ بورڈ
این بی پی اعتماد

مفتی محمد عمران
ریزیڈنٹ شریعہ بورڈ ممبر
این بی پی اعتماد

مفتی احسان وقار احمد
چیئرمین شریعہ بورڈ
این بی پی اعتماد

ڈاکٹر مفتی خلیل احمد اعظمی
ممبر شریعہ بورڈ
این بی پی اعتماد

۵۔ نفع اور نقصان کی تقسیم اور پول مینجمنٹ

اعتماد اسلامک بینکنگ کے پاس پول مینجمنٹ کا باقاعدہ ڈسک، 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۔ اس کے ساتھ ساتھ شریعہ کمپلائنس ڈپارٹمنٹ نفع کی قبل از تقسیم اور پول مینجمنٹ کا ماہانہ بنیادوں پر جائزہ لیتا رہا ہے۔ اسی طرح تقسیم کے بعد سہ ماہی بنیادوں پر پول مینجمنٹ کا انٹرل شریعہ آڈٹ بھی ہوتا ہے۔ ان تمام انضباطی پرتوں سے پول مینجمنٹ معاملات اور نفع کی تقسیم کار کے نظام میں اصلاح ہوتی ہے۔

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

بینک نے مختلف تربیتی پروگرام برائے اسلامی بینکاری و سرمایہ کاری کے ترتیب دیے تاکہ عملے کو اسلامی بینکاری اور سرمایہ کاری کے بنیادی تصورات، مصنوعات (پراڈکٹس) اور کمفٹ سروسز سے متعلق آگاہی فراہم کی جاسکے۔ الحمد للہ! دوران سال عملے کے لیے اس نوعیت کے 34 پروگرام منعقد کئے گئے جن کے ذریعے عملے کے 227 افراد کو تربیت فراہم کی گئی۔ علاوہ ازیں، دوران سال متوقع اسلامی بینکاری وٹڈو کے لیے منتخب شدہ مروجہ بینکاری برانچوں کے 176 عملے کو 08 تربیتی پروگراموں کے ذریعے اسلامی بینکاری اور سرمایہ کاری کی باقاعدہ تربیت فراہم کی گئی۔ بینک نے شریعہ کمپلائنس ڈپارٹمنٹ کے اشتراک سے مختلف اضلاع میں اسلامک بینکنگ کی ترویج و ترقی سے متعلق عوام کے لیے 2 آگاہی پروگرامز کا انعقاد کیا۔ بینک کے عملے اور صارفین کے سوالات کا جواب دینے کے لیے ایک پورٹل askshariah@nbp.com.pk "ASKSHARIAH" کے نام سے موجود ہے۔ یہ ایک ایسا پلیٹ فارم ہے جس کے ذریعے بینک کا عملہ اپنے روزمرہ کے کاموں میں شرعی رہنمائی حاصل کرتا رہتا ہے جبکہ یہ پلیٹ فارم عملے اور صارفین کے لیے اسلامک بینکنگ میں آگاہی و تربیت کا ذریعہ بھی ہے۔

۷۔ شریعہ کمپلائنس ڈپارٹمنٹ میں مناسب افرادک وسائل

شریعیہ کمپلائنس ڈپارٹمنٹ کے امور کو بہتر انداز میں مناسب افراد کی قوت کے ساتھ اپنی خدمات سرانجام دینے کے لیے، مستعفی ہونے والے عملے کے متبادل کے طور پر نئے افراد کی تعیناتی کے لیے درخواست کی جا چکی ہے، بہر حال مستقبل میں منتخب شدہ مروجہ بینکاری برانچوں اسلامی بینکاری وٹڈو کی ضرورتوں کے پیش نظر اگر شریعہ کمپلائنس ڈپارٹمنٹ میں افرادی قوت میں اضافہ ضروری ہوا تو مینجمنٹ کو آگاہ کر دیا جائے گا۔

۸۔ دیگر سرگرمیاں

i۔ اسلامک بینکنگ برانچز اور ڈپارٹمنٹس کا شرعی جائزہ

شریعیہ کمپلائنس ڈپارٹمنٹ نے دوران سال اعتماد اسلامک بینکنگ کی 149 ڈپازٹ برانچز کا جائزہ لیا ہے۔ اس کے ساتھ اعتماد ٹریڈری اور فنانسنگ پورٹ فولیو کا بھی نمونے کی بنیاد پر باقاعدہ اور مکمل شرعی جائزہ لیا گیا۔ شریعیہ کمپلائنس نے مختلف تفسیری مہم اور سرگرمیوں کا بھی جائزہ لیا تاکہ شرعی ہدایات کی پاسداری کو یقینی بنایا جاسکے۔

ii۔ برانچ نیٹ ورک اور توسیع

الحمد للہ! اسن بی پی اعتماد اسلامک بینکنگ کا برانچ نیٹ ورک 189 مخصوص برانچز تک پہنچ گیا ہے۔ اسن بی پی کی منتخب شدہ مروجہ بینکاری برانچز میں اسلامی بینکاری وٹڈو کو کھولنے کا ارادہ رکھتا ہے، تاکہ اسلامی بینکاری کا دائرہ کار مزید وسیع کیا جاسکے۔

iii۔ مصنوعات سازی (پراڈکٹ ڈیولپمنٹ)

الحمد للہ! سال 2021 میں اسن بی پی اعتماد اسلامک بینکنگ نے درج ذیل خدمات و سہولیات کو متعارف کروایا :

ڈیٹ کارڈ اور چیک بک کا اجراء بذریعہ کال سینٹر	پے پاک ڈیٹ کارڈ
برانچز اور بینکوں کے مابین رقم کی منتقلی (IBT/ IBFT) بذریعہ اسے ٹی ایم	فوری ریمیٹنس اکاؤنٹ
کی فیکٹ اسسٹمنٹ (KFS) میں بہتری، ڈپازٹ مصنوعات کے لئے	مسافر آؤ فنانس
	ڈیویڈنٹ کی ادائیگی بذریعہ اس پی مائیکرو پیمنٹ گیٹ وے (Raast)

اس کے ساتھ ساتھ اب اسن بی پی اعتماد اپنے قابل قدر صارفین کے لیے بہتر حد تک مصنوعات فراہم کر رہا ہے، جو کہ 15 ڈپازٹ اور 7 سرمایہ کاری مصنوعات پر مشتمل ہے۔

iv۔ سرمایہ کاری کا جائزہ

اسن بی پی اعتماد کے کمانے والے مجموعی اثاثے گزشتہ سال کے مقابلے میں 15.2 فیصد کی شرح سے اضافے کے بعد تقریباً 91.8 بلین روپے تک پہنچ چکے ہیں جو پچھلے سال 79.7 بلین تھے۔ اسلامک فنانسنگ 12.8 فیصد کے اضافے کے ساتھ تقریباً 42.3 بلین تک پہنچ چکی ہے جس کی وجہ سے اعتماد اسلامک بینکنگ گروپ کا فنانس ڈپازٹ کا تناسب 51 فیصد ہو گیا ہے۔ اس سال 8.17 فیصد اضافہ کے ساتھ سرمایہ کاری کا حجم بشمول بیع مؤجل تقریباً 49.6 بلین رہا جو کہ پچھلے سال 42.1 بلین تھا۔

v۔ کھاتہ جات (ڈپازٹس) کا جائزہ

اسن بی پی اعتماد کا ڈپازٹ اس سال تقریباً 84.8 بلین روپے رہا جو پچھلے سال کے 75.3 بلین روپوں کے مقابلے میں 12.7 فیصد کی شرح سے اضافہ ہے۔

این بی پی اعتماد شریعہ بورڈ سالانہ رپورٹ – 2021

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 (شریعت) کیپلائنس 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 شریعہ بورڈ 31 دسمبر 2021ء تک بینک میں شرعی احکام کی تعمیل کے لحاظ سے عمومی صورتحال کا جائزہ لے چکے ہیں، جس کا خلاصہ پیش خدمت ہے۔

شریعت 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 عملہ امور مکمل طور پر شرعی اصولوں کے مطابق انجام پا رہے ہیں، جبکہ ہمارے (شریعت بورڈ) ذمہ این بی پی اعتماد کی شرعی احکام کی تعمیل (کیپلائنس) کے حوالے سے صورتحال کا ایک مکمل تجزیہ (رپورٹ) پیش کرنا ہے۔

رپورٹ میں ذکر کردہ رائے قائم کرنے کے لیے بینک کے شریعت کیپلائنس ڈپارٹمنٹ نے ہر قسم کے معاہدات، اس سے متعلق دستاویزات اور طریقہ کار میں سے چند بطور نمونے کے منتخب کئے اور ان کا تفصیلی جائزہ لیا ہے۔ مزید یہ کہ ہم نے انٹرنل / ایکسٹرنل شریعت آڈٹ کی رپورٹس کا بھی جائزہ لیا ہے، جس کی بنیاد پر ہماری رائے یہ ہے

۱ شریعت بورڈ کی جانب سے جاری کردہ احکامات پر بینک کی تعمیل (کیپلائنس)

این بی پی اعتماد کی مجموعی صورت حال، مصنوعات، معاہدات اور معاملات شریعت 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 (کیپلائنس)

میں نے اس بات کی یقین دہانی کے لیے کہ غیر شرعی امور پر کسی قسم کا تراج نہ برتا جائے، سالانہ جائزہ کارکردگی (Appraisal) میں عدم تراج کی پالیسی (Zero Tolerance) کو اہم امور کے طور پر اسٹاف کے سالانہ کارکردگی کے جائزہ کے نظام میں بطور (KPI) کے باقاعدہ شمار کر لیا ہے۔

۳ شریعت کی تعمیل (کیپلائنس) کا طریقہ کار

الحمد للہ! این بی پی اعتماد کے پاس ایک جامع اور مکمل شریعت کیپلائنس پالیسی موجود ہے شریعت کیپلائنس ڈپارٹمنٹ نے وقتاً فوقتاً حاصل ہونے والے تجربات کو مد نظر رکھتے ہوئے چیک لسٹیں اس سال مزید بہتر کی ہیں۔ مزید برآں، بینک کے عملے کی اسلامک بینکنگ اینڈ فنانس کے حوالے سے معلومات کو جانچنے کے لیے شریعت کیپلائنس ڈپارٹمنٹ نے ٹیسٹ پیپرز کو مزید بہتر انداز میں مرتب 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 شریعت بورڈ اور بورڈ آف ڈائریکٹرز سے منظور شدہ ہے۔ معمولی معاملات کا شریعت کیپلائنس ڈیپلو اور انٹرنل شریعت آڈٹ بھی انجام دیا گیا ہے۔ مزید برآں آمدنی کے تمام دوسرے ذرائع بشمول سرمایہ کاری اور ٹریڈی 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 بیانوں سے ہزار (92,000) روپے چیرٹی وصول کئے گئے ہیں اور چیرٹی اکاؤنٹ میں ڈپازٹ بھی کردئے گئے ہیں جبکہ اس سال چھ لاکھ پچاس ہزار (650,000) روپے کی چیرٹی چیرٹی پالیسی کے مطابق رفاہی اداروں کو دے دی گئی ہے

رقم '000 میں

چیرٹی فنڈ 2021

۶۲۱	ابتدائی بیننس
۹۳	دوران سال تاخیر سے ادائیگی کی بناء پر وصول کی جانے والی رقم بشمول چیرٹی سیونگ اکاؤنٹ کا نفع
۶۵۰	دوران سال چیرٹی کی مد میں کی جانے والی ادائیگیاں
۶۳	اختتامی بیننس

۵۔ شیخ رحمہ اللہ کا یہاں کسی تقریب کے لئے درج ذیل ہدایات پر عمل کرنا تھا

- [illegible]

2۔ ی ایم اے آئی سی اور آئی پی اے میں کی ضرورت ہے:

گنبد (۱) خلیج چٹائی آب (۲) گولڈنولہ ۲۰۱۷، سہ ماہی، آر ۲۷۵ (۱) ۲۰۱۶، سہ ماہی، آر ۳۱، تاریخ ۲۰۱۶ کوئٹہ، ایل سی بی کی طرف سے جاری کردہ مخصوص کے مطابق، نقد مبالغہ کی وجہ سے صرف بن بنڈر ہو کر دکھائی جائے گی کی جیسوں کے اپنے CNIC/NIICP/کے سیدت (۳) خزانہ کے معاملے میں، (۴) NTN/کے کارپوریشن کے اداروں کے معاملے میں (۵) ملزمین کے اقارویہ چیک (۶) ادا (۷) "BAN" کی اور سے تصدیق کے فراہم کی جی۔

۵۔ مہتمم کی موت

یاد کر مونت کریچ کی ایف بی آئی کی وجہ سے اس نے "جنگل" کے نام سے ایک فلم (ATL) کی بنیاد پر ایک نیا ٹیکسٹ لکھنے کی کوشش کی تھی۔

- 1۔ لحال نگہیں وہ جہان کی طور سے میں ظاہر ہونے والے طور پر 15%
- 2۔ لحال نگہیں وہ جہان کی طور سے میں ظاہر ہونے والے طور پر 30%

حضورِ اعلیٰ کی فیضانِ باریکی صورت میں جس کے نام اصغر (اکبر ولی ہے) کے مطابق گیس کا تہ لپا ہوا ہے۔ صورت دیگر اس کی فیضانِ باریکی کو سہاوی کہا جاتا ہے۔

٤. الجذر الكبري (المعظم)

کینیڈا میں 2017 کے بجٹ کی 242 قیمت تمام درجہ کھپانوں کے لیے کوڑی ہے کہ وہ اپنے مشترکہ طور پر کوڈنگ اور ایک ذرائع کے ذریعے درآمد اساتذہ مشترکہ طور پر کے ساتھ کردار و یک اکاؤنٹ میں نظر آئے ہیں اور اگر کیا۔

[illegible][illegible]

5۔ ایچ 2 کو 2 کی گولی

ذکر ۱۶ کو ۱۱۰۰ مقرر قوانین کے تحت حصص کی علاوہ قیمت کے 2.5% کی شرح سے منافع سے کوئی حصہ نہ ملے گا اور اسے مندرجہ ذیل کے حصص یافتہ افراد کے حصص کی رقم کا حصہ بنے گا۔

6۔ غیر ہوائی شعلہ و مائع مقرر۔

[illegible]

7۔ سہ ماہی کو کھانوں کی ضرورتیں کیل کرکلیں۔

[illegible]

۵۔ ایک اعلیٰ درجہ میں فرائض شہزاد و پادشاہی

[illegible]

9۔ ملک کی ایب سائنٹ برائٹ شعور مانتی گمشواروں کی دستگیری

ریجنس نے 31 دسمبر 2021 کو رقم وصولی کے 15 سال کے اثبات شروع سالانہ مالیاتی گولڈاویس کے ساتھ ایگزیکٹو ریجنس، ڈائریکٹر ریجنس اور فیڈریشن کی جانوروں ریجنس ایلی میپ سٹافک

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Notice of 73RD Annual General Meeting

Notice is hereby given that 73rd Annual General Meeting (“AGM”) of National Bank of Pakistan (the “Bank”) will be held on Wednesday, March 30, 2022 at 10:00 A.M. (PST) physically and through electronic means.

Physical gathering of the shareholders shall be held at Ballroom–C 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:

1. To confirm minutes of the Annual General Meeting (AGM) of Shareholders held on March 29, 2021, through electronic means.
2. 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, 2021, together with the Directors’ Report, Auditors’ Report and Chairman’s Review Report thereon.
3. To appoint auditors for the year ending December 31, 2022, and fix their remuneration. The Board of Directors has recommended re-appointment of Messrs PwC A.F. Ferguson & Co., Chartered Accountants and Messrs Yousaf Adil, Chartered Accountants, to be the auditors of the Bank for the year ending December 31, 2022.
4. To consider and approve cash dividend at Rs.1.00 per share, i.e., 10% as recommended by the Board of Directors for the year ended December 31, 2021 (subject to approvals of Government of Pakistan under Section-17 of The Banks’ Nationalization Act, 1974 and State Bank of Pakistan).

Special Business:

5. To consider and approve the remuneration of Mr. Arif Usmani, President/CEO of the Bank for a period of three months (Government of Pakistan has extended the term of the President vide Notification No. F.1(33)Bkg-III/2018-218 dated February 14, 2022, for three months or till the appointment of a regular incumbent, whichever is earlier), on existing pay package (approved by the shareholders in 70th AGM held on March 28, 2019).
6. To transact any other business with permission of the Chairman.

Karachi

Dated: March 09, 2022

By Order of the Board

Sd/-

S.M. Ali Zamin
Secretary (Board)

NOTES:

The Share Transfer Books of the Bank shall remain closed from March 24, 2022 to March 30, 2022 (both days inclusive). Transfers received at Messrs. CDC Share Registrar Services Limited, CDC House 99-B, Block “B”, SMCHS, Main Shahra-e-Faisal, Karachi – 74400, the Bank’s Share Registrar and Transfer Agent, at the close of business on March 22, 2022 will be treated in time for the purpose of attending the meeting and any other entitlement.

1. PARTICIPATION IN ANNUAL GENERAL MEETING:

In the wake of prevalent Covid-19 pandemic situation and in the light of relevant guidelines issued by Securities and Exchange Commission of Pakistan (“SECP”) vide Circular No. 04 of 2021 dated February 15, 2021, and Letter No. SMD/SE/2(20)/2021/117 dated December 15, 2021, the members are encouraged to participate in the AGM through an electronic facility organized by the listed company.

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 upto March 29, 2022 till 05:00 P.M. at cdcsr@cdcsrsl.com and they are requested to provide the information as per below format:

Serial No.	Folio Number / CDC Account #	Name of the Shareholder	CNIC #	Cell #	E-mail Address

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 09:30 A.M. on March 30, 2022 enabling the participants to join the proceedings after identification and verification process before joining the meeting, which will start at 10:00 A.M. sharp.

b) Attending Meeting Physically

Arrangements for physical gathering of shareholders have been made at Ballroom-C Mövenpick Hotel, Club Road, Karachi.

c) Attending Meeting through Proxies

I. 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 proxy.

II. The proxy instrument must be complete in all respect and in order to be effective should be deposited at Office of the 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.

III. For attending the meeting through electronic means (Zoom), proxy form shall be submitted along with proxy holders' email address and mobile number.

IV. 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:

i) 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 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 must be mentioned on the form.

b) Attested copy of CNIC or the Passport of the beneficial owner(s) and of the proxy shall be furnished with the proxy form.

ii) 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 available on NBP [website www.nbp.com.pk](http://www.nbp.com.pk))

• Members 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.

2. REQUIREMENT OF VALID CNIC AND IBAN:

As per requirements of the Companies (Distribution of Dividends) Regulations, 2017 and SRO 275 (1)/2016 dated March 31, 2016 issued by the SECP, the payment of cash dividend shall only be made to the shareholders who have provided copies of their valid CNIC/NICOP/Passport (in case of individuals) and NTN (in case of corporate entities) and valid details of designated International Bank Account Number ("IBAN").

3. DEDUCTION OF WITHHOLDING TAX:

Please note that the withholding tax will be deducted at the following rate based on "Active Taxpayer List" (ATL) available at FBR website:

- | | |
|---|------|
| 1. Persons appearing in Active Taxpayer List: | 15% |
| 2. Persons not appearing in Active Taxpayer List: | 30%. |

Further, in case of joint shareholders, tax will be deducted as per their ratio/share (if any) intimated by the same to the Bank's Share Registrar, otherwise, their shareholding will be treated as equal.

4. ELECTRONIC DIVIDEND MANDATE:

Under Section-242 of the Companies Act, 2017, it is mandatory for all listed companies to pay cash dividend to their shareholders through electronic mode directly in the bank account designated by the entitled shareholders.

In order to receive dividend directly into their bank account, shareholders are requested (if not already provided) to fill in Bank Mandate Form for Electronic Credit of Cash Dividend available on the Bank's website and send it duly signed along with a copy of valid CNIC to the Share Registrar, CDC Share Registrar Services Limited, CDC House 99-B, Block 'B', Sindhi Muslim Cooperative Housing Society (S.M.C.H.S), Main Shahra-e-Faisal, Karachi - 74400, in case of physical shares.

In case of shares held in CDC, Electronic Dividend Mandate Form must be directly submitted to the shareholder's broker/participant/CDC account services.

In case of non-receipt of information, the Bank will be constrained to withhold payment of dividend to shareholders.

5. DEDUCTION OF ZAKAT ON DIVIDEND ISSUE:

Zakat will be deducted from the dividends at source at the rate of 2.5% of the paid-up value of the shares (Rs. 10/- each) under Zakat & Ushr Laws and will be deposited within the prescribed period with the relevant authority. Please submit your Zakat Declaration Form (CZ-50) under Zakat & Ushr Ordinance 1980 and Zakat (Collection & Refund) Rules, 1981 to the Bank's Share Registrar. Shareholders who hold shares with participants / CDC are advised to provide the above Form through the concerned brokers / CDC.

6. UNCLAIMED DIVIDEND:

As per the provision of Section-244 of the Companies Act, 2017, any shares issued or dividend declared by the Bank which have remained unclaimed / unpaid for a period of three (03) years from the date on which it was due and payable are required to be deposited with SECP for the credit of Federal Government after issuance of notices to the shareholders to file their claim. Shareholders are requested to lodge their claims for unclaimed cash dividends/ bonus shares kept with the Share Registrar and Transfer Agent of the Bank, on the address given above.

7. 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 which is available at the Bank's website i.e., www.nbp.com.pk and send the said form duly filled in and signed along with copy of his/her CNIC/Passport to the Bank's Share Registrar. Please note that giving email address for receiving of 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.

8. DEPOSIT / 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 requirement of 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.

9. AVAILABILITY OF AUDITED FINANCIAL STATEMENTS ON BANK'S WEBSITE

The Bank has placed the Audited Annual Financial Statements for the year ended December 31, 2021 along with Auditors' Report and Directors' Report and Chairman's Review Report thereon on its website: www.nbp.com.pk

STATEMENT OF MATERIAL FACTS

This Statement sets out material facts concerning the special business given in agenda item No. 05 of the Notice, to be transacted in the 73rd AGM of NBP's shareholders to be held on March 30, 2022.

Agenda Item No. 5:

To consider and approve the remuneration of Mr. Arif Usmani, President/CEO of the Bank for a period of three months (Government of Pakistan has extended the term of the President vide Notification No. F.1(33)Bkg-III/2018-218 dated February 14, 2022, for three months or till the appointment of a regular incumbent, whichever is earlier), on existing pay package (approved by shareholders in 70th AGM held on March 28, 2019). The shareholders are requested to pass the following resolution:

“RESOLVED THAT the existing remuneration package of Mr. Arif Usmani, President/CEO of the Bank, be and is hereby extended in the light of Government of Pakistan Notification No. F.1(33)Bkg-III/2018-218 dated February 14, 2022, for a period of three months or till the appointment of a regular incumbent, whichever is earlier.”

Disclosure: In terms of Section 134(3) of The Companies Act, 2017, no director/Chairman is directly or indirectly interested in the Special resolution except the President.

A scenic photograph of a river flowing through a lush green landscape. In the background, a bridge with a tall tower is visible through the trees. The water reflects the surrounding greenery and the bridge. The overall atmosphere is peaceful and natural.

**WE BELIEVE IN
INCLUSIVE GROWTH**
for greater National impact

3

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Executive Management



Tauqeer Mazhar

SEVP/Group Chief,
Retail Banking Group

Tauqeer Mazhar has more than 29 years of banking experience at various senior level positions in Corporate, Retail and Consumer Banking. His previous employer was UBL, where he was working as Group Head Branch Banking and was responsible for managing the entire Branch Banking Business including Small Enterprises, Rural and Consumer Business along with Corporate Marketing and Branding. 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 Credit Card, Personal Loans, Phone Banking and Liability Products in these organizations. His last assignment prior to joining UBL was Head of Branch Operations for HBL where he was responsible for managing the overall domestic branch operations portfolio across the country.

Mr. Rehmat Ali Hasnie 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 not only a commercial bank but also as an institution focused on the priority financing sectors of Pakistan's economy. In this regard, not only is the focus of IDG on SME and Agriculture lending but also the relationship with microfinance lenders to enable the promotion of financial inclusion and access of finance to those segments of the Pakistan economy which have presently not mainstreamed into the financial sector.

Mr. Hasnie is a financial markets professional with a MA Degree in Development Banking from The American University (USA) and represents NBP on the Boards of Pakistan Mortgage Refinance Company and First National Bank Modaraba as a nominee director. He has over 25 years of work experience that includes economics research, capital markets, investment banking, treasury and credit markets at various institutions in Pakistan.

Rehmat Ali Hasnie

SEVP/Group Chief,
Inclusive Development Group



Muhammad Ismail Usuf

SEVP/Group Chief,
Treasury and Capital Market

Ismail brings in over 27 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 of the bank. 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.

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 associated with Standard Chartered Bank where he worked in different geographies and held senior positions such as Executive Director and 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.

Hamayun has over 20 years of experience working for banks, telecoms, and technology-related global organizations. His last assignment was at UBL, where he worked as Head of Digital Transformation and Payments and was mainly responsible for leading the bank's digital transformation and crafting new digital banking opportunities.

Recognized as Asia's top 100 Fintech leaders, Mr. Muhammad Hamayun Sajjad is a results-driven technology leader with a passion for innovation and a unique mix of strategic, creative, commercial, and technical abilities. He creatively solves complex business problems with customer-centric solutions while building repeatable, sustainable processes that support future operational excellence. Muhammad has a collaborative and transparent leadership style, energized by aligning, developing, empowering, and inspiring high-performing, cross-functional teams to deliver against a vision. He has a proven track record in creating and optimizing frictionless digital experiences for consumers of financial services across banking, payments, and ecosystem product suites.

He has been a leader and member of the core team responsible for various digital financial services initiatives. Brands to which he contributed include UBL, Wave Money Myanmar, Easypaisa, Telenor Banka Serbia, and Paysbuy Thailand. He has vast experience operating across the EMEA & APAC region countries, including Myanmar, Thailand, Australia, Singapore, Serbia, Hungary, Saudi Arabia, and UAE. Muhammad has established a strong network with worldwide top executives, leveraging which he catalyzes the transformation.

Muhammad is passionate about delivering culture change in large, complex organizations using Design Thinking and Agile methodologies, and his work focuses on innovation, digitalization, and how technology is redefining people's expectations.

Muhammad Hamayun Sajjad

SEVP/Group Chief
Chief Digital Officer, Digital Banking Group



Abdul Wahid Sethi

SEVP/CFO,
Financial Control Group

Abdul Wahid Sethi is a Chartered Accountant and holds MBA degree from Imperial College, Lahore with over 26 years of experience. Mr Sethi is currently serving as SEVP/Chief Financial Officer of National Bank of Pakistan (NBP). He has also served as SEVP/Group Chief of Audit & Inspection Group at NBP. Mr. Sethi is a fellow member of the Institute of Chartered Accountants of Pakistan and holds an MBA degree in Finance from Imperial College of Business Studies (ICBS), Lahore. He has over 26 years of work experience at different key positions.

Executive Management



Asma Shaikh

SEVP/Group Chief,
HRM Group

Asma is a seasoned HR professional with almost 28 years of multi industry & multi-cultural experience in fast paced dynamic industries including Banking, Pharma, Petroleum, E-Com and Logistics.

She has more than 20 years of experience, as Head of HR, for organizations like Deutsche Bank, HSBC, Dubai Islamic Bank, Barclays Bank, NIB Bank and TCS. She has been an active partner in driving business transformations through building Talent Capability, Competency based Career Development Programs, fostering CBA-Management relations, building a Performance Driven Culture and developing Women Empowerment Initiatives at workplaces.

Asma was an essential founder member of Dubai Islamic Bank by building the Bank's people infrastructure from scratch. She was also an instrumental player in the performance turnaround at Barclays Bank Dubai and Africa through robust Performance Management and launch of Career Path Programs.

Asma is a certified Executive Coach by International Coaching Federation (ICF) and also certified as Director of Board by PICG.

On a personal level, Asma aims to alleviate gender equality in the Pakistani workforce while providing tools and tips to young girls who want to build their careers.

Karim joined National Bank of Pakistan in 1996. Since then he has held a variety of senior positions during a career spanning over 25 years. In 1997, he moved to Bank of America as Senior Authorized Officer. He re-joined NBP as Vice President to head Business Monitoring & Financial Control of the Bank's international franchise. In 2003, he headed Corporate Credit Division for five years. Karim also served National Accountability Bureau for three years 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 was elevated to SEVP & Group Chief, Logistics, Communications & Marketing in 2021. He is currently responsible for leading multi-disciplined logistical functions by leading a large team as a cohesive unit, thus efficiently providing logistical & marketing support to internal customers.

Karim Akram Khan

SEVP/Group Chief, Logistics,
Communications & Marketing Group



Fouad Farrukh

SEVP/Group Chief,

Aitemaad Islamic Banking Group

Twenty-four 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.



Hassan Umair Wasti

SEVP/Group Chief,

Internal Audit & Inspection Group

Umair has 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.

Executive Management



Nauman Muzaffar

SEVP/Group Chief,
Risk Management Group

Nauman has over 25 years of experience during which he has worked with reputed multinational organizations in various roles. Earlier he was in HBL, where he worked as GM & Head Enterprise Risk Management and was spearheading the establishment of the Bank's ERM function while working on strengthening the existing risk and control environment across the Bank. Prior to joining HBL and moving back to Pakistan, Nauman was with JP Morgan Canada working as the Chief Risk Officer for JPMorgan's Investment in New York within their Corporate Finance Advisory team, senior rating agency analyst for the Oil & Gas vertical of DBRS, Canadian pioneer rating agency, Executive Director Global Derivatives marketing team as a business manager. Prior to moving to North America, Nauman also worked briefly at the Pakistan Credit Rating Agency (PACRA). Nauman has an undergraduate degree in Finance from the University of Utah, USA and an MBA from the Lahore University of Management Sciences (LUMS).

Riaz has more than 26 years of banking experience at various senior level positions in Compliance. He joined NBP from Habib Bank Ltd. where he was working as Global Chief Compliance Officer and was responsible to manage Compliance affairs for 1700 branches across 13 countries for the Bank. Nauman started his career with Citibank after completing his MBA from IBA in 1993 and has spent major tenure of his career at various senior level positions at different geographical locations. His last assignment prior to joining HBL was Director Operational Risk Management for Citibank - UAE, where he developed and managed risk and control self-assessment programs and was also responsible to provide oversight on global operational risk management policies. Earlier to this, he was the EMEA Regional AML Compliance Head and Regional Core Compliance Head based out of Citibank UK, where he was responsible to manage regional compliance activities and initiatives and also developed region-wide monitoring and testing guidelines. 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 at the start of his career.

Nauman Riaz

SEVP/ Group Chief,
Compliance Group



Amin Manji

SEVP/Group Chief,
Information Technology

Manji brings more than 30 years of experience across the IT and Financial Services industries to NBP. He is currently serving as SEVP and Group Chief for the Information Technology Group. He is responsible for the Bank's IT products, services and infrastructure domestic and international landscape.

Prior to joining NBP, Amin has held a variety of technology roles at Deutsche Bank, Standard Chartered, Citi, Credit Suisse, Telecom Australia and Robert Bosch across Australia, Singapore and Japan. His areas of expertise include IT Strategy & Execution, Technology Management, Digital Transformation, IT Policies, Processes & Procedures and Disaster Recovery & Business Continuity. 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 the Executive Committee (ExCOM), Enterprise Risk Committee, Compliance Committee of Management and the Technology and Digitalization Steering Committee.

Amin holds a B.S. from Cornell University in the USA and a Master's in Applied Finance from Macquarie University, Australia.

Organisational Overview

NBP has a proud history of more than 7+ decades of serving the Nation, with the scale and diversity to serve customers and clients across a broad range of their financial needs.

Established on November 09, 1949 under the National Bank of Pakistan Ordinance-1949, NBP is a leading Commercial Bank in the country. Over the decades, the Bank has redefined its role into a modern growth-oriented commercial bank by expanding its business network across continents and capturing sizeable market share in the banking sector. The Bank provides commercial banking services including deposits, bancassurance, corporate loans, investment banking advisory, forex, global remittances, underwriting, asset management, agency services, brokerage, modaraba and other banking and financial services. We strive in promoting financial inclusion of the unbanked masses in the country, creating equal employment opportunities and delivering our responsibilities as a responsible corporate citizen.

The Bank also has an international foot print through branches and subsidiaries in the Far East, Middle East, South Asia, Central Asia, Europe and North America

Our Product Universe

Our diversified and comprehensive products and services provide universal banking solutions for all credit and non-credit financial requirements of the customers. Individual customers can benefit from a large array of our products e.g. lockers, mobile banking, EMV Debit Card, and deposit their savings. Government employees can obtain financing against their salary; can obtain mortgage finance as a first step towards building a home; and can benefit from our home remittance service to receive cross-border funds from their family members abroad.

For corporate, commercial and SME businesses, NBP is here 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.

Details of our products may be found at:

<https://www.nbp.com.pk>

1,324Domestic Conventional
Branches**189**Domestic Islamic
Branches**19**

Overseas Branches

PKR 3.8 Trillion

Total Assets

PKR 1.3 Trillion

Advances

AAA/A-1+

Credit Rating

**9+ Million
Customers**

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.



Domestic Presence

Punjab	729
Sindh	278
Khyber Pakhtunkhwa	250
Balochistan	87
Federal Capital	37
Gilgit Baltistan	28
Kashmir	105

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.



Global Presence

Far East
South Asia
Central Asia
Middle East
Europe
North America

Operating Environment

Rapidly Changing Environment

The Bank's financial performance is significantly linked to rapidly changing external environment i.e. the socio, geo-political and economic trends both locally and globally. In the past two years, the Covid-19 had global ramifications on health, economies and the environment in which the Bank operates. However, during 2021, the global economy rebounded, mainly driven by large economies, many countries are still below the pre-pandemic levels.

The ongoing impact of Covid-19 economic environment runs through all considerations for our strategic planning as we pay particular attention to the horizon of the external environment in which we operate.

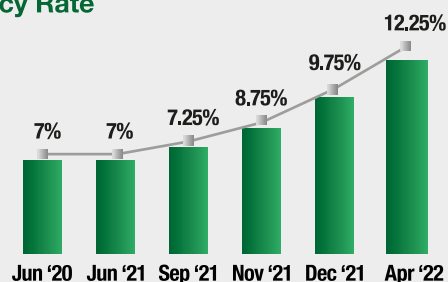
During 2021, we responded well to the elevated credit risks via active portfolio management, including adjustment of risk appetite, heightened degree of internal controls, effective cost management and scenario analysis. Our participation in government lead initiatives for inclusive socio-economic development included offered certain financial services that solicited heightened focus on conduct, reputational and fraud risks.

Since these factors have an impact on our financial and operational performance and are expected to remain relevant in the foreseeable future, the Bank has put in to place effective strategies to address the key considerations in both the short-term as well as the long-term.

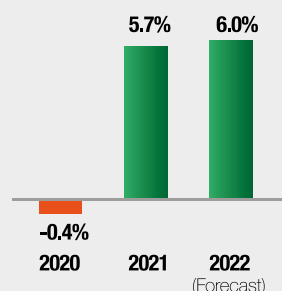
As the Covid-19 crisis have delivered an unprecedented shock to our economic & operating environment in the near term, we have adopted more prudent credit risk management strategies. Stimulus package and the government-backed financial moratorium schemes for businesses introduced amidst the Covid-19 in 2021 have mostly expired, and requisite heightened degree of effective portfolio management strategies to reduce the loan infection ratio.

In the short run, the Bank is making progress to promptly address the internal challenges related to IT, Risk and Controls. On the external front, significant risks still prevail regarding the extent of the economic activity given the increasing CAD pressure and Rupee devaluation, elevated geopolitical risks and FATF issue. In the longer term, technologic advancement, unorthodox competition from new market players, mounting twin pressure, geo-political disturbances could all have financial impact on the Bank's performance. As a result, we are closely monitoring these factors with strategic plans adapted as appropriate.

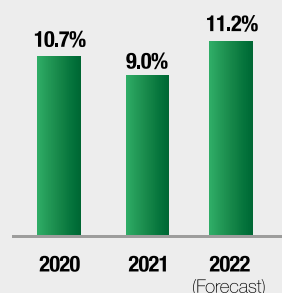
Policy Rate



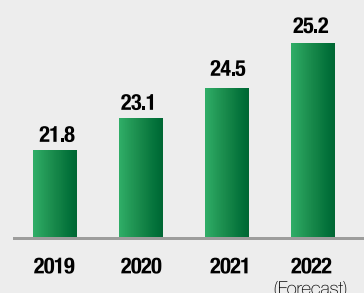
Pakistan GDP Growth



CPI Inflation



Remittances (\$ bn)



Considerations and Response

Short-Term Considerations

Economic and Political Landscape

We maintain a diversified and stable earning asset mix to generate healthy profits. Our funding pool is stable with no single sector having a major control or impact on either the asset or liability side of our business. Our business strategy and policies are devised efficiently to safeguard the Bank's interest against any abrupt political changes.

Customer and Client Behaviour

There is a growing trend towards online transactions and servicing, reducing customers' use of our branch infrastructure. Downloads of our mobile banking apps continue to increase as more and more customers look for ways to self-serve. These trends present significant opportunities for the Bank to transform and continue to improve its services, finding further efficiencies through technology and automation to which the Bank is responding by adding more to its digital products.

Contingencies and Litigation

The Bank is currently managing litigation related to pensionary benefits of retired employees. While we are confident of a favorable outcome, on the contrary an adverse judgement may have a material impact on the financial performance and position of the Bank.

As our response to this, we remain focused on putting into place and maintaining measures to create adequate buffers to absorb any imminent impact of an adverse outcome. We are also taking measures to prevent such issues in the future.

Technological Innovation & Cyber Security

Technological Innovation & Cyber Security Technology has opened up new markets, new products, new services and efficient delivery channels for the banking industry, and the banking system is shifting from traditional banking towards IT-based relationship banking. As our response to this, we aim to optimize the technology landscape to enable innovation, promote operational excellence and meet business objectives while ensuring data safety and security through a multi-layered approach to cyber security.

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.

Long-Term Considerations

Inclusion & Business Diversity

Technology has opened up new markets and the banking system is swiftly shifting towards IT-based relationship banking. While this is an opportunity, it has also increased the risk of cyberattacks, resulting in data breaches and unanticipated developments. We are launching new products, services and efficient delivery channels with appropriate safety measures.

Unorthodox Competition

Regulators are encouraging and becoming more open to allowing alternate financial services providers, particularly in Payment Services. In response to the growing unorthodox competitive pressures, the Bank will continue improving its products and services in order to increase its market share.

Value Creation 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.

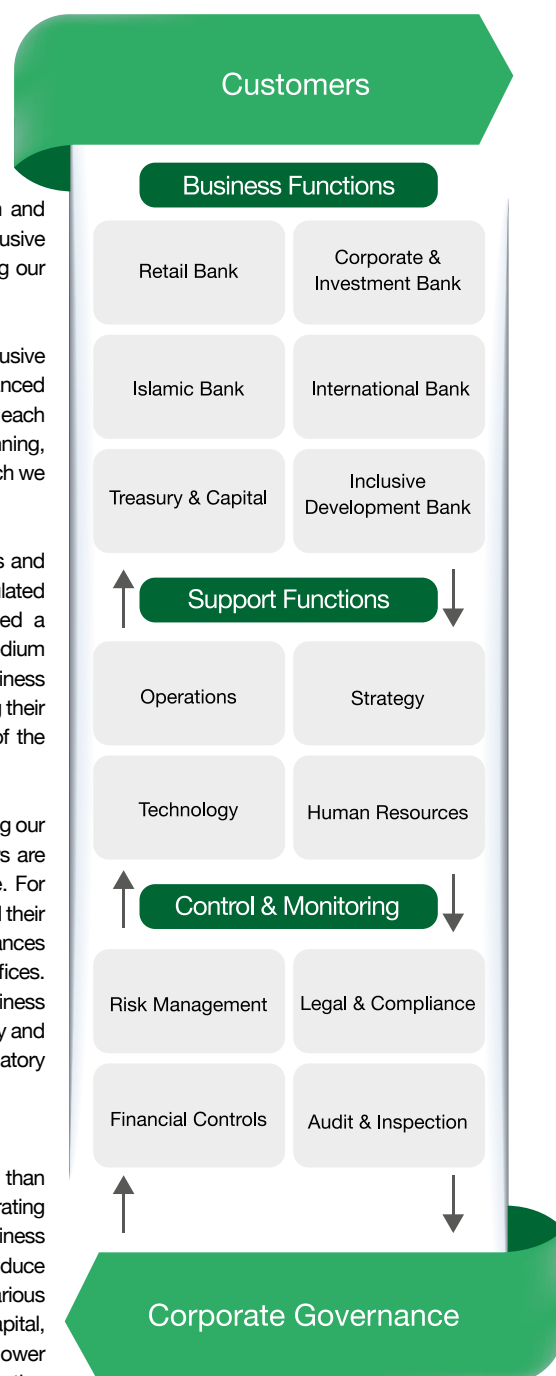
Since planning and execution are two sides of the same coin, execution is equally important for achieving our goals. Hence, at the beginning of the year, the strategic goals as approved by the Board of Directors are communicated to all those who are responsible for the execution, defining their path into the future. 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.

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 activities & 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 13.5 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.



Our Business & Value Creation Model

Our Resources


Financial Resources
Financial Capital
PKR 286 Bn
PKR 3 Trillion of Deposits



Manufactured Capital
1500+ Branches
1350+ ATMs




Human Capital
15,000+ Full-time Colleagues
1200+ Outsource Workforce



Social & Relationship Capital
7+ million Depositors
500,000+ Borrowers



Intellectual & Natural Capital
70 Years of Experience & Service to the Nation



Process of Value Creation

Business Functions

Retail & Consumer | Corporate & Investment | Treasury & Capital Markets | Inclusive Development | Islamic Banking

Products

Deposits	Credit	Transactional
<ul style="list-style-type: none"> Current Saving Term Islamic 	<ul style="list-style-type: none"> Personal Loans Corporate Loans SME Loans Agricultural Loans Housing Finance Islamic Finance 	<ul style="list-style-type: none"> Trade Finance Remittances Interest Rate Products Forex Products Investment Banking Cash Management

Delivery Channels

Branches	Priority Banking	E-Banking	ATMs	Mobile
Online	Telephone	Cards	Correspondents	Remittance

Value Delivered

Shareholders
Delivering attractive and sustainable shareholder returns on a foundation of a strong balance sheet.
• PAT of PKR 28 Bn
• Net Assets PKR 286 Bn

Customers / Depositors
Supporting financial goals for our customers and clients with suitable products and services.
• Profit/Mark-up on deposits, borrowings, PKR 134 Bn
• PKR 1.1 trillion of Loans
• PKR 3 trillion of Deposits

Employees
Helping our 15000+ colleagues and their families
• PKR 40.75 Bn as Remuneration
• Retirement Benefits
• Career Development
• Conducive Workplace

Suppliers
• Payments made for the provision of utilities, goods and services-PKR 17.8 Bn
• Value Distributed
• Fair Dealings

Community
Providing support to our communities, and access to social and environmental financing to address societal needs.
• Through CSR initiatives Investment in Health and Education
• Philanthropy

Organisational Growth | Corporate Conscience | Motivated Team | Operational Resilience

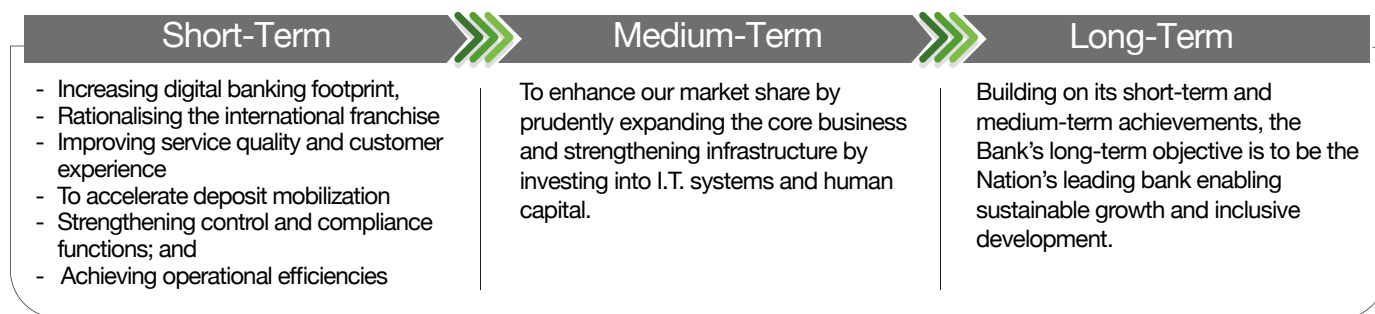
Corporate Governance

Risk Management and Controls

Strategic Objectives

Our objectives in the short-term, medium-term and long-term are reviewed and aligned every year under the Annual Budget and Strategic Business Plan which is agreed by the Management and approved by the Bank's Board of Directors. The Strategic Business Plan encapsulates the business strategy and action plan of each Group along with the desired timelines.

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.

Supporting Customers

Putting our customers at the core of the strategic decisions we make in pursuit of our vision to enable sustainable growth and inclusive development.

Powered by Digitalising

Making our business operations more efficient and technologically advanced to enable our customers and clients to engage with us in the way they want to.

Inclusive Bank

Diversify our organisation by business, geography and income type to be more resilient to economic headwinds and future trends impacted by the Covid-19 and its aftershocks.

Strengthen Our Culture

Improve our service quality and corporate image of the Bank to make it the best choice for our customers and colleagues.

Prudent Resource Allocation

To ensure efficient resource allocation for generating sustainable and long-term returns for each class of our stakeholders. development.

2022 Strategic Priorities

Overall, our strategic priorities for 2022 remain unchanged i.e. to be the Nation's leading bank enabling sustainable growth and inclusive development. This is what drives us! In pursuit of our goals, we set our business strategy in a challenging and regulated environment with frequent developments relating to technology, stakeholder preferences, increasing unorthodox competition, greater regulations, etc.

These influences solicit strategic responses for achieving our strategic goals. Strategic responses for emerging challenge areas are identified in our yearly Strategic Business Plan.

Since 2019, the word DELIGHTED became an acronym for a vast majority of our institutional challenges which are: Data, Enterprise Risk, Legal, International, Governance, Human Resources, Technology, Expense Management and Digitalisation

The word DELIGHTED became an acronym for a vast majority of our institutional challenges which are: Data, Enterprise Risk, Legal, International, Governance, Human Resources, Technology, Expense Management and Digitalisation. Strategies adopted to achieve desired results in the identified priority areas include:

Information Technology

I.T. to remain high on our agenda. Necessary measures are being adopted to ensure seamless system upgradation, integration and optimise technology landscape to enable innovation and achieve operational excellence.

Digital Banking

New products to be launched and new variants and enablement to be synchronized with the existing channels to move ahead. Effective marketing of digital products to arrest counter traffic and promote financial inclusion.

Inclusive Development

Delivery on our National Agenda. Focused approach towards agriculture, and SME segment to capitalize on the government initiated lending programmes. Further, increased availability of affordable housing finance to middle and lower income groups in line with the Government of Pakistan's agenda is also on the cards.

Operational Efficiency and Image Building

We will streamline the Bank's systems and processes to achieve operational efficiency. Also, improvement in service quality through automation and introducing the concept of branch service ladder. Soon we are launching a new theme of promotional campaigns. customers and colleagues.

Risk Management and Controls

Revision in credit policies, manuals and processes to align the same with the Industry and International Best Practices. Introduce the concept of industry experts across business segments and partner with academia for client advisory for enhanced risk management and prevent deterioration in asset quality.

Strategic Delivery-2021

Most of the year 2021 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. We are building on our strengths to meet our customers' financial needs throughout, enabling them to thrive financially.

During 2021, we made material progress towards achieving our goals as defined at the start of the year. Major achievements in 2021 include:

Organisational Excellence

We further streamlined organisation into new Groups to manage improved service delivery, span of control, rationalise activities and differentiate between first and second line of defence.

Value for Stakeholders

This year the Bank generated a gross value of PKR 267 billion for its stakeholders.

Digital Footprint

We have launched the PayPak Debit Card and the Mobile Banking Application Facility. We spent PKR 1.35 billion on improving our I.T. systems and peripherals.

Prudent Capital Allocation

While RWA increased by 12.3%, the CET-1 and Total Capital improved to 15.42% and 20.39%, respectively. This increases our capacity to exploit earning opportunities that have emerged as the impact of Covid-19 has started fading away.

Customer Service

130,090 customer complaints handled with 98.7% resolution rate. In spite of an increased number of complaint processed, on a comparative node the average complaint responding time has also reduced from 9.8 in 2020 to 8 working days in 2021.

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

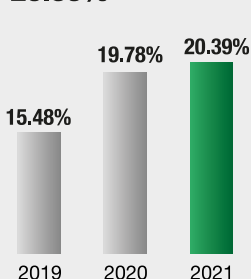
The Banks' financial capital comprises of the funds injected by the equity shareholders and it helps the Bank in acquiring, developing and maintaining other types of capitals to perpetuate its business. Financial capital also acts as a buffer to absorb unanticipated losses and serves as a regulatory 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.

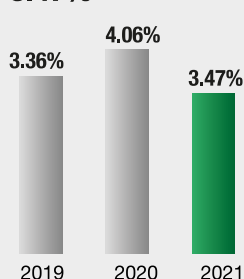
Key objectives of our Capital Management & Adequacy Strategy include:

- 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.

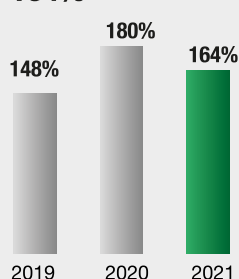
Capital Adequacy %



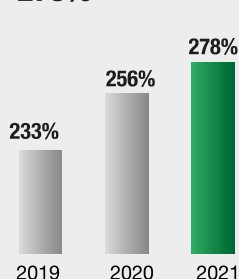
Leverage %



Liquidity Ratio %



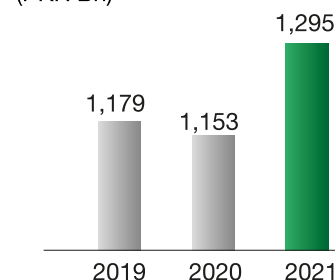
Net Stable Fund %



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.

Risk Weighted Assets



At end 2021, the total Risk Weighted Assets Credit Risk and Market Risk amounted to PKR 984 bn (2020: PKR 858 bn) and PKR 82 bn (2020: PKR 88 bn), respectively. Whereas, RWA under Operation Risk amounted to PKR 229 bn (2020: PKR 207 bn). Overall, the RWAs were increased by 12.3% YoY to PKR 1,295 bn.

Through efficient strategy execution, the Bank generated healthy operating profit during 2021, further strengthening Capital Adequacy of the Bank. As of December 31, 2021, the Bank's total eligible Capital amounted to PKR 264.1 billion (2020: PKR 228.12 billion), of which Eligible Tier-I Capital amounted to PKR 199.75 billion (2020: 172.90 billion). At end 2021, CET-1 ratio stood at 15.42% (2020:14.99%), whereas the Total Capital Adequacy Ratio stood at 20.39% (2020:19.78%).

Moreover, NBP is the only Bank in Pakistan with credit rating of 'AAA' by both the approved credit rating agencies in Pakistan. In June 2021, 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 54.2 billion (2020: PKR 54.4 billion) at the end of 2021.

For further details, please refer to Note 12 to the Financial Statements.

RoE (after tax)

13.5%



AAA

LONG-TERM

A1+

SHORT-TERM

Branches

1532



ATMs

1350+



ATM Centers

6

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 2021 the Bank had 15,409 (2020 : 15,109) people as its full time employees. In addition, the Bank also engages 1,273 (2020 : 1,838) 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.

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.

Average Employees

15,259

Investment in Training

213 million

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 2021, 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. systems, efficient policy and system development in the area of Credit, Compliance, Investment, Human Resource Management and Risk Management, etc.

COMMUNITY INVESTMENT





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National Bank of Pakistan
بنک ملی پاکستان

Corporate Social Responsibility

In the year 2021 the Banking sector was confronted with the dual challenges of providing uninterrupted banking services to its clients as well as ensuring safety and health of its employees.

NBP remained cognizant of its responsibilities as a corporate citizen. Therefore, the Bank continued to play its role through its CSR Program of providing support to households affected by lockdowns and its adverse economic consequences. In a nationwide effort, NBP provided support to low income through NGOs and various microfinance organizations.

In addition to its demarcated and pre-defined areas of Education, Health, Special Persons, Women & Children, the Bank is always there for the relief of affected people in case of natural disaster or calamity. We believe that looking after underprivileged communities is synonymous to serving the Nation.

During the year, NBP spent around large amount on CSR activities. To ensure progress, quality of work and transparency in utilisation of funds under CSR schemes, NBP regularly monitors project activities. The Bank has initiated a wide range of projects, including provision of free primary healthcare, hospitals, mobile dispensaries, scholarships for local students, infrastructure development and upgradation of academic institutions.





Health Care

Throughout the year, the executive management remained in contact with its field staff and customers creating awareness on how to prevent and fight against Covid-19. We strictly adhered to the SOPs advised by the health authorities for the safety of our frontline employees and customers visiting its branches and offices. During the year 2021, the Bank became part of the Pink Ribbon Campaign for creating awareness in society about breast cancer.

Financial Inclusion

Effective measures were taken to ensure the provision of uninterrupted banking services to the public during a very tough operating environment. The Bank remained at the forefront for ensuring easy access of credit to the business community, enabling them to continue their business activities. As a step towards the financial inclusion strategy, NBP is key partner to the Government of Pakistan in disbursement of financial assistance to millions of needy persons.

Growth Opportunities

During these difficult times, the Bank is playing its due role to create employment opportunities for the youth by providing GoP / SBP incentivised finance facilities under the Prime Minister's Kamyab Jawan – Youth Entrepreneurship Scheme. The Bank is also participating in the Government of Pakistan initiative directed towards the provision of low cost housing facility to the public.

At NBP, we believe that education plays a vital role in economic development and poverty alleviation in society. With this perspective in mind, the Bank is performing its social duty of uplifting educational standards in the country by financially supporting various educational institutions on a yearly basis. NBP also extends support through educational programmes and other skills to financially constrained students.

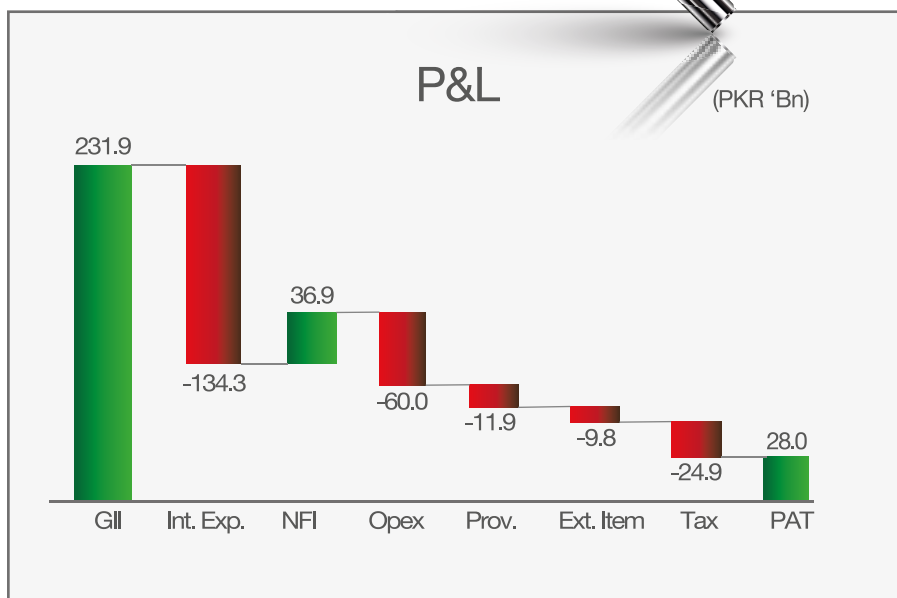
Education

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CSR

Financial Performance Overview

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 2021 reflect our resilience to the impact of Covid on the Bank, its customers and the economy.



Net Interest Income

Net Interest Income	
	PKR 'Bn
2021	97.6
2020	104.2
2019	71.9

Net Interest Margin	
2021	3.2%
2020	4.1%
2019	3.2%

During 2021, the Bank earned gross mark-up/interest income of PKR 231.9 Bn (-10% YoY). Net interest-bearing assets during the period averaged PKR 2,756.2 Bn (+16.0% YoY). Interest-bearing investment portfolio averaged 25% up at PKR 1,697.2 Bn (Dec '20: PKR 1357.4 Bn) and generated interest/mark-up income of PKR 139.1 Bn (-9.7% YoY), making 60% of the total mark-up income. Average loans and advances (net) were up by 1.9% at PKR 988.4 Bn (2020: PKR 970.1 Bn) and generated mark-up/interest income of PKR 87.3 Bn, which compared to PKR 99.8 Bn levels of 2020, is lower by 12.5%. Average interest-bearing liabilities increased by 12.4% to PKR 2,692.9 Bn. However, the Bank's cost of funds decreased to PKR 134.3 Bn (-12.6% YoY), of which PKR 87.8 Bn (Dec' 20:

PKR 103.4 Bn) was on account of profit to the depositors. During the year, the average policy rate remained at 7.29% compared to 8.95% of last year. This translates into an average decline in the policy rate by 166bps. As a consequence, the Bank's cost of deposits dropped by 120bps to close at 4.0% for 2021 (2020: 5.2%). Overall, the Bank's net mark-up/ interest income closed at PKR 97.6 Bn, which is 6.3% lower against PKR 104.2 Bn earned during the prior year.

Financial Performance

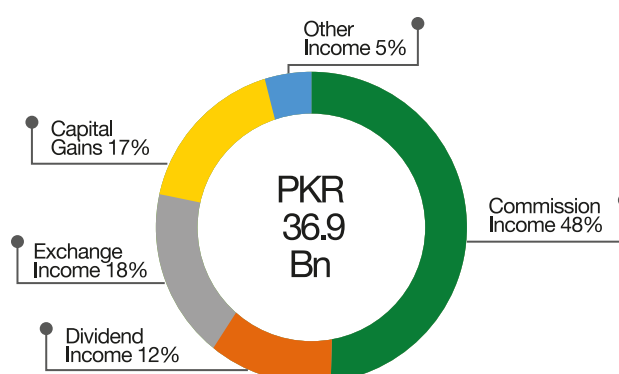
Non-Interest Income

Non Mark-up/Interest Income		PKR 'Bn
2021		36.9
2020		36.1
2019		36.2

Despite a generally lower economic activity during the year due to the pandemic, the Bank succeeded to achieve some growth in its non-fund-based income stream by generating a non-mark-up income of PKR 36.9 Bn (Dec '20: PKR 36.1 Bn), constituting 27.5% of the total income (Dec '20: 25.7%). Branch banking operations continued generating healthy fees & commission income that closed at PKR 17.8 Bn (-2.5% YoY). Dividend income increased by 141.7% to PKR 4.6

Bn (as companies resorted to retaining the profits). Higher international trade volumes, increasing the foreign exchange income by 59.8% YoY to PKR 6.5 Bn (Dec '20: PKR 4.1 Bn). These gains were however offset by the lower gains on securities that amounted to PKR 6.2 Bn (Dec '20: PKR 7.9 Bn). Accordingly, the non-mark-up/interest income of the Bank totaled PKR 36.9 Bn, as against PKR 36.1 Bn of the last year.

Non-Interest Income to Total Income		
2021		27.5%
2020		25.7%
2019		33.5%

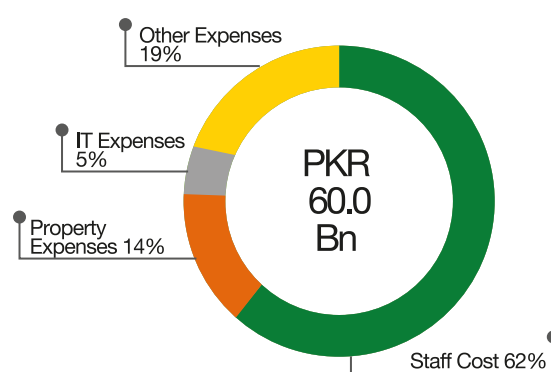


Operating Expenses

OPEX		PKR 'Bn
2021		60.0
2020		63.1
2019		65.9

Cost: Income		
2021		44.6%
2020		45.0%
2019		60.9%

With a 4.9% decrease YoY, operating expenses for the year closed at PKR 60.0 Bn against PKR 63.1 Bn for the year 2020. HR compensation that accounts for 62.1% of the total operating expenses amounted to PKR 37.0 Bn compared to PKR 40.5 Bn for the year 2020, the decrease is due to reversal of provision. Resultantly, the Bank's operating cost to income ratio stood at 44.7%, against 45.0% for the prior year.



Financial Performance

Operating Expenses

Number of Employees	
2021	15,409
2020	15,109
2019	15,188

Expenses per Employees PKR 'Mn	
2021	3.9
2020	4.2
2019	4.3



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 0.9 Bn on repair and maintenance of our business premises. Overall property-related expenses amounted to PKR 8.4 Bn, which is 1.8% more than the prior year. Since Information

Technology is pivotal for the Bank to achieve its strategic goals, we continued to invest in upgrading our IT infrastructure, systems, and applications architecture. In 2021, we spent PKR 1.4 Bn on software maintenance and PKR 612.2 Mn on Network enhancement.

Profitability

Profit Before Tax PKR 'Bn	
2021	52.9
2020	46.2
2019	28.0

Tax PKR 'Bn	
2021	24.9
2020	15.7
2019	12.2

Profit After Tax PKR 'Bn	
2021	28.0
2020	30.6
2019	15.8

Pre-tax profit for the year amounted to PKR 52.9 Bn i.e. 14.4% higher YoY against PKR 46.2 Bn of 2020, which is Highest Ever PBT in the History of the Bank. Tax charge amounted to PKR 24.85 Bn, translating into an effective tax rate of 47.0% (2020:34%). Tax charge mainly includes PKR 18.5 Bn at statutory rate, PKR 2.1 Bn as super tax and PKR 3.3 Bn due to the inadmissibility of PKR 9.8 Bn civil penalty. Moreover, reasons

for prior year's lower effective tax rate also included a PKR 2.3 Bn provision reversal that was booked due to appeal effect order received on account of favorable ATIR decision. Consequently, profit after-tax for the year 2021 closed at PKR 28.0 Bn i.e. 8.3% below the PKR 30.6 Bn in 2020. This translates into Earnings Per Share of Rs. 13.16 as compared to Rs. 14.36 in the corresponding year.

Significant growth is achieved in profitability, partially off-set by higher provisions charge. Net assets increased by PKR 18.6 Bn.

PAT - YoY Reconciliation (PKR 'Bn)



Financial Performance

Assets Quality and Provisions

NPL's		PKR 'Bn
2021		197.9
2020		171.3
2019		148.8

Reflecting the economic environment triggered by the Covid-19 pandemic, the asset quality of the Bank is still under pressure during the recent months. As of December 31, 2021, NPL's totaled PKR 197.9 Bn, being PKR 26.6 Bn or 15.6% higher than Dec '20 level of PKR 171.3 Bn. The Bank follows a prudent approach in the identification of loan impairments to strengthen its balance sheet by maintaining a robust level of specific, as well as general provisions against NPL's and underperforming portfolios. Provision charges of PKR 11.9 Bn (Dec '20: PKR 30.9 Bn) was booked

NPL Coverage (Specific)		
2021		90.6%
2020		90.0%
2019		90.2%

during the prior year under review. Consequently, specific, and general provisions increased to PKR 179.3 Bn and PKR 12.5 Bn. However, total provisions held translate into a coverage ratio of 96.9%. PKR 197.9 Bn of non-performing loans include OAEM (PKR 1.9 Bn), Sub-standard (PKR 5.3 Bn) and Doubtful (PKR 17.3 Bn), while PKR 173.5 Bn are classified as loss. Specific provision coverage stood at 90.6%, whereas provision coverage (including general provisions) stood at 96.9%.

Delivering to the Shareholders

Our aim is to deliver healthy and sustainable returns to shareholders. We achieve this by focusing on both operating performance and balance sheet strength. We understand the importance of delivering shareholders' return at strong and sustainable levels

Financial soundness indicators of the Bank have improved significantly and have resulted in the Bank being in a much stronger position. Retaining the profit in recent years has added to the Shareholders' wealth through higher book value per share, which has increased 38.4% from PKR 97.2 per share at the end of 2018 to PKR 134.5 per share at the end of 2021. Key financial soundness indicators of your Bank are as follows.

Indicator	2021	2020	2019	2018
Net Assets (PKR 'Mn)	286.2	267.6	232.6	206.9
Break Up Value per share (Rs.)	134.5	125.8	109.3	97.2
Capital Adequacy (%)	20.4	19.8	15.5	16.3

Return on Equity		
2021		13.5%
2020		17.2%
2019		10.2%

Return on Equity (RoE) measures the Bank's profitability. It represents the net profit generated as a percentage of the shareholders' equity.

Earnings Per Share (Rs.)		
2021		13.2
2020		14.4
2019		7.4
2018		9.4
2017		10.8
2016		10.7

Financial Performance

Balance Sheet Strength

Balance sheet strength is critical to the Bank's ability to serve our customers, drive core business outcomes and deliver strong and sustainable returns for our shareholders. Our key capital, liquidity and funding metrics strengthened further during FY'21.

The strength of our balance sheet means the Bank is well-positioned to support customers and the Pakistani economy through challenging and uncertain times.

Total Assets

As of December 31, 2021, the total assets of the Bank amounted to PKR 3,846.7 Bn, which is 27.9% more from PKR 3,008.5 Bn at the end of 2020. The Bank has managed its overall asset-liability mix by generating stable funds and deploying the same into earning avenues offering positive yield

Total Assets		PKR 'Bn
2021		3,846.7
2020		3,008.5
2019		3,124.4

Return on Average Assets - Pre Tax	
2021	1.5%
2020	1.5%
2019	0.9%

Capital Strength and Adequacy

Common Equity Tier-1 Ratio	
2021	15.4%
2020	14.9%
2019	12.1%

Capital Adequacy	
2021	20.4%
2020	19.8%
2019	15.5%

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 9.5% and Total CAR at 13.5%. Pertinent to mention that effective March 31, 2020, NBP was to be subject to enhanced loss absorbency surcharge of 2.0% in the form of additional Common Equity Tier-1 capital (CET-1). However, as a measure to dampen the effects of Covid-19, and to support the banking sector in extending credit facilities to its customers, SBP reduced the capital conservation buffer by 100bps from 2.5% to 1.5%, for the time being. This resulted in lowering the statutory minimum capital requirement for the Bank to 13.5%.

During 2021, the Bank's Eligible Tier 1 capital increased by PKR 26.86 Bn or 15.5% from PKR 172.90 Bn at YE'20 to

PKR 199.75 Bn at the end of 2021. Likewise, Eligible Tier 2 capital also increased by PKR 9.12 Bn or 16.5% to close at PKR 64.34 Bn at year end 2021. Tier 2 capital eligible component increased corresponding to increase in total Tier 1 capital. Whereas total RWAs increased moderately by PKR 142.1 Bn or 12.3% from PKR 1,153.10 Bn at YE'20 to PKR 1,295.11 Bn at end Dec'21.

Accordingly, Total Capital Adequacy Ratio (CAR) improved to 20.39% with Tier-1 capital adequacy ratio at 15.42% as compared to 19.78% and 14.99%, respectively at YE'20. Leverage ratio of 3.0% was introduced in response to the Basel III accord as a regulatory minimum. At the year-end 2021, the Bank's leverage ratio was just satisfactory at 3.47% (2020:4.06%)

Movement in RWA's (PKR 'Bn)			
RWA Type	Dec '21	Dec '20	Change
Credit	983.7	858.3	125.4 14.6%
Market	82.3	87.8	(5.4) -6.2%
Operational	229.1	207.1	22.1 10.6%
Total RWAs	1,295.1	1,153.1	142.1 12.3%

Capital Soundness at December 31, 2021			
Capital	Actual	Reqd.	Buffer
CET1	15.4%	9.5%	5.9%
CAR	20.4%	13.5%	6.9%
Leverage	3.5%	3.0%	0.5%

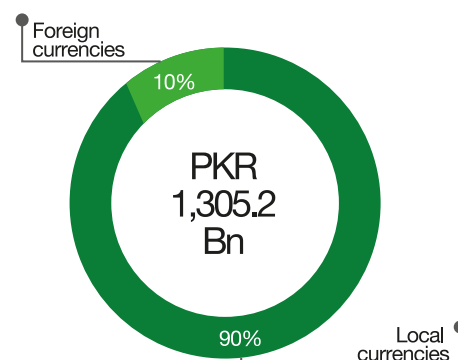
Financial Performance

Loans and Advances

At Dec-2021, gross loans & advances of the Bank amounted to PKR 1,305.2 Bn depicting a 12.5% increase from the year end 2020 levels. The loan book is diversified over 30+ sectors. Two major classes i.e. private and public sector constitute 67.8% (2020: 71%) and 32.2% (2020: 29%), respectively. With PKR 198.9 Bn, Individuals make 15.2% of the loan book. Power remains the largest sector with 15.2% share and PKR 198.9 Bn in outstanding loans, followed by 12.3% of the Textile sector where the exposure increased by 20.6% YoY to reach PKR 160.0 Bn. Oil & Gas also recorded 25% growth to reach PKR 102.8 Bn from PKR 82.1 Bn in 2020. In line with the Bank's refreshed vision of inclusive development, healthy growth was also achieved in Commodity and Agri & Allied sectors. These 5 major sectors share almost 50% of the total loan book with PKR 648.5 Bn outstanding. With PKR 198 Bn as NPL at end of 2021, net loans & advances amounted to PKR 1,113.4 Bn i.e. 13.2% up from PKR 983.3 Bn level at end 2020. Given the continued growth in deposits and a limited growth in advances, the Bank's Advance-to-Deposit Ratio (gross) stood at 43%

at end Dec'21. ADR has recently become more important for banks as the Federal Government has imposed an additional 2.5% tax on the entire income from Federal Government Securities for banks with ADR falls in between 50% and 40%; and if it falls below 40%, then the additional tax rate would be 5%. Previously, this tax was imposed only on the "incremental income". The Bank's ADR currently stands at 43% to attract 2.5% additional tax. Business groups that contributed towards YoY growth in advances include C&IBG (+PKR 39.18 Bn), IDG (+PKR 37.50 Bn), IFRG (+PKR 41.0 Bn), RBG (+PKR 17.2 Bn), and AIBG (+PKR 4.9 Bn), etc.

Advances (Gross)



Advances - Gross

	PKR 'Bn
2021	1,305.2
2020	1,159.9
2019	1,151.3

Infection Ratio

2021	15.2%
2020	14.8%
2019	12.9%

Investments

Investment - Net

PKR 'Bn

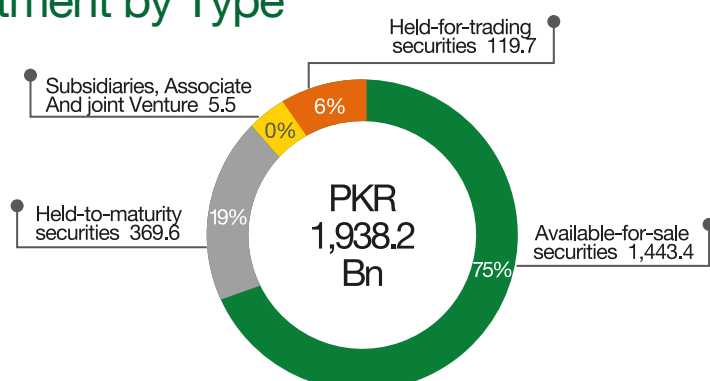
2021	1,938.2
2020	1,463.4
2019	1,449.6

Investment : Deposit

2021	64.2%
2020	60.5%
2019	65.9%

At the end of 2021, the Bank's investments (at cost) amounted to PKR 1,924.2 Bn (YE'20: PKR 1,437.4 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 486.8 Bn or 33.9% increase in investments (at cost) mostly came in T-Bills that increased by PKR 186.8 Bn from PKR 625.6 Bn at the YE'20 to PKR 812.4 Bn at end Dec'21. PIBs increased by PKR 286.1 Bn from PKR 639.1 Bn at the YE'20 to PKR 925.2 Bn at end Dec'21. As the market offered decent spread, investments were funded through deposit mobilization as well as leveraging keeping in view the hiking increase in policy rate. PKR 34.2 Bn of investment in listed companies is a diversified portfolio in 30+ sectors with highest concentration in Oil & Gas downstream (18%), followed by commercial banks (10.7%), Power (9%), Cement (8.6%) and Oil & Gas upstream (8%).

Investment by Type



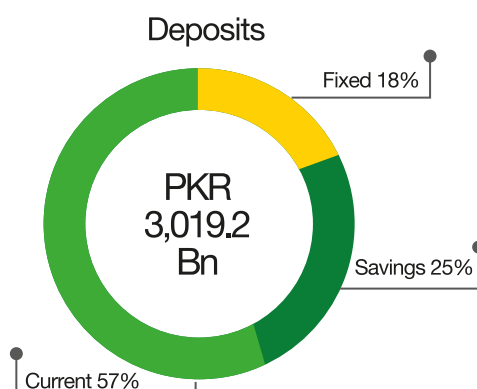
Financial Performance

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' through core customers'. During the year under review, the Bank's deposits increased by PKR 600.2 Bn and amounted to PKR 3,019.2 Bn, which is 24.8% higher than PKR 2,419.0 Bn, at the end of year 2020. The Bank follows an aggressive strategy for deposit mobilization, particularly the low-cost current and saving (CASA) deposits. Customers' deposits as of Dec'21 amounted to PKR 2,498.1 Bn, representing 82.7% of the total deposits. Total current deposits (including FI's) stood at PKR 1,718.2 Bn, depicting a 30.5% growth YoY. Also, the saving deposits increased by 7.7% to PKR 765.9 Bn, as compared to PKR 711.3 Bn a year back. The bank's CASA deposits (including NIDA) have decreased slightly from 83.8% in December 2020 to 82.3% as of December 31, 2021.

Deposits		PKR 'Bn
2021		3,019.2
2020		2,419.0
2019		2,198.0

CASA		
2021		82.3%
2020		83.8%
2019		81.8%



**PKR
3 Trillion
Milestone
Achieved**

Funding & Liquidity

Liquidity Coverage	
2021	164%
2020	180%
2019	147%

Net Stable Funding	
2021	278%
2020	256%
2019	233%

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 in 2021.

The Bank maintains optimum levels of funding and liquidity. As of December 31, 2021, deposits closed at PKR 3,019.2 Bn (+24.8% YoY). Average deposits grew by PKR 196.5 Bn or 9.9% to PKR 2,180.6 Bn.

The majority of the Bank's funding comes from core customer deposits that contribute 82.7% (PKR 2,498.1 Bn) of the Bank's total deposits. Compared to Dec 31, 2020 level, customer deposits have increased by PKR 477.4 Bn or 23.6%. FI deposits, also increased during the period under review by PKR 122.7 Bn and closed at PKR 521.1 Bn (Dec'20: PKR 398.3 Bn).

The Bank is pursuing a prudent deposit mobilization strategy, CASA ratio remained high at 82.3% (2020: 83.8%). The Bank's liquidity coverage ratio stood at 164%, and the Net Stable Funding Ratio stood at 278.1%, well above the statutory requirement of 100%.

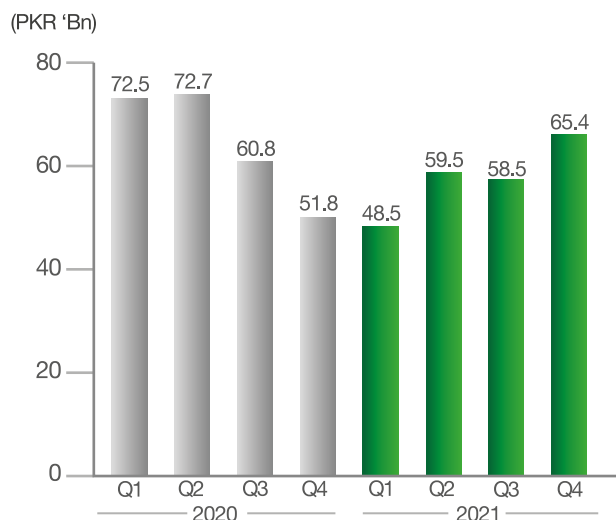
Quarterly Financial Position & Performance

Financial Position	2021				2020				PKR "Mn
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	
Assets									
Cash and balances with treasury and other banks	278,747	220,171	383,276	283,981	249,260	271,567	286,489	171,181	
Balances with other banks	17,667	16,303	18,152	16,919	14,227	14,598	32,352	18,814	
Lending to financial institutions	335,467	267,933	180,791	79,783	126,805	50,281	48,535	44,550	
Investments - net	1,938,171	2,130,707	1,849,466	1,836,497	1,463,398	1,368,389	1,642,967	1,503,026	
Advances - net	1,113,392	1,016,729	996,947	947,741	983,255	892,627	935,618	980,435	
Operating Fixed assets	54,754	55,019	54,385	54,511	54,717	54,860	54,796	54,387	
Right of use assets	6,605	6,933	6,992	6,668	6,670	6,904	7,115	7,309	
Deferred tax assets - net	1,626	108	-	-	-	-	-	-	
Other assets	100,255	109,644	126,883	114,229	110,196	124,252	155,531	183,959	
Total assets	3,846,684	3,823,545	3,616,891	3,340,330	3,008,527	2,783,478	3,163,403	2,963,661	
Liabilities									
Bills payable	21,848	20,754	22,265	19,843	16,795	41,481	27,407	16,044	
Borrowings	312,925	780,886	442,257	603,265	138,539	142,596	348,753	560,155	
Deposits and other accounts	3,019,155	2,551,602	2,679,739	2,280,375	2,418,966	2,174,926	2,339,263	1,953,160	
Lease Liability against right-of-use assets	7,894	8,170	8,064	7,610	7,534	7,795	7,897	7,966	
Deferred tax liabilities	-	-	2,915	1,274	2,978	6,823	10,779	10,272	
Other liabilities	198,660	172,131	176,109	158,150	156,156	142,654	170,273	179,056	
Total liabilities	3,560,482	3,533,544	3,331,348	3,070,516	2,740,968	2,516,275	2,904,372	2,726,653	
Net assets (Represented by as below)	286,203	290,001	285,543	269,813	267,559	267,203	259,031	237,008	
Share capital	21,275	21,275	21,275	21,275	21,275	21,275	21,275	21,275	
Reserves	60,371	60,432	57,106	55,017	56,563	57,464	53,834	53,153	
Surplus on revaluation of assets	64,482	70,741	75,521	70,378	73,699	76,456	82,009	70,163	
Unappropriated Profit	140,074	137,553	131,641	123,143	116,021	112,008	101,913	92,417	
Total	286,203	290,001	285,543	269,813	267,559	267,203	259,031	237,008	

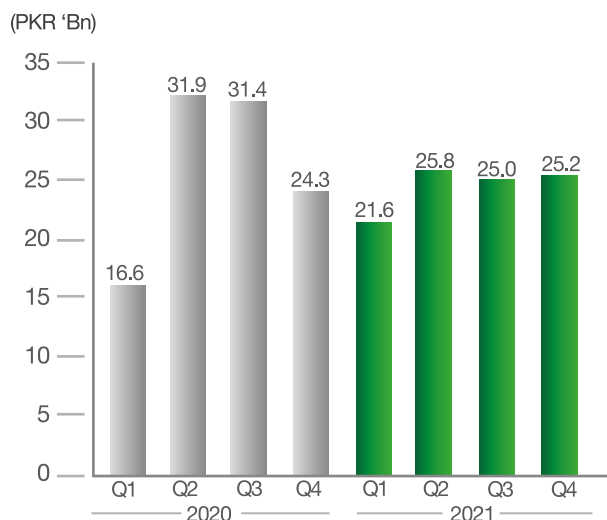
Financial Performance	2021				2020				PKR "Mn
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	
Financial Performance									
Mark-up / return / interest earned	65,397	58,490	59,524	48,472	51,781	60,771	72,722	72,537	
Mark-up / return / interest expensed	40,172	33,492	33,722	26,878	27,474	29,366	40,853	55,963	
Net mark-up / Interest income	25,225	24,998	25,801	21,594	24,307	31,405	31,869	16,574	
Non-interest income	9,832	9,067	9,551	8,492	8,354	9,382	10,045	8,296	
Operating Expenses	12,978	16,378	16,311	14,337	18,114	15,455	15,734	13,809	
Profit before provisions	22,079	17,687	19,041	15,749	14,547	25,332	26,180	11,061	
Provisions and write offs - net	(315)	5,458	3,661	3,112	7,588.9	7,668	11,581	4,058	
Extra-Ordinary Item	(9,779)	-	-	-	-	-	-	-	
Pre-tax profit	12,615	12,228	15,381	12,637	6,958	17,664	14,599	7,003	
Taxation	8,751	5,049	6,123	4,929	2,533	6,720	3,528	2,884	
After-tax profit	3,863	7,179	9,257	7,708	4,425	10,944	11,071	4,119	

Quarterly Financial Performance

Mark-up/Interest Earned

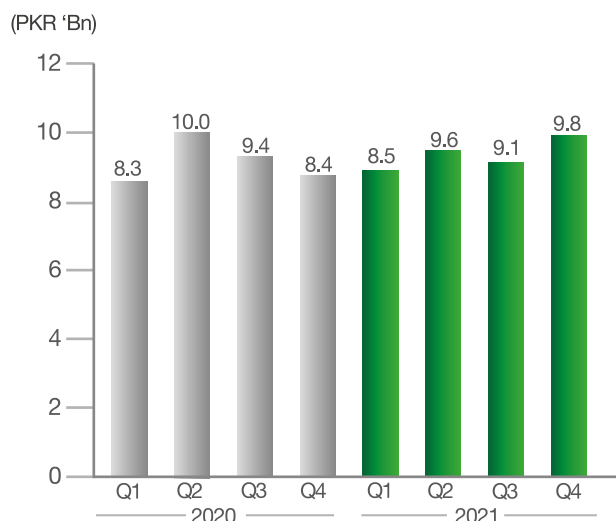


Net Interest Income



Net interest income for Q1 '21 amounted to PKR 21.6 Bn lower by 11.2% against quarter 4 of '20 due to maturity of interest-bearing assets. For the Q2 '21, NII amounted to PKR 25.8 Bn, i.e. 19.5% up as compared to the previous quarter and 19.0% down as compared to quarter 2 of 2020. This was mainly due to the repricing impact on interest-bearing assets and liabilities on the back of the sharp cut in the policy rate. NII for the Q3 '21 amounted to PKR 25.0 Bn remained the same with a slight decrease of 3.1% as compared to the previous quarter and show a decrease of 20.4% as compared to the corresponding quarter last year. Net interest income for the Q4 '21 amounting to PKR 25.2 Bn, i.e., 0.9% more as compared to the previous quarter. However, this was 3.8% higher than the corresponding quarter last year.

Non Interest / Mark-up Income

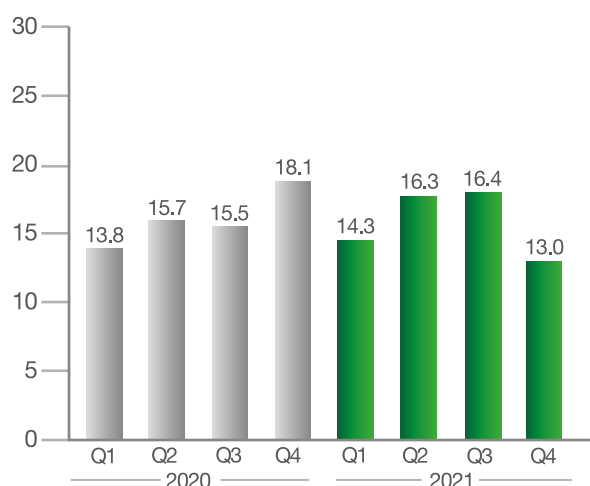


Non-interest income for the Q1 '21 amounted to PKR 8.5 Bn, showing a 1.7% increase, as compared to the previous quarter. The key reason was the higher dividend payout. Non-interest income for the Q2 '21 amounted to PKR 9.6 Bn, i.e., 12.5% up as compared to Q1 '21 and marginally lower by 4.9% than the corresponding quarter last year. Non-interest income for the Q3 '21 amounted to PKR 9.1 Bn, i.e., 5.1% down as compared to the previous quarter due to limited economic activity. Non-interest income for the Q4 '21 amounted to PKR 9.8 Bn, which is 8.4% up as compared to the previous quarter and 17.7% as compared to the corresponding quarter last year, which is mainly due to an increase in dividend and foreign exchange income.

Quarterly Financial Performance

Operating Expenses

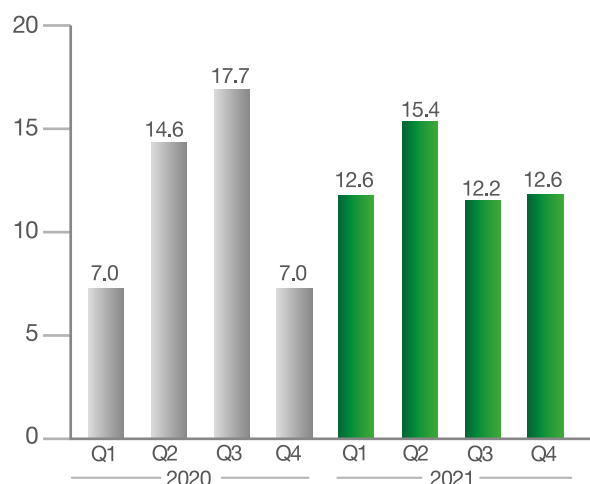
(PKR 'Bn)



Despite inflationary pressures, the Bank succeeded in controlling the increase in operating expenses that amounted to PKR 14.3 Bn for the Q1 '21, which decreased by 20.8%, as compared to the previous quarter. This was mainly due to the year end accruals of PKR 1.5 Bn, on account of MTO. For the Q2 '21, operating expenses amounted to PKR 16.3 Bn, which is 13.8% higher, as compared to first quarter of '21 and 3.7% higher against the 2nd quarter of 2020. Operating expenses for the Q3 '21 amounted to PKR 16.4 Bn, slightly higher by 0.4% as compared to the previous quarter. For the Q4 '21 operating expenses amounting to PKR 13.0 Bn, showing a decrease of 20.8% compared to quarter three '21 due to reversal of certain unused provisions.

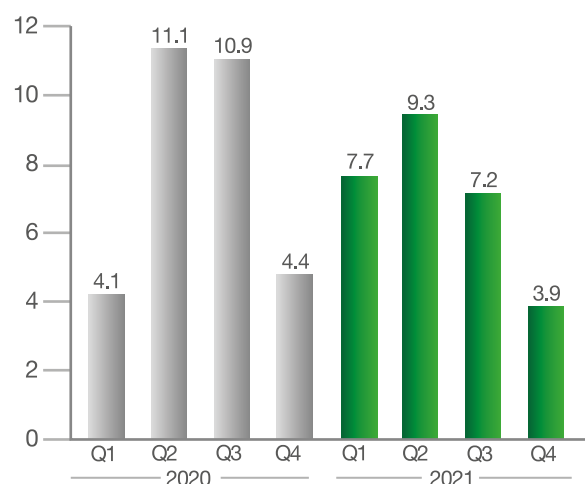
Pre-tax Profit

(PKR 'Bn)



After-tax Profit

(PKR 'Bn)



Profit after tax for the Q1 '21 amounted to PKR 7.7 Bn as compared to a profit of PKR 4.4 Bn in quarter four '20. Despite a challenging environment created by Covid-19, NBP succeeded in delivering an impressive growth of 20.1% in after-tax profit of Q2 '21 that closed at PKR 9.3 Bn as against PKR 7.7 Bn in the previous quarter. Profit after-tax for the Q3 '21 amounted to PKR 7.2 Bn, 22.4% down as compared to the previous quarter. The decrease was due to higher provision amount. For the Q4 '21 profit after-tax amounted to PKR 3.9 Bn, i.e., -46.2% low as compared to the previous quarter.

Key 6 Years' Performance Ratios

Indicator		2021	2020	2019	2018	2017	2016
A . SIZE FACTORS							
1 . Total Assets	Rs. Mn	3,846,684	3,008,527	3,124,389	2,798,566	2,505,321	2,008,855
2 . Capital & Reserves	"	286,203	267,559	232,614	206,869	175,382	176,733
3 . Deposits	"	3,019,155	2,418,966	2,198,049	2,011,385	1,727,102	1,657,312
4 . Profit after Tax	"	28,008	30,559	15,810	20,015	23,028	22,752
5 . Profit before Tax	"	52,860	46,224	28,003	29,683	35,599	37,141
B . ASSET QUALITY							
6 . Assets to Equity	Times	17.35	15.52	19.24	19.05	19.93	16.74
7 . Total Assets Growth Rate	%	27.86	-3.71	11.64	11.70	24.71	17.73
8 . NPLs To Total Assets	"	5.15	5.69	4.76	4.77	4.82	5.94
9 . Investment to Deposit Ratio	"	64.20	60.50	65.95	63.85	75.02	54.13
10 . Investment to Total Assets	"	50.39	48.64	46.39	45.89	51.72	44.66
11 . Infection Ratio - NPLs/ Gross Advances	"	15.17	14.77	12.92	12.59	14.10	15.28
12 . Earning Assets to Total Assets Ratio	"	95.76	85.54	92.73	92.06	89.76	92.60
13 . NPL Coverage - Total provision/ NPLs	"	96.89	103.11	96.25	100.08	96.99	95.54
14 . NPL Coverage - (specific provision / NPLs)	"	90.59	89.99	90.20	94.68	91.60	91.83
C . CAPITAL ADEQUACY							
15 . Tier-I Capital	Rs. Mn	199,752	172,896	142,716	124,818	101,303	95,540
16 . Total Eligible Capital	"	264,095	228,120	182,532	168,658	138,885	133,167
17 . Risk Weighted Assets - RWA	"	1,295,116	1,153,101	1,178,941	1,031,677	870,967	805,252
18 . RWA to total assets	%	33.67	38.33	37.73	36.86	34.76	40.09
19 . Tier-I Ratio	%	15.42	14.99	12.11	12.10	11.63	11.86
20 . Capital Adequacy Ratio	%	20.39	19.78	15.48	16.35	15.95	16.54
D . INVESTMENT / MARKET RATIOS							
21 . Earning per Share and Diluted EPS	Rs.	13.16	14.36	7.43	9.41	10.82	10.69
22 . Price Earning Ratio	Times	2.26	2.99	5.83	4.47	4.49	7.01
23 . Price to book value ratio	Times	0.26	0.34	0.40	0.43	0.59	0.90
24 . Market Value per Share	Rs.	34.52	42.96	43.30	42.03	48.56	74.89
25 . Breakup value per share							
- without surplus on revaluation of fixed assets		114.89	105.79	89.55	77.63	72.31	72.89
- with surplus on revaluation of fixed assets & investments		134.52	125.76	109.34	97.23	82.44	83.07
26 . Dividend per Share	Rs.	-	-	-	-	-	7.50
27 . Dividend Yield ratio	%	-	-	-	-	-	0.10
28 . Dividend Payout ratio	"	-	-	-	-	-	0.01
29 . Cash Dividend	"	-	-	-	-	-	7.50
E . LIQUIDITY							
30 . Gross Advances to Deposits Ratio	%	43.23	47.95	52.38	52.67	49.62	47.15
31 . Net Advances to Deposits Ratio	"	36.88	40.65	45.87	46.04	42.83	40.27
32 . Net Loans To Total Assets	"	28.94	32.68	32.27	33.09	29.53	33.22
33 . Net Loans To Total Deposits (Deposits & Borrowings)	"	33.41	38.45	37.76	38.52	35.44	39.21
34 . Liquidity Coverage Ratio	"	164.00	180.02	147.57	169.44	169.69	-
35 . Net Stable Funding Ratio	"	278.11	256.27	233.19	320.82	365.29	-
36 . CASA	"	82.28	83.83	81.80	81.49	77.13	73.51
F . PROFITABILITY							
37 . Return on Average Assets - Pre Tax	%	1.54	1.51	0.95	1.12	1.58	2.00
38 . Return on Average Equity - Pre Tax (Excl. Surplus on Rev.)	"	25.44	25.95	18.11	21.78	28.98	31.47
39 . Operating Profit To Average Assets	"	2.18	2.51	1.43	1.55	1.63	2.02
40 . Total Income To Average Assets	"	3.93	4.57	3.65	3.65	3.78	4.56
41 . Non-Interest Income To Total Income	"	27.45	25.73	33.48	37.40	36.41	35.34
42 . Operating Expenses To Average Assets	"	1.75	2.06	2.22	2.11	2.15	2.54
43 . Loan Loss Provisioning Expense to Operating Profit	"	15.98	40.06	33.73	27.57	3.24	1.06
44 . Profit before tax ratio	"	22.80	17.93	11.69	19.79	28.93	32.47
45 . Gross Yield on Average Earning Assets	"		10.26	10.57	7.42	6.78	7.60
46 . Cost to income ratio	"	44.59	45.01	60.91	57.71	56.88	55.73
G . DuPont Analysis							
47 . Net Operating Margin	%	20.81	21.79	14.62	20.65	26.99	26.83
48 . Asset Utilization	"	3.93	4.57	3.65	3.65	3.78	4.56
49 . Return on Assets - After Tax	"	0.82	1.00	0.53	0.75	1.02	1.22
50 . Return on Equity - After Tax	"	13.48	17.16	10.22	14.69	18.74	19.28
H . Per Branch							
51 . Gross Advances	Rs. Mn	863	756	752	695	564	532
52 . Deposits	"	1,995	1,576	1,437	1,319	1,137	1,128
53 . Profit before Tax (PBT)	"	34.94	30.11	18.30	19.46	23.44	25.28
54 . Profit after Tax (PAT)	"	18.51	19.91	10.33	13.12	15.16	15.49
55 . No. of branches	Number	1,513	1,535	1,530	1,525	1,519	1,469
56 . No. of employees	"	15,409	15,109	15,188	15,738	15,616	15,793
I . RATES							
Exchange Rate	US \$	176.5135	159.8344	154.8476	138.8619	110.4172	104.5985

6 Years' Summary (Unconsolidated)

PKR "Mn

Financial Position	2021	2020	2019	2018	2017	2016
Assets						
Cash and balances with treasury banks	278,747	249,260	292,513	247,518	160,090	160,173
Balances with other banks	17,667	14,227	13,221	12,202	26,404	13,828
Lending to financial institutions	335,467	126,805	134,780	106,392	26,916	121,709
Investments - net	1,938,171	1,463,398	1,449,555	1,284,319	1,295,720	897,131
Advances - net	1,113,392	983,255	1,008,139	926,007	739,772	667,389
Operating Fixed assets	54,754	54,717	54,679	54,106	32,752	32,901
Deferred tax assets - net	1,626	-	-	-	7,317	5,136
Right of use assets	6,605	6,670	7,221	-	-	-
Other assets	100,255	110,196	164,281	168,022	216,351	110,588
Total assets	3,846,684	3,008,527	3,124,389	2,798,566	2,505,321	2,008,855
Liabilities						
Bills payable	21,848	16,795	19,867	9,944	13,195	10,187
Borrowings	312,925	138,539	471,757	392,739	360,106	44,864
Deposits and other accounts	3,019,155	2,418,966	2,198,049	2,011,385	1,727,102	1,657,312
Liabilities against assets subject to Finance Lease	-	-	-	-	15	26
Lease liability against right of use assets	7,894	7,534	7,640	-	-	-
Deferred tax liabilities	-	2,978	10,916	6,985	-	-
Other liabilities	198,660	156,156	183,545	170,644	229,522	119,733
Total liabilities	3,560,482	2,740,968	2,891,775	2,591,698	2,329,939	1,832,122
Net Assets (Represented by as below)	286,203	267,559	232,614	206,869	175,382	176,733
Share capital	21,275	21,275	21,275	21,275	21,275	21,275
Reserves	60,371	56,563	52,309	53,274	50,357	46,800
Surplus on revaluation of assets	64,482	73,699	70,244	59,986	49,689	56,718
Unappropriated Profit	140,074	116,021	88,786	72,333	54,061	51,939
Total	286,203	267,559	232,614	206,869	175,382	176,733

Financial Performance	2021	2020	2019	2018	2017	2016
Mark-up / return / interest earned	231,883	257,811	239,477	149,969	123,073	114,403
Markup / Return / Interest expensed	134,265	153,656	167,570	89,302	68,820	59,578
Non mark-up / interest income	97,618	104,155	71,907	60,666	54,253	54,824
Fee & commission income and Exchange Income	24,314	22,327	25,170	27,017	19,026	17,013
Capital gain & Dividend income	10,783	9,787	5,262	6,545	10,301	11,405
Other income	1,844	3,963	5,768	2,687	1,740	1,549
Total non-mark-up / interest income	36,942	36,077	36,199	36,249	31,066	29,967
Total income	134,559	140,232	108,107	96,915	85,319	84,791
Non-Markup / Interest Expenses	60,004	63,112	65,853	55,931	48,528	47,253
Profit before provisions	74,556	77,120	42,254	40,984	36,791	37,539
Provisions and write offs - net	11,916	30,896	14,250	11,300	1,192	397
Extra-Ordinary Item	9,779	-	-	-	-	-
Profit before taxation	52,860	46,224	28,003	29,683	35,599	37,141
Taxation	24,852	15,665	12,194	9,668	12,571	14,389
Profit after taxation	28,008	30,559	15,810	20,015	23,028	22,752

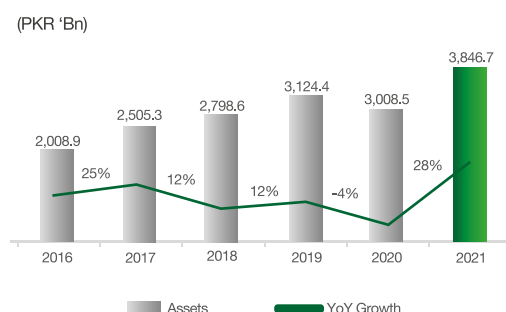
6 Years' Vertical & Horizontal Analysis

PKR 'Mn

Horizontal Analysis (YoY growth)	2021		2020		2019		2018		2017		2016	
	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	278,747	12%	249,260	-15%	292,513	18%	247,518	55%	160,090	0%	160,173	6%
Balances with other banks	17,667	24%	14,227	8%	13,221	8%	12,202	-54%	26,404	91%	13,828	-31%
Lending to financial institutions	335,467	165%	126,805	-6%	134,780	27%	106,392	295%	26,916	-78%	121,709	1482%
Investments - net	1,938,171	32%	1,463,398	1%	1,449,555	13%	1,284,319	-1%	1,295,720	44%	897,131	8%
Advances - net	1,113,392	13%	983,255	-2%	1,008,139	9%	926,007	25%	739,772	11%	667,389	15%
Operating Fixed assets	54,754	0%	54,717	0%	54,679	1%	54,106	65%	32,752	0%	32,901	4%
Deferred tax assets - net	1,626	0%	-	0%	-	0%	-	-100%	7,317	42%	5,136	-47%
Right of use assets	6,605	-1%	6,670	-8%	7,221	100%	-	0%	-	0%	-	0%
Other assets	100,255	-9%	110,196	-33%	164,281	-2%	168,022	-22%	216,351	96%	110,588	40%
Total assets	3,846,684	28%	3,008,527	-4%	3,124,389	12%	2,798,566	12%	2,505,321	25%	2,008,855	18%
Liabilities												
Bills payable	21,848	30%	16,795	-15%	19,867	100%	9,944	-25%	13,195	30%	10,187	11%
Borrowings	312,925	126%	138,539	-71%	471,757	20%	392,739	9%	360,106	703%	44,864	105%
Deposits and other accounts	3,019,155	25%	2,418,966	10%	2,198,049	9%	2,011,385	16%	1,727,102	4%	1,657,312	16%
Liability against assets subject to Finance Lease	-	0%	-	0%	-	0%	-	-100%	15	-43%	26	-28%
Lease liability against right of use assets	7,894	5%	7,534	0%	7,640	100%	-	0%	-	0%	-	0%
Deferred tax liabilities	-	-100%	2,978	-73%	10,916	56%	6,985	100%	-	0%	-	0%
Other liabilities	198,660	27%	156,156	-15%	183,545	8%	170,644	-26%	229,522	92%	119,733	58%
Total liabilities	3,560,482	30%	2,740,968	-5%	2,891,775	12%	2,591,698	11%	2,329,939	27%	1,832,122	19%
Net assets	286,203	7%	267,559	15%	232,614	12%	206,869	18%	175,382	-1%	176,733	5%
Share capital												
Share capital	21,275	0%	21,275	0%	21,275	0%	21,275	0%	21,275	0%	21,275	0%
Reserves	60,371	7%	56,563	8%	52,309	-2%	53,274	6%	50,357	8%	46,800	3%
Surplus on revaluation of assets	64,482	-13%	73,699	5%	70,244	17%	59,986	21%	49,689	-12%	56,718	8%
Unappropriated profit	140,074	21%	116,021	31%	88,786	23%	72,333	34%	54,061	4%	51,939	6%
Total	286,203	7%	267,559	15%	232,614	12%	206,869	18%	175,382	-1%	176,733	5%

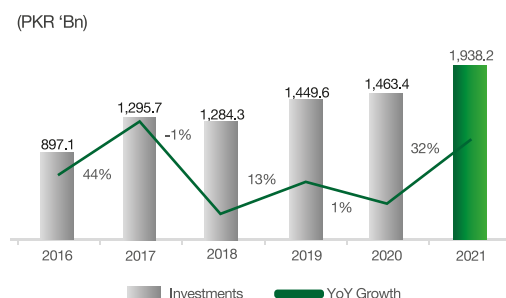
Total Assets

Over the past 6 years, the Bank's asset base has increased manifold depicting 13.9% CAGR. The PKR 3.8 Trillion of total assets represents approximately 12.0% of the total industry' assets. In recent years, the Bank has achieved cohesive growth in assets-mix efficiently managing its assets-liability maturity profile. The highest 27.9% YoY increase in the asset base has been observed in 2021. This significant increase in 2021 was achieved through aggressive deposit mobilization under PKR 3 Trillion drive. Liquidity generated was placed into investments that stood at PKR 1,938.2 Bn, which is PKR 474.78 Bn or 32.0% up from PKR 1,463.4 Bn at the end of 2020. 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. 32% YoY growth in 2021 is due to Bank has diversified investment portfolio and earns a higher yield on investments. This translates into 16.7% CAGR over the past six years



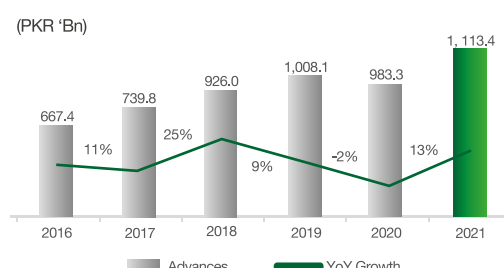
6 Years' Vertical & Horizontal Analysis

PKR "Mn

Vertical Analysis (composition)	2021		2020		2019		2018		2017		2016	
	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	278,747	7%	249,260	8%	292,513	9%	247,518	9%	160,090	6%	160,173	8%
Balances with other banks	17,667	0%	14,227	0%	13,221	0%	12,202	0%	26,404	1%	13,828	1%
Lending to financial institutions	335,467	9%	126,805	4%	134,780	5%	106,392	4%	26,916	1%	121,709	6%
Investments - net	1,938,171	50%	1,463,398	49%	1,449,555	46%	1,284,319	46%	1,295,720	52%	897,131	45%
Advances - net	1,113,392	29%	983,255	33%	1,008,139	32%	926,007	33%	739,772	30%	667,389	34%
Operating Fixed assets	54,754	1%	54,717	2%	54,679	2%	54,106	2%	32,752	1%	32,901	2%
Deferred tax assets - net	1,626	0%	-	0%	-	0%	-	0%	7,317	0%	5,136	0%
Right of use assets	6,605	0%	6,670	0%	7,221	0%	-	0%	-	0%	-	0%
Other assets	100,255	3%	110,196	4%	164,281	5%	168,022	6%	216,351	9%	110,588	4%
Total assets	3,846,684	100%	3,008,527	100%	3,124,389	100%	2,798,566	100%	2,505,321	100%	2,008,855	100%
Liabilities												
Bills payable	21,848	1%	16,795	1%	19,867	1%	9,944	0%	13,195	1%	10,187	1%
Borrowings	312,925	8%	138,539	5%	471,757	15%	392,739	14%	360,106	14%	44,864	2%
Deposits and other accounts	3,019,155	78%	2,418,966	80%	2,198,049	70%	2,011,385	72%	1,727,102	69%	1,657,312	84%
Liabilities against assets subject to Finance Lease	-	0%	-	0%	-	0%	-	0%	15	0%	26	0%
Lease liability against right of use assets	7,894	0%	7,534	0%	7,640	0%	-	0%	-	-	-	0%
Deferred tax liabilities	-	0%	2,978	0%	10,916	0%	6,985	0%	-	0%	-	0%
Other liabilities	198,660	5%	156,156	5%	183,545	6%	170,644	6%	229,522	9%	119,733	4%
Total liabilities	3,560,482	93%	2,740,968	91%	2,891,775	93%	2,591,698	93%	2,329,939	93%	1,832,122	91%
Net assets	286,203	7%	267,559	9%	232,614	7%	206,869	7%	175,382	7%	176,733	9%
Equity												
Share capital	21,275	1%	21,275	1%	21,275	1%	21,275	1%	21,275	1%	21,275	1%
Reserves	60,371	2%	56,563	2%	52,309	2%	53,274	2%	50,357	2%	46,800	2%
Surplus on revaluation of assets	64,482	2%	73,699	2%	70,244	2%	59,986	2%	49,689	2%	56,718	3%
Unappropriated profit	140,074	4%	116,021	4%	88,786	3%	72,333	3%	54,061	2%	51,939	3%
Equity	286,203	7%	267,559	9%	232,614	7%	206,869	7%	175,382	7%	176,733	9%

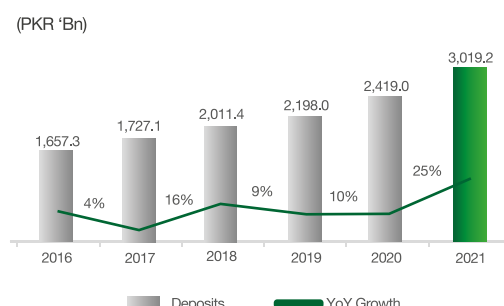
Advances (net)

Steady growth is achieved in net advances over the last six years increasing from PKR 667.4 Bn in 2016 to PKR 1,113.4 Bn in 2021 with a CAGR of 10.8%. An increase of 13.3% YoY in 2021 is observed due to increasing loan demand as the economy is recovering from the impact that Covid-19 had in recent years. Historically, advances of the Bank have posted a modest growth since 2016 and have sharply increased in 2021.



Deposits

Deposits remain the primary source of funding for the Bank. Deposits of the Bank have also increased significantly over the last six years' growing from PKR 1,657.3 Bn in 2016 to PKR 3,019.2 Bn in 2021. This translates into a massive 82% growth with a CAGR of 12.7%. Smooth growth was observed throughout these years, with the highest YoY increase of 25% being reported in 2021 as the Bank launched its PKR 3 Trillion deposits mobilization initiative. Deposits accounted for 78% of the Bank's total assets as of the end of December 2021. Despite the short-term maturity profile. Deposit base, it has historically proved to be sticky and a stable funding source.



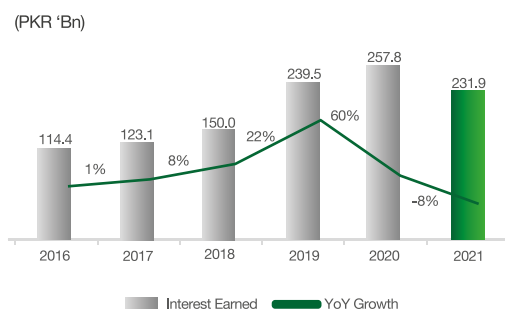
6 Years' Horizontal Analysis

PKR "Mn

	2021		2020		2019		2018		2017		2016	
	PKR' Mn	YoY	PKR' Mn	YoY	PKR' Mn	YoY	PKR' Mn	YoY	PKR' Mn	YoY	PKR' Mn	YoY
Profitability												
Markup / Return / Interest earned	231,883	-10%	257,811	8%	239,477	60%	149,969	22%	123,073	8%	114,403	1%
Markup / Return / Interest expense	134,265	-13%	153,656	-8%	167,570	88%	89,302	30%	68,820	16%	59,578	-1%
Net Markup / interest income	97,618	-6%	104,155	45%	71,907	19%	60,666	12%	54,253	-1%	54,824	2%
Fee commission and exchange income	24,314	9%	22,327	-11%	25,170	-7%	27,017	42%	19,026	12%	17,013	0%
Capital gains & dividend income	10,783	10%	9,787	86%	5,262	-20%	6,545	-36%	10,301	-10%	11,405	-28%
Other income	1,844	-53%	3,963	-31%	5,768	115%	2,687	54%	1,740	12%	1,549	-26%
Non-interest income	36,942	2%	36,077	0%	36,199	0%	36,249	17%	31,066	4%	29,967	-14%
Total income	134,559	-4%	140,232	30%	108,107	12%	96,915	14%	85,319	1%	84,791	-4%
Operating expenses	60,004	-5%	63,112	-4%	65,853	18%	55,931	15%	48,528	3%	47,253	12%
Profit before provisions	74,556	-3%	77,120	83%	42,254	3%	40,984	11%	36,791	-2%	37,539	-19%
Provisions	11,916	-61%	30,896	117%	14,250	26%	11,300	848%	1,192	200%	397	-97%
Extra-Ordinary Item	9,779	-	-	-	-	-	-	-	-	-	-	-
Pre-tax profit	52,860	14%	46,224	65%	28,003	-6%	29,683	-17%	35,599	-4%	37,141	12%
Taxation	24,852	59%	15,665	28%	12,194	26%	9,668	-23%	12,571	-13%	14,389	3%
After-tax profit	28,008	-8%	30,559	93%	15,810	-21%	20,015	-13%	23,028	1%	22,752	18%

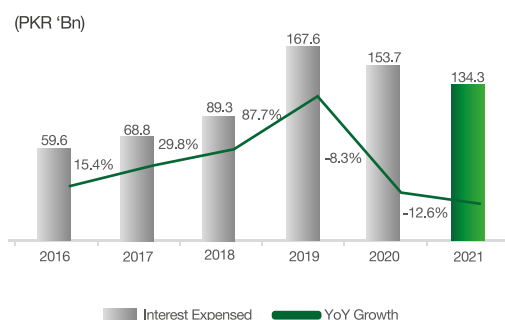
Mark-up / Return / Interest Earned

On to Profit & Loss Account, gross mark-up / interest earned has posted compounded average increase of 15.2% 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 2018 and 2019 on the back of sharply increasing discount rate and volumetric growth in earning assets, particularly the advances and investment. 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.



Mark-up / Return / Interest Expensed

Given the growth in deposits base, total mark-up expense has increased by 125% over the six years period. The increase in mark-up expense on deposits reflects both the impact of volumetric growth in deposits and 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 2021, the average policy rate remained at 7.29% compared to 8.95% of last year. This translates into an average decline in the policy rate by 160 bps. As a consequent of that, the Bank has achieved a decline in cost of funds that dropped by 120bps to 4.0% for 2021 (2020: 5.2%).



6 Years' Vertical Analysis

PKR "Mn

	2021		2020		2019		2018		2017		2016	
	PKR' Mn	%	PKR' Mn	%	PKR' Mn	%	PKR' Mn	%	PKR' Mn	%	PKR' Mn	YoY
Markup / return / non interest Income earned												
Markup / Return / Interest earned	231,883	86%	257,811	88%	239,477	87%	149,969	81%	123,073	80%	114,403	79%
Fee & commission income and Exchange Income	24,314	9%	22,327	8%	25,170	9%	27,017	15%	19,026	12%	17,013	12%
Capital gains & dividend income	10,783	4%	9,787	3%	5,262	2%	6,545	3%	10,301	7%	11,405	8%
Other income	1,844	1%	3,963	1%	5,768	2%	2,687	1%	1,740	1%	1,549	1%
Total income	268,824	100%	293,888	100%	275,677	100%	186,218	100%	154,138	100%	144,369	100%
Markup / return / non interest expense												
Markup / Return / Interest expensed	134,265	50%	153,656	52%	167,570	61%	89,302	48%	68,820	45%	59,578	41%
Operating expenses and other charges	60,004	22%	63,112	21%	65,853	24%	55,931	30%	48,528	31%	47,253	33%
Provisions	11,916	4%	30,896	11%	14,250	5%	11,300	6%	1,192	1%	397	0.3%
Extra ordinary item	9,779	4%	-	-	-	-	-	-	-	-	-	-
Taxation	24,852	9%	15,665	5%	12,194	4%	9,668	5%	12,571	8%	14,389	10%
Total expense - as a % of total income	240,816	90%	263,329	90%	259,867	94%	166,203	89%	131,110	85%	121,617	84%
After-tax profit	28,008	10%	30,559	10%	15,810	6%	20,015	11%	23,028	15%	22,752	16%
Total	268,824	100%	293,888	100%	275,677	100%	186,218	100%	154,138	100%	144,369	100%

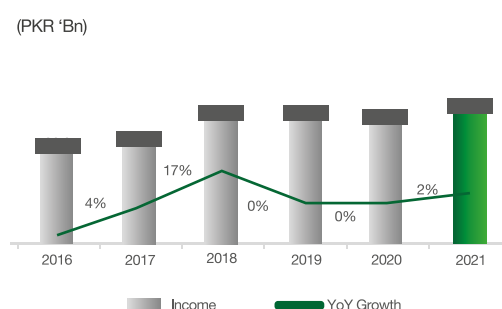
Capital

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 176.7 Bn in 2016, have increased to PKR 286.2 Bn at the end of December 2021. This translates into a 10.1% CAGR over the past six years.



Non Mark-up / Interest Income

With 23% 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 2021 remained almost similar to that of 2020.



Operating Expenses

Total operating expenses in 2021 amounted to PKR 60.0 Bn against PKR 63.1 Bn for the year 2020. The operating expenses decreased by 4.9%.



6 Years' Summary (Consolidated)

PKR "Mn

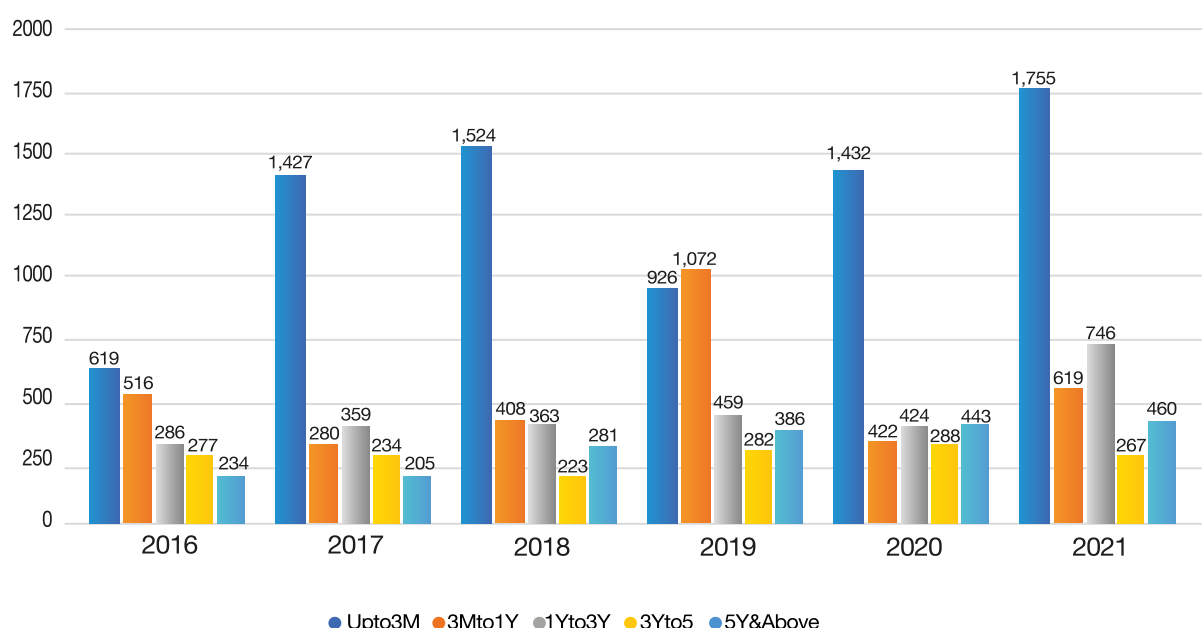
Financial Position	2021	2020	2019	2018	2017	2016
Cash and balances with treasury banks	278,869	249,970	293,198	247,917	160,405	160,422
Balances with other banks	19,211	15,015	13,598	13,050	26,992	14,396
Lending to financial institutions	335,467	126,805	134,780	106,392	26,916	121,709
Investments - net	1,942,741	1,466,405	1,452,799	1,284,975	1,296,537	896,281
Advances - net	1,113,314	983,871	1,008,399	926,340	740,345	668,884
Operating fixed assets	56,005	56,109	55,990	55,196	33,822	34,058
Deferred tax assets - net	1,903	-	-	-	7,342	5,172
Right of use assets	7,091	7,017	7,447	-	-	-
Other assets	102,434	112,018	166,148	170,018	219,092	113,643
Total assets	3,857,035	3,017,210	3,132,360	2,803,886	2,511,452	2,014,566
Bills payable	21,848	16,795	19,867	9,944	13,195	10,187
Borrowings	312,925	138,539	471,757	392,739	360,106	44,864
Deposits and other accounts	3,018,148	2,418,928	2,197,985	2,011,313	1,727,059	1,657,132
Liabilities against assets subject to Finance Lease	134	197	194	121	57	83
Lease liability against right of use assets	8,361	7,869	7,831	-	-	-
Deferred tax liabilities	-	2,933	10,869	6,946	-	-
Other liabilities	200,596	157,545	184,633	171,762	231,359	122,160
Total liabilities	3,562,012	2,742,808	2,893,138	2,592,825	2,331,776	1,834,427
Net assets (Represented by as below)						
Share capital	21,275	21,275	21,275	21,275	21,275	21,275
Reserves	62,427	57,591	53,261	53,443	49,887	46,031
Surplus on revaluation of assets	64,995	73,988	70,359	59,262	49,632	56,299
Unappropriated profit	145,313	120,632	93,466	76,240	58,069	55,795
Sub Total	294,010	273,486	238,360	210,220	178,864	179,401
Non-controlling interest	1,013	916	863	842	811	738
Total	295,023	274,402	239,223	211,061	179,676	180,139

Financial Performance	2021	2020	2019	2018	2017	2016
Mark-up / return / interest earned	232,052	258,031	239,710	150,178	123,415	115,029
Mark-up / return / interest expensed	134,285	153,652	167,556	89,287	68,811	59,594
Net mark-up / Interest income	97,767	104,379	72,154	60,891	54,604	55,434
Fee & commission income and Exchange income	26,054	23,823	26,737	28,924	20,820	18,224
Capital gain & Dividend income	10,718	9,748	5,265	6,445	10,049	11,256
Share of profit from joint venture - net of tax	218	(219)	(96)	(334)	2	319
Share of loss from associates - net of tax	23	43	37	(35)	(512)	(333)
Other income	1,856	3,965	5,817	2,675	1,757	1,567
Total non-markup / interest income	38,869	37,360	37,760	37,674	32,115	31,032
Total income	136,636	141,739	109,914	98,566	86,720	86,467
Operating Expenses (Non Mark-Up/Interest Expense)	61,406	64,443	67,379	57,480	50,041	48,742
Profit before provisions	75,230	77,297	42,535	41,085	36,678	37,725
Provisions	11,659	30,912	13,557	11,205	535	130
Extra-Ordinary Item	9,779	-	-	-	-	-
Pre-tax profit	53,792	46,385	28,978	29,880	36,144	37,595
Taxation	25,032	15,798	12,331	9,844	12,798	14,507
After-tax profit	28,760	30,586	16,647	20,035	23,346	23,087

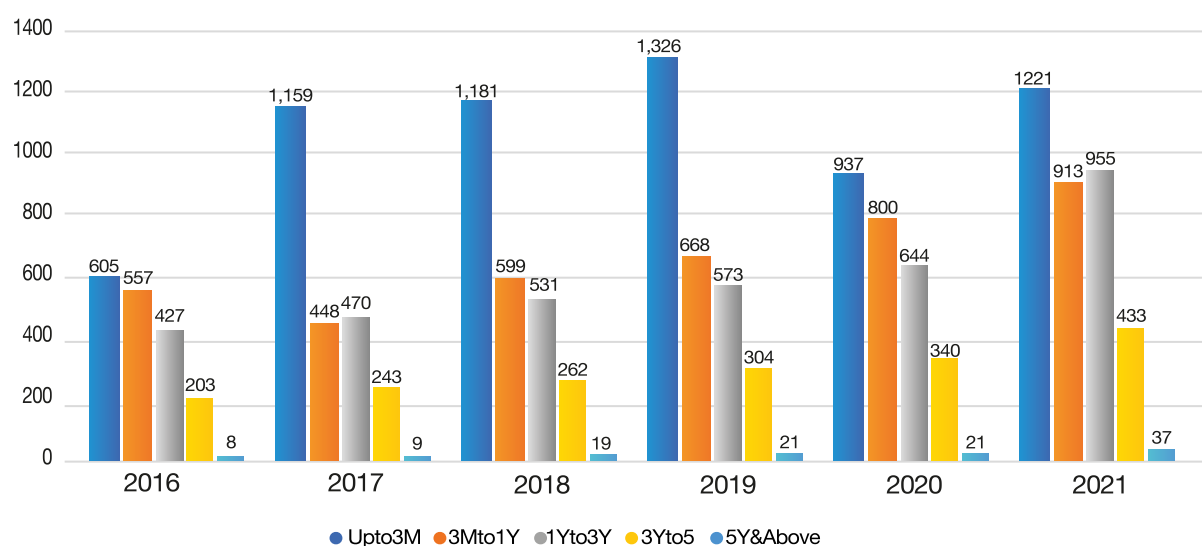
Six Years' - Maturities of Assets & Liabilities

At end 2021, the Bank's total liabilities stood at PKR 3,560.5 Bn, increasing at a CAGR of 14.2% over the past six-years. While 24.9% of the Bank's liabilities are expected to mature within in a period of one month, another 9.4% are expected to mature over the next two months i.e. a total of 34.3% to mature within a period of 3 months. The remaining 65.7% of the liabilities have a maturity period of beyond 3 months. At end 2021, the Bank's total liabilities stood at PKR 3,560.5 Bn, increasing at a CAGR of 14.2% over the past six-years. While 24.9% of the Bank's liabilities are expected to mature within in a period of one month, another 9.4% are expected to mature over the next two months i.e. a total of 34.3% to mature within a period of 3 months. The remaining 65.7% 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.

Maturity of Assets (PKR 'Bn)



Maturity of Liabilities (PKR 'Bn)



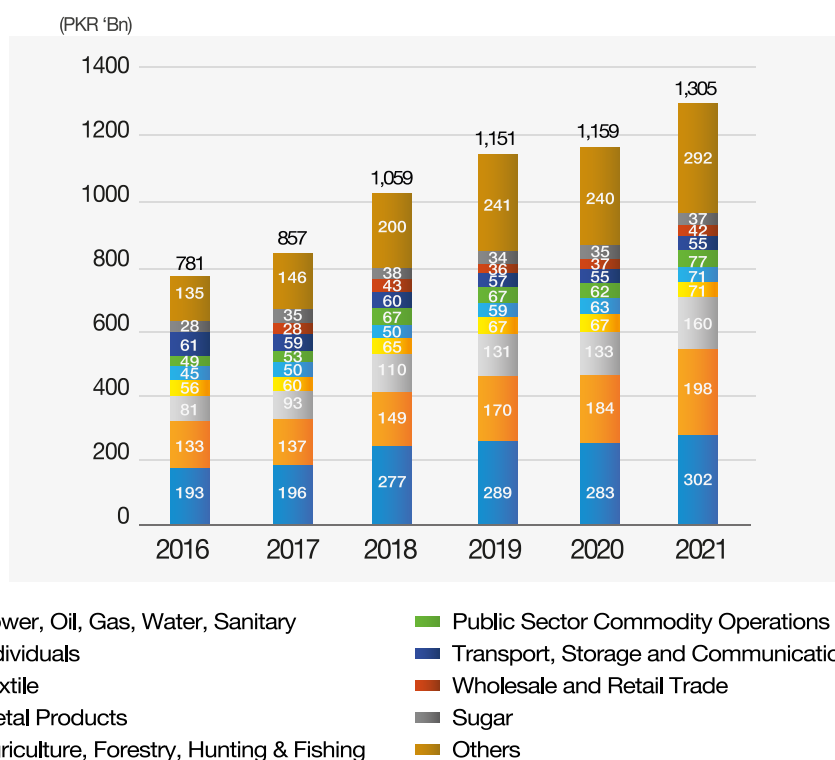
Sectoral Concentration

PKR 'Mn

Sector	Gross Advances			Contingencies and Commitments		
	2021	(% Share)	(% YoY)	2021	(% Share)	(% YoY)
Power, Gas, Water, Sanitary	198,947	15.2%	-1.1%	61,809	2.5%	-26.1%
Individuals	198,139	15.2%	7.7%	77	0.0%	-80.4%
Textile	160,048	12.3%	20.6%	25,421	1.0%	36.9%
Oil & Gas	102,762	7.9%	25.2%	104,645	4.2%	167.1%
Public Sector Commodity Operations	77,346	5.9%	23.9%	8,249	0.3%	-34.4%
Agriculture, Forestry, Hunting & Fishing	71,243	5.5%	13.0%	101	0.0%	-41.1%
Metal Products	71,008	5.4%	5.5%	15,961	0.6%	62.4%
Transport, Storage and Communication	55,055	4.2%	-0.2%	47,722	1.9%	70.3%
Wholesale and Retail Trade	42,441	3.3%	16.1%	2,347	0.1%	44.5%
Services	38,097	2.9%	16.0%	1,355,080	54.4%	42.6%
Others	290,091	22.2%	19.6%	869,093	34.9%	28.5%
Total	1,305,177	100.0%	12.5%	2,490,504	100.0%	36.8%

Gross Advances

Gross advances of the Bank grew steadily over the last six years at a CAGR of 10.8%, closing at PKR 1,305.2 Bn at the end 2021 (2020: PKR 1,159.8 Bn). Whereas 23.1%, 15.9% and 12.3% 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 months, significant growth in advances to Textile, Financial and Oil and Gas sectors is witnessed given an increasing demand following the Government Cs relief package for the construction and other sector.



Contingencies & Commitments

Over the six-year period, the Bank's overall contingencies & loan commitments have risen to PKR 2,340.7 Bn at the end of 2021 (2020: PKR 1,675.2 Bn) at a CAGR of 52.9% driven by the significant rise in trade business volumes. At end 2021, the services and financial sectors accounted for 52.3% and 30.3% of the Bank's overall loan commitments and contingent advances. Additionally, the rapid infrastructural development in Pakistan and multiple economic stimulus packages announced by the Govt. and SBP including Refinance facility for combating Covid-19 and Temporary Economic Refinance Facility promises further growth in trade volumes of the stated industry segments in the future.

Sectoral Concentration

PKR 'Mn

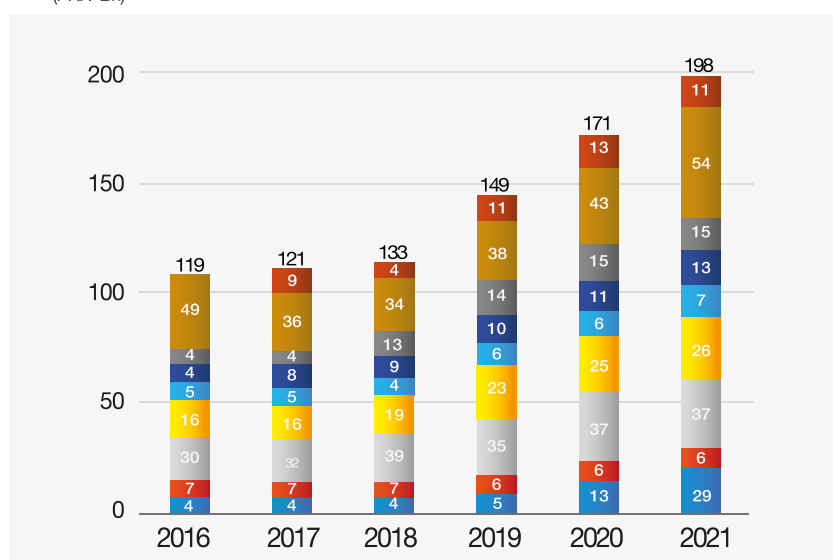
Sector	Non-performing Loans			Provision Held		
	2021	(% Share)	(% YoY)	2021	(% Share)	(% YoY)
Power, Gas, Water, Sanitary	13,210	6.7%	69.6%	9,311	5.2%	38.0%
Individuals	6,150	3.1%	4.2%	4,300	2.4%	5.2%
Textile	36,877	18.6%	-1.5%	36,828	20.5%	3.4%
Oil & Gas	20,217	10.2%	273.5%	20,075	11.2%	343.5%
Public Sector Commodity Operations	74	0.0%	0.0%	74	0.0%	0.0%
Agriculture, Forestry, Hunting & Fishing	7,208	3.6%	16.2%	5,192	2.9%	15.0%
Metal Products	25,680	13.0%	2.3%	25,511	14.2%	3.9%
Transport, Storage and Communication	12,774	6.5%	13.6%	10,353	5.8%	12.9%
Wholesale and Retail Trade	10,731	5.4%	-20.2%	10,675	6.0%	-11.1%
Services	4,228	2.1%	-5.0%	2,541	1.4%	-2.5%
Others	60,788	30.7%	12.1%	54,450	30.4%	8.4%
Total	197,938	100.0%	15.6%	179,312	100.0%	16.3%

Non-performing Loans

At the end of 2021, Bank's non-performing loans stood at PKR 197.9 Bn, demonstrating a 15.6% YoY deterioration due to business downturn caused by the Covid-19 and certain measure loan default by corporate borrower. NPL's that grew at a CAGR of 10.6% 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 declined from 15.3% in 2016 to 15.2% at the end 2021.

Furthermore, the coverage ratio has improved from 89.9% (2020) to 90.6% at the end of 2021.

(PKR 'Bn)



- Power, Oil, Gas, Water, Sanitary
- Individuals
- Textile
- Metal Products
- Agriculture, Forestry, Hunting & Fishing
- Public Sector Commodity Operations
- Transport, Storage and Communication
- Wholesale and Retail Trade
- Sugar
- Others

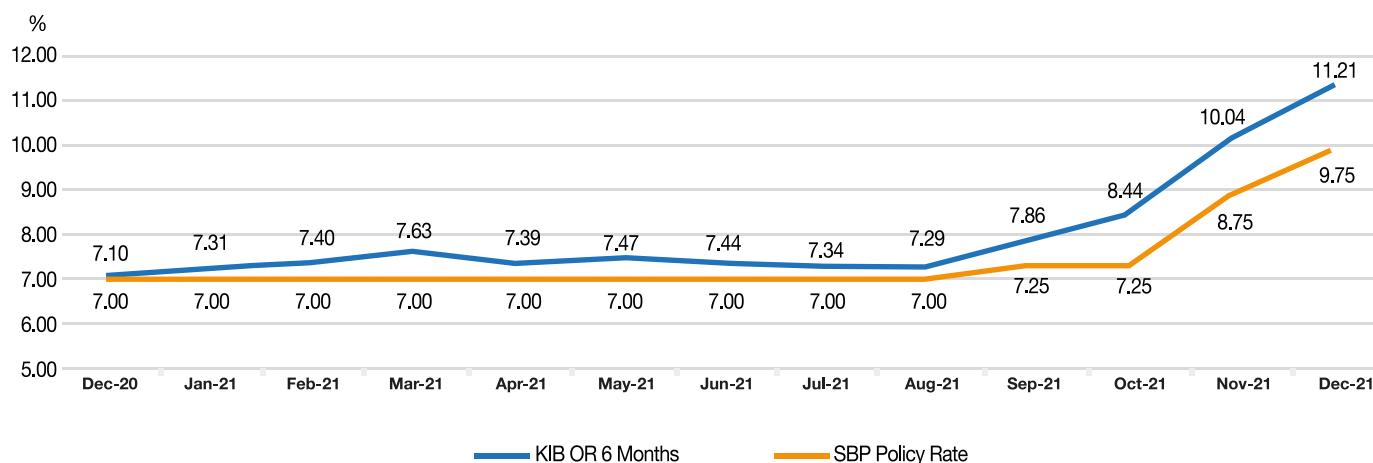
Maturities of Assets and Liabilities

(PKR 'Mn)

Financial Position Total	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
Assets							
Cash and balances with treasury banks	278,747	178,036	94,581	6,130	-	-	-
Balances with other banks	17,667	16,172	1,495	-	-	-	-
Lending to financial institutions	335,467	305,467	30,000	-	-	-	-
Investments	1,938,171	707,242	295,728	415,356	142,328	134,189	243,327
Advances	1,113,392	492,549	183,928	56,918	90,681	127,063	162,254
Fixed assets	54,252	-	851	2,402	851	1,407	48,740
Intangible assets	503	-	168	168	168	-	-
Right of use assets	6,605	18	238	589	458	1,418	3,885
Deferred tax assets	1,626	-	-	-	-	1,626	-
Other assets	100,255	55,594	12,375	29,023	725	1,088	1,450
Total	3,846,684	1,755,078	619,364	510,586	235,210	266,791	459,656
Liabilities							
Bills payable	21,848	12,313	7,064	2,472	-	-	-
Borrowings	312,925	162,990	111,376	13,099	3,634	6,463	15,363
Deposits and other accounts	3,019,155	948,947	759,753	413,860	486,685	408,595	1,316
Liabilities against assets subject to ROUA	7,894	21	432	643	505	1,765	4,528
Deferred tax liabilities	-	-	-	-	-	-	-
Other liabilities	198,660	97,033	34,325	25,961	8,539	16,577	16,225
Total liabilities	3,560,482	1,221,303	912,949	456,036	499,363	433,400	37,431
Net assets	286,203	533,775	(293,585)	54,550	(264,153)	(166,609)	422,225

Key Interest Bearing Assets and Liabilities

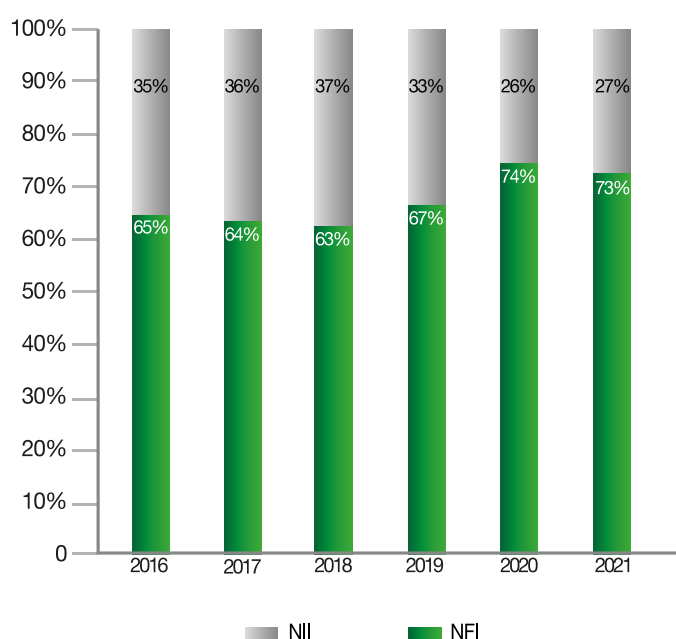
Financial Performance	Avg. Volume	2021 Effective Interest Rate %	Interest	Avg. Volume	2020 Effective Interest Rate %	Interest
Interest Earning Assets						
Placements	70.5	7.7%	5.4	50.5	7.9%	4.0
Advances (net)	988.4	8.8%	87.3	970.1	10.6%	99.8
Investments	1,697.2	8.2%	139.1	1,357.4	11.3%	154.0
Interest Bearing Liabilities						
Deposits	2,180.6	4.03%	87.8	1,984.2	5.2%	103.4
Borrowings	504.6	7.5%	37.6	405.3	10.0%	40.3



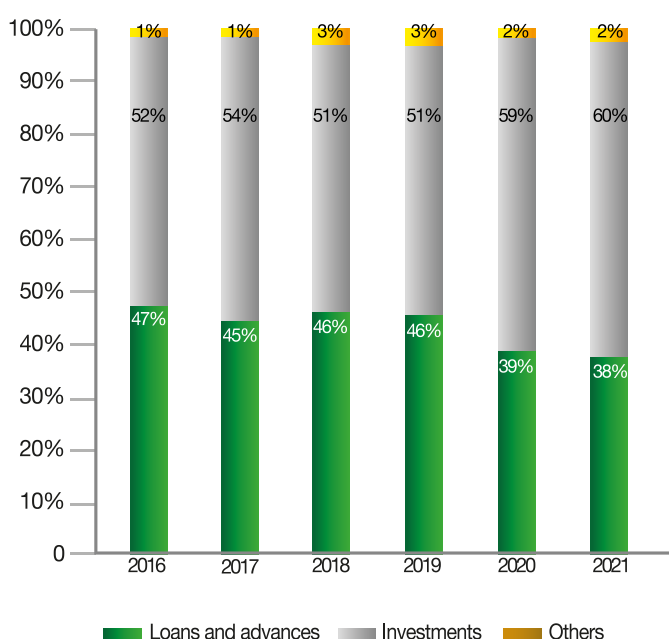
Mark-up & Non Mark-up Income

Financial Performance	2021	2020	2019	2018	2017	2016
Mark-up earned						
Loans and advances	87,347	99,781	109,646	69,359	54,885	54,188
Investments	139,115	154,041	122,337	76,288	66,453	58,906
On securities purchased under resale agreements	3,957	2,374	5,367	3,593	1,068	676
Balances with other banks	1,464	1,616	2,128	729	666	632
Total	231,883	257,811	239,477	149,969	123,073	114,403
Mark-up expensed						
Deposits	87,838	103,380	110,075	61,704	54,875	50,070
Borrowings	6,839	6,930	6,982	2,942	953	1,258
Cost of foreign currency swaps against foreign currency deposits / borrowings	8,018	9,175	9,157	6,075	3,072	-
Finance charge on lease liability against right of use assets	775	754	719	-	-	-
Securities sold under repurchase agreements	30,795	33,417	40,637	18,581	9,919	8,250
Total	134,265	153,656	167,570	89,302	68,820	59,578
Non mark-up / interest income						
Fee and commission income	17,804	18,254	19,125	17,526	16,774	14,833
Dividend income	4,595	1,901	3,150	2,613	3,821	2,999
Foreign exchange income	6,511	4,073	6,045	9,490	2,251	2,179
Gain on securities - net	6,188	7,886	2,112	3,932	6,480	8,406
Other income	1,844	3,963	5,768	2,687	1,740	1,549
Total	36,942	36,077	36,199	36,249	31,066	29,967

Contribution to Total Income



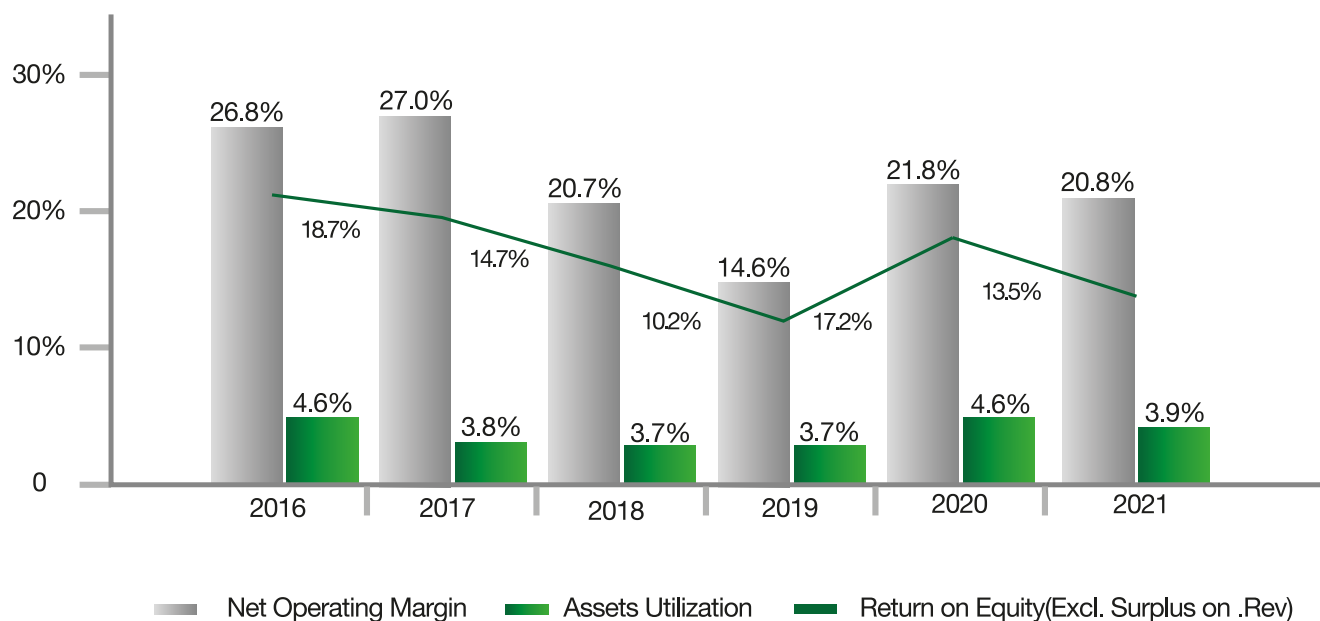
Contribution to GII



DuPont Analysis

Indicator	Formula	Unit	2021	2020	2019	2018	2017	2016
Net Operating Margin	PAT / Total Income	A %	20.8	21.8	14.6	20.7	27.0	26.8
Asset Utilization	Total Income / Avg Assets	B %	3.9	4.6	3.7	3.7	3.8	4.6
Return on Assets	PAT / Avg Assets	C = A x B %	0.8	1.0	0.5	0.8	1.0	1.2
Leverage Ratio / Equity Multiplier	Avg Assets / Avg Equity	D Times	16.5	17.2	19.2	19.5	18.4	15.7
Return on Equity (Excl. Surplus on Rev.)	PAT/Avg Equity	E = C x D %	13.5	17.2	10.2	14.7	18.7	19.3

DuPont Analysis



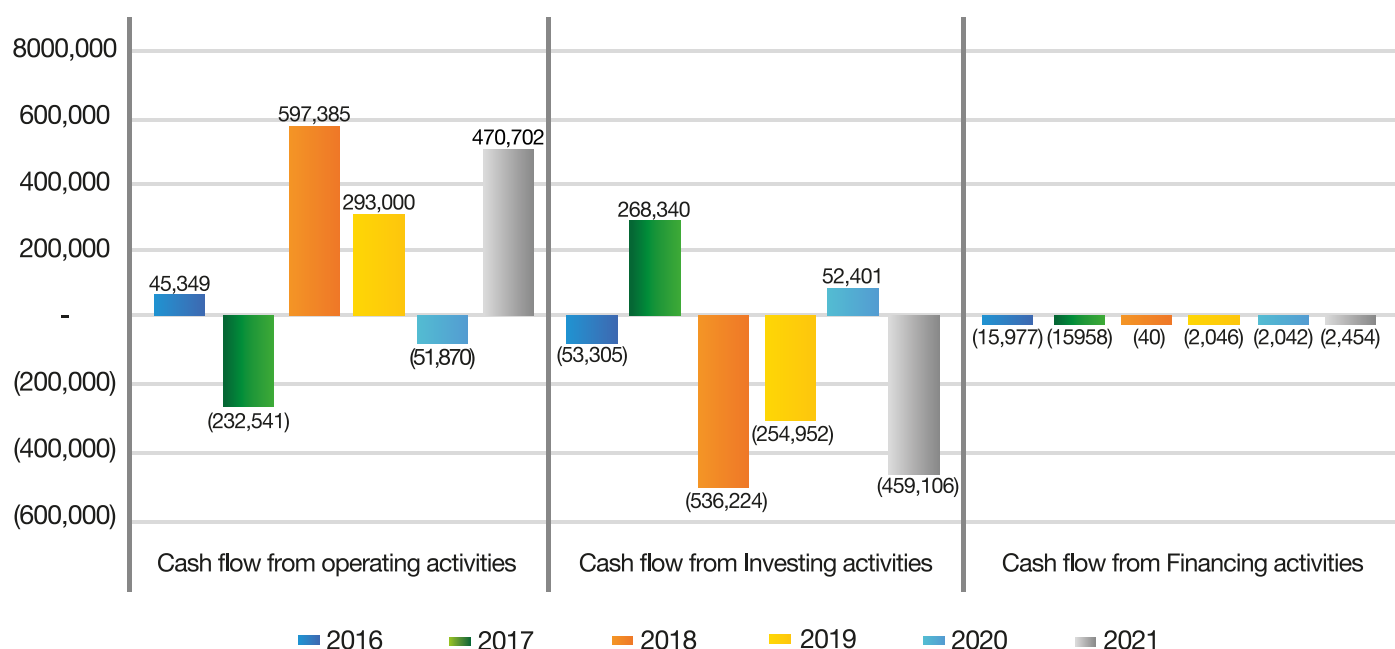
- Net operating margins of the Bank decreased from 21.8% to 20.8%. Decrease in the net operating margin is mainly pertains to the SBP policy rate which decrease the total income.
- Asset Utilization in term of Total Income decreased to 3.9% in 2021 from 4.6% in 2020. This was mainly due to decrease in policy rate by SBP which decreased the cost of deposits.
- Return on Equity during 2016 - 2019 remained in the range of 10.2% - 19.3%. The ROE for year 2021 remained at 13.5%.

Summary of Cash Flows

PKR "Mn

Classification	2021	2020	2019	2018	2017	2016
Cash Flow from Operating Activities	470,702	(51,870)	293,000	597,385	(232,541)	45,349
Cash Flow from Investing Activities	(459,106)	52,401	(254,952)	(536,224)	268,340	(53,305)
Cash Flow from Financing Activities	(2,454)	(2,042)	(2,046)	(40)	(15,958)	(15,977)
Cash & Cash equivalent at Beginning of the Year	262,243	263,754	227,753	166,631	146,790	170,723
Cash & cash equivalent at the end of the year	271,386	262,243	263,754	227,753	166,631	146,790

Summary of Cash Flows

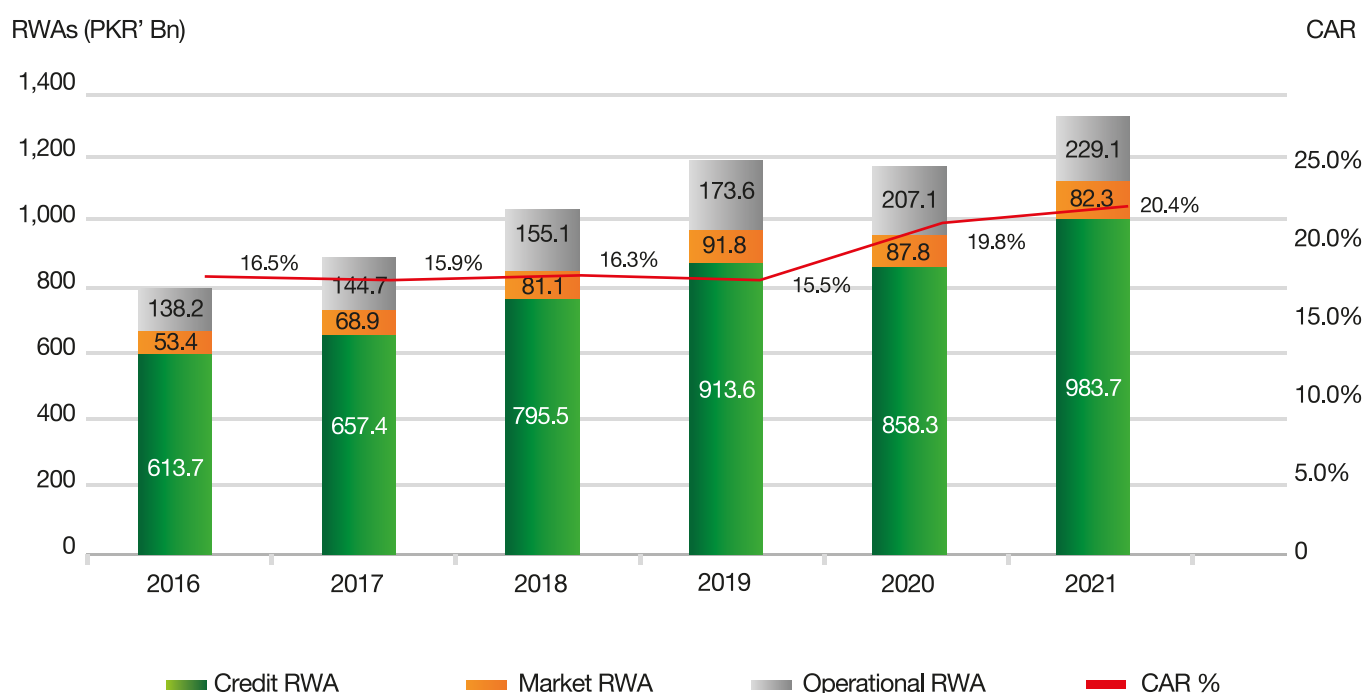


Cash Flow from operating activities mainly represent the core activity of the Bank i.e. mobilization of deposits. Since 2016, deposits of the Bank have shown a CAGR of 12.7%. During year 2021, there was net inflow of PKR 470.7 Bn from operating activities. The major outflow under investing activities was on account of net investments in available-for-sale securities and investment made in held-to-maturity securities. During the year 2021, outflows of PKR 2.45 Bn under financing activities were observed against payment of lease obligation.

Capital Adequacy

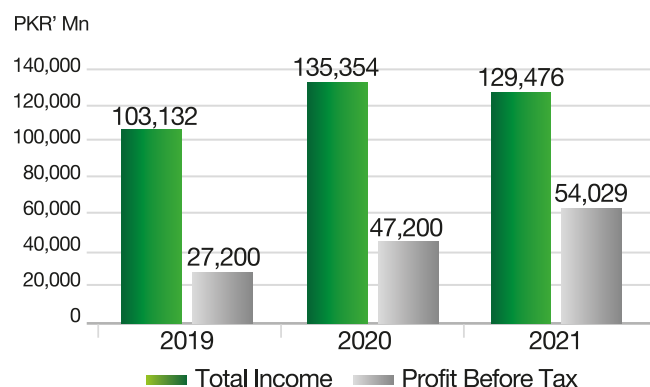
	PKR "Mn					
	2021	2020	2019	2018	2017	2016
Total Eligible Tier-1 Capital	199,752	172,896	142,716	124,818	101,303	95,540
Eligible Tier-2 Capital	64,343	55,224	39,816	43,840	37,582	37,627
Total eligible capital (Tier-1 + Tier-2)	264,095	228,120	182,532	168,658	138,885	133,167
Risk Weighted Assets						
Credit Risk	983,659	858,263	913,568	795,527	657,437	613,672
Market Risk	82,342	87,766	91,753	81,071	68,863	53,389
Operational Risk	229,114	207,072	173,620	155,079	144,667	138,192
Total risk weighted assets	1,295,116	1,153,101	1,178,941	1,031,677	870,967	805,252
Capital Adequacy Ratio						
Total Eligible Capital	264,095	228,120	182,532	168,658	138,885	133,167
Total Risk Weighted Assets	1,295,116	1,153,101	1,178,941	1,031,677	870,967	805,252
Capital adequacy ratio	20.4%	19.8%	15.5%	16.3%	15.9%	16.5%

Capital Adequacy Ratio

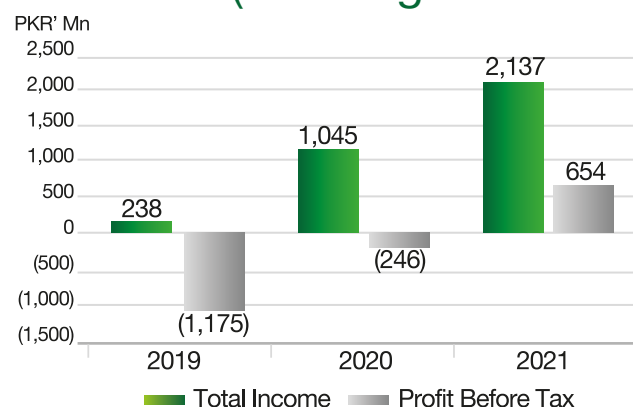


Geographical Segment

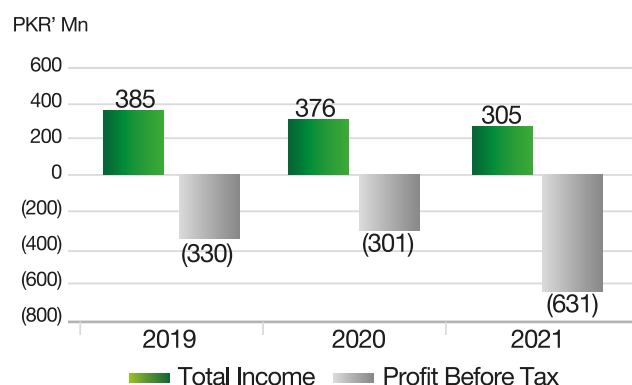
Pakistan



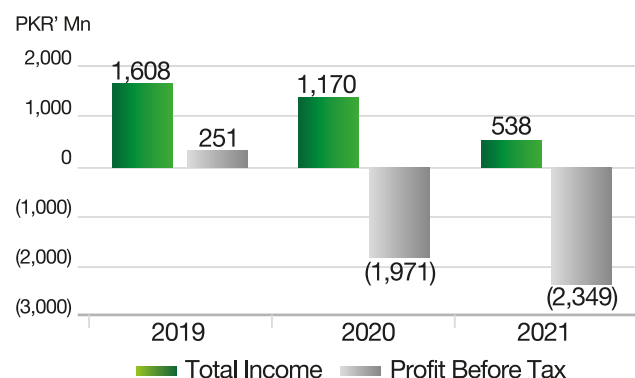
Asia Pacific (Including South Asia)



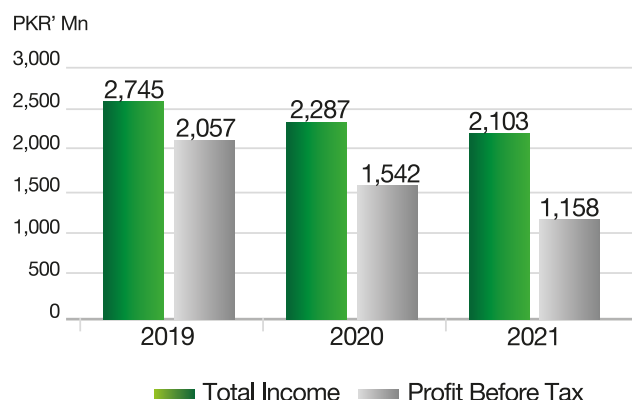
Europe



USA



Middle East

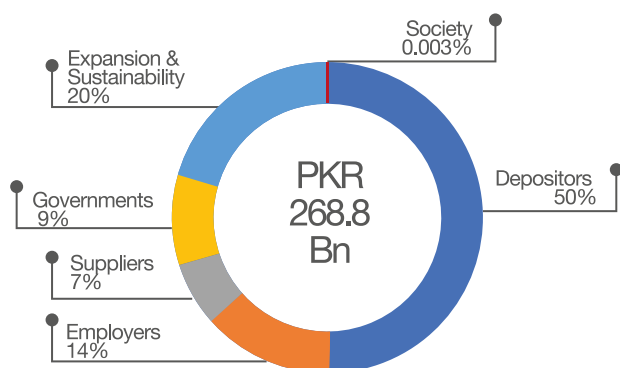


Statement of Value Added

PKR "Mn				
Economic Value Generated	2021	%	2020	%
Mark-up / Interest Income Earned	231,883	86.3%	257,811	87.7%
Non Mark-up / Interest Income Earned	36,942	13.7%	36,077	12.3%
Total value generated	268,825	100.0%	293,888	100.0%

Economic Value Distribution	2021	%	2020	%
Providers of Funds: Profit / Mark-up on Deposits, borrowings, etc.	134,265	49.9%	153,656	52.3%
Suppliers: Payments made for the provision of utilities, goods and services	17,853	6.6%	17,715	6.0%
Employees: Salaries, superannuation contributions and incentives	37,045	13.8%	40,750	13.9%
Society: Donations & CSR	8.2	0.0%	85	0.0%
Government: Income Tax	24,852	9.2%	15,665	5.3%
Expansion & Sustainability:				
Provision against non-performing assets	11,916	4.4%	30,896	10.5%
Depreciation / Amortization	4,759	1.8%	4,562	1.6%
Value Retained	<u>38,123</u>	<u>14.2%</u>	<u>30,559</u>	<u>10.4%</u>
	<u>54,798</u>	<u>20.4%</u>	<u>66,017</u>	<u>22.5%</u>
Total economic value distributed	268,825	100%	293,888	100%

Value Distribution - 2021



Our Economic Contribution

PKR 2.5 Billion disbursed under Kamyab Jawan Youth Entrepreneurship Scheme

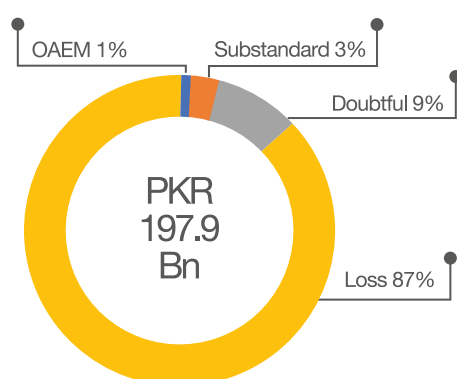
PKR 40 Billion loan deferrals approved for 13,000+ Borrowers during Covid-19

PKR 3.0 Trillion in deposits managed for retail and business customers

PKR 1.3 Trillion in loans to retail and business customers

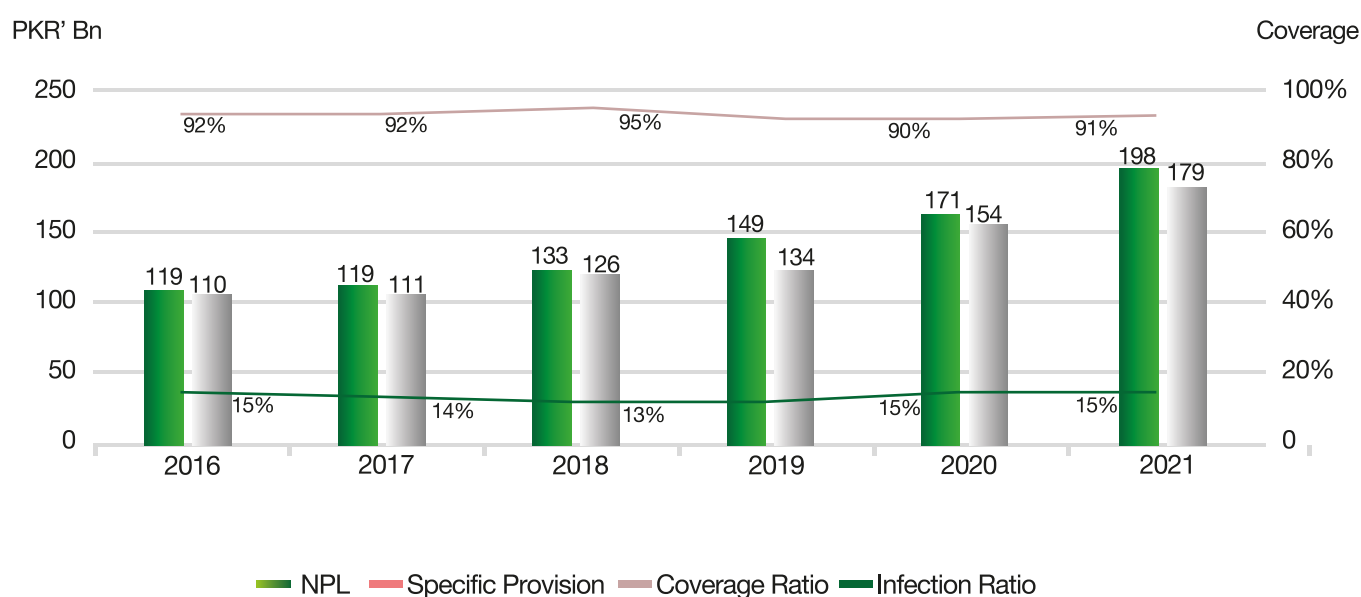
Non-performing Loans

Category	2021		2020	
	NPL	Spec. Prov.	NPL	Spec. Prov.
OAEM	1,941	95	1,618	45
Substandard	5,245	1,230	5,419	1,336
Doubtful	17,286	8,596	15,768	7,881
Loss	173,466	169,390	148,490	144,883
Total	197,938	179,312	171,294	154,145



The Bank has historically exhibited the high NPLs at 15.2% of gross loans, partly due to its role in developmental mandate. Reflecting the of asset quality deterioration trend observed across the industry, in 2021 the Bank experienced a 15.6% increase in the NPL's which stood at PKR 197.9 Bn at the end of 2021 (2020: PKR 171.3 Bn). Due to increase in NPL's, specific provision charge for the year 2021 amounted to PKR 11.56 Bn and a reversal of PKR 0.44 Bn is recorded in general provision. At end 2021, specific provision stood at PKR 179.3 Bn (2020: PKR 154.2 Bn) translating into coverage at 90.6%.

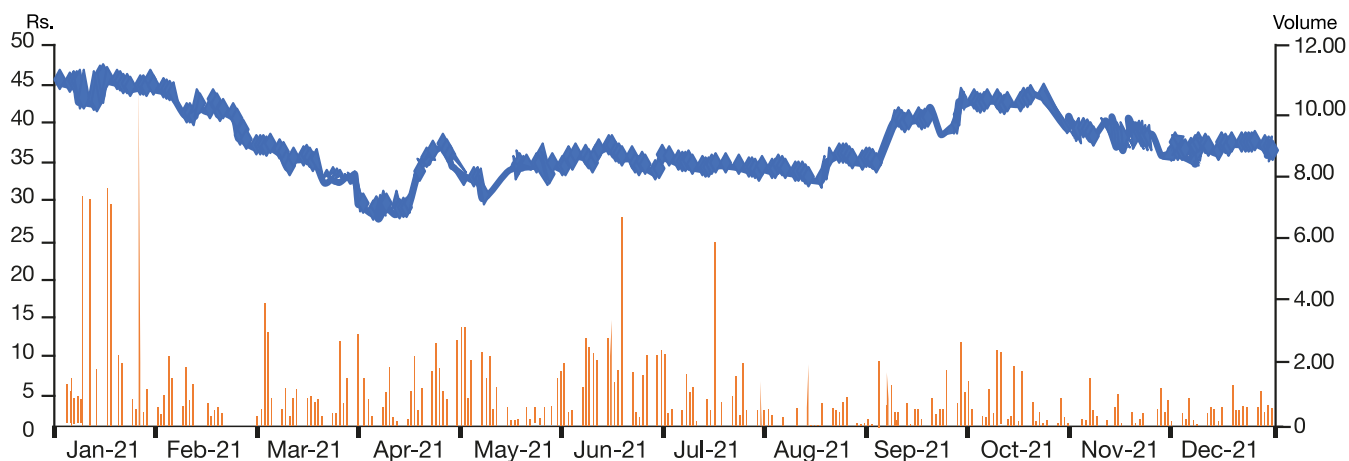
Asset Quality



Share Price History

	High	Low	Closing	No. of Shares	Share Turnover	Market Capitalization
	PKR	PKR		O/S	Number	PKR' Mn
Quarter Ended						
December 31, 2021	34.71	34.01	34.52	2,127,513,026	332,500	73,442
September 30, 2021	33.51	32.76	33.44	2,127,513,026	85,500	71,144
June 30, 2021	37.40	34.77	36.57	2,127,513,026	2,201,000	77,803
March 31, 2021	32.50	31.95	32.21	2,127,513,026	1,647,500	68,527

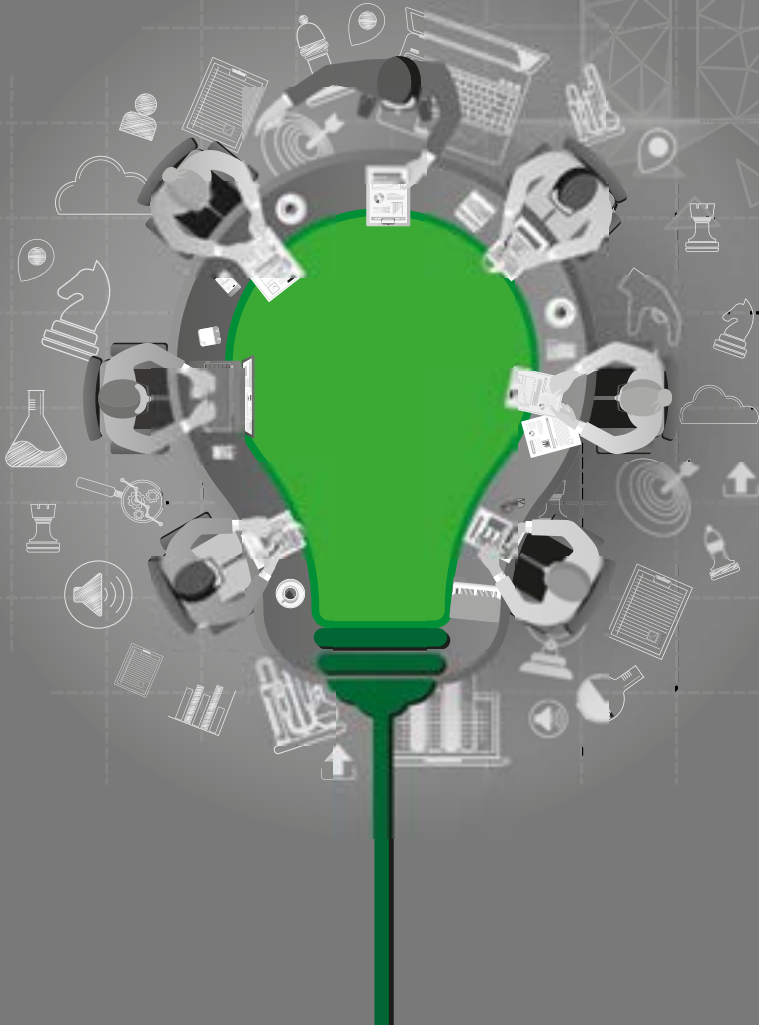
Share Price / Tread Volume - 2021



Notes

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Groups' Performance



Corporate & Investment Banking

CIBG continued to maintain the most preferred Pakistan's leading financial services provider to top tier corporates, governmental agencies / department, and several multinational clients across the country thereby serving them according to their financial needs.

CIBG professionals possesses all the required expertise, have full command over the economic and business understanding specifically w.r.t to Pakistani corporate environment to effectively serve its clients with the best possible financial solution to make them way ahead as compared to their competitors.

With our presence in the form of regional corporate centers in all the major businesses hub of Pakistan namely Karachi, Lahore, Islamabad, Faisalabad, Multan, Rawalpindi, CIBG is well equipped to serve their diverse client base with the help of well-trained business professionals working tirelessly for providing best banking services to our clients.

By combining our expertise in three areas i.e. Corporate Banking, Investment Banking, Transaction Banking (Cash Management & Trade Finance), CIBG is well placed to cater to the growing banking and financial needs of all our diversified corporate clients based on their risk profile and specific business needs.

Post Covid-19 and despite having significant challenges both on external and internal fronts, CIBG continued its trooping in upward direction by delivering the following:

- The Investment Banking franchise of NBP has maintained its significance in the capital markets, by undertaking various transactions of critical importance for the economy and resultantly won highest number of accolades from domestic and international organizations. During the year Investment Banking Division:
- Successfully facilitated financial close of the critical project finance transactions in the power sector which will cumulatively add in excess of 2000 MWs to the National Grid.
- Other sectors serviced by Nations' bank Investment banking includes: Automotive, Cement, Steel, Textile, Chemicals etc.
- GOPSA achieved Trade Volume of PKR 725 Billion and contributed around 44% to overall Trade Volume generated by CIBG. Also generated Non-Funded Income of PKR 2.5 Billion which positively contributed around 45% to the overall CIBG's NFI.
- Global Finance Magazine has acknowledged NBP's role as "advisor at project initiation stage and Mandated Lead Arranger" in arranging financing facilities for Punjab Thermal Power Private Limited, a 1263 MW combined cycle power plant. The transaction was awarded 'power deal of the year' in Asset Asian Awards (AAA). Financial close of syndicated Project finance facility of PKR 78.4 Billion was achieved in 2021 with NBP's participation of PKR 21 Billion.
- Under TERF scheme introduced by SBP to support economic growth, CIBG extended an amount of around PKR 28 billion to leading business houses in the 2021.
- In continuation with the directives of SBP for increasing funding for Housing & construction sector to support economic activity in a structured manner, CIBG disbursed cumulative amounting to around PKR 17 billion under the said sector in the 2021.
- Jointly lead advisory and arrangement mandates for the Telecom Sector for cumulative facilities to the tune of PKR 75 billion

1. Asia Pacific's Best Investment Bank - 2021- Corporate Treasurer.
2. Best Corporate Finance House- 2021 (Fixed Income)- CFA Society Pakistan
3. Transaction of the year – 2021 - CFA Society Pakistan.
4. Corporate & Investment Bank of the Year - 2021- Asian Banking & Finance
5. Debit Deal of the year - 2021- Asian Banking & Finance
6. Best Project Infrastructure deal of the year - 2021- Asian Banking & Finance.
7. Best Corporate Sukuk – 2021 – The Asset "AAA" Islamic Finance Awards
8. Best Trade Finance Bank in Pakistan – 2021 – The Asian Banker
9. Best Corporate & Investment Bank in Pakistan – 2021- The Asiamoney
10. Best Investment Bank in Pakistan – Global Finance Magazine.

Corporate & Investment Banking

PKR 'Bn	2021	2020	Change
Total Income	7.6	8.4	-9.4%
Total Expenses	1.1	0.9	24.4%
Profit Before Prov.	6.5	7.5	-13.3%
Investment	26.5	31.4	-15.6%
Advances (net)	571.9	536.7	6.6%
Deposits	286.5	200.0	43.3%

Retail Banking

RBG during the year 2021 on boarded the trajectory of “Change Management” that inter alia included restructuring, technological advancement, product innovation, expansion of its product suite, improved risk management and inculcation of sales culture. A number of steps were taken in each of the aforementioned areas by the incumbent RBG leadership, joining in the beginning of 2021 and carrying a very strong legacy of performance in domestic and foreign banks.

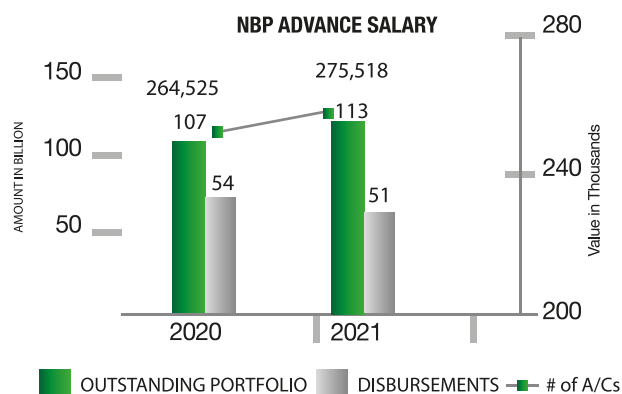
Streamlining the RBG organogram and to inculcate a reward for performance culture topped group’s agenda for 2021. The group satisfactorily delivered on these two fronts. RBG structure both at Head Office and field level was streamlined and new positions were created for effectiveness, focused approach, innovation and portfolio growth. A new layer of General Managers (GMs) position has been created, under the restructuring initiative, with the key role to increase branch productivity through “Inclusive Performance”. Besides, a reward for performance culture was inculcated through introduction of MPI (Monthly Performance Indicator) providing a formulaic mechanism to gauge the performance of Regions / Branches. The progress is discussed at length with the stakeholders on monthly basis to acknowledge achievements and / or take remedial measures. The aforementioned structural changes and reward culture played a pivotal role in growth of RBG deposits, advances and ancillary business.

RBG deposit business built a strong momentum in 2021, resulting in bank-wide deposit to touch the PKR 3 (three) Trillion

mark for the very first time. Contributing 85% share of the bank-wide deposit book, RBG deposit grew to record level of over PKR 2.5 Trillion, registering an unprecedented growth of more than 25% compared to previous year and above the industry growth rate. RBG’s average total deposits posted a double digit growth of 12% during this period which comprises of 12% growth in CASA deposits and 8% in Term Deposits. CASA ratio also stood at a healthy 83%. This is a significant achievement by the RBG team considering that the economy was just recovering from the pandemic affects. On the ADC front, active debit card portfolio registered a phenomenal growth of more than 50% in 2021.

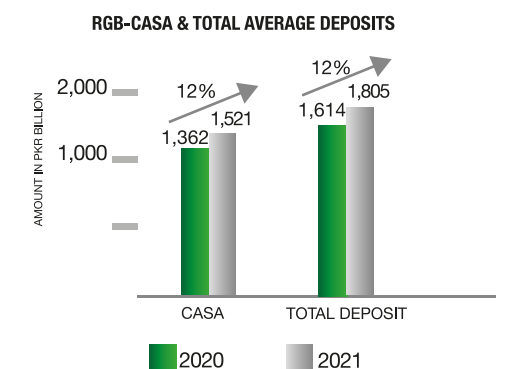
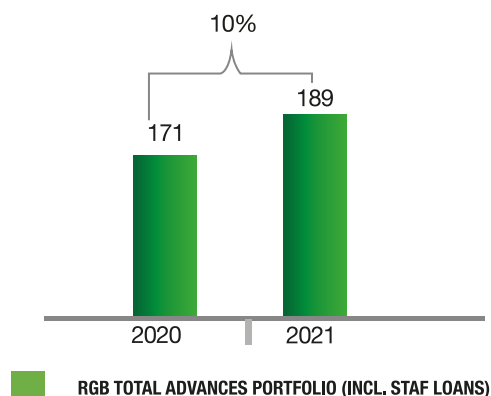
The Bancassurance business also flourished during 2021 owing to strong engagement with insurance partners. The business underwrote 8,688 policies of over PKR 740 Mn of premium and earned commission income of more than PKR. 300 Mn. This translated into a growth of 11% in premium and 21% in commission relative to 2020. The Banca Business also displayed a high level of customer satisfaction with complaints recorded at less than 0.5% of booked cases during the year and the business recording over 82% and 90% persistency rates for 2nd and 3rd year premium respectively.

Analogous to its deposit and bancassurance business RBG excelled on its advances portfolio, registering growth of more than 10%. Formation of Consumer Assets Group (CAG), in the 2nd quarter of 2021, within RBG played a fundamental role to achieve this growth. Through focussed approach towards



Retail Banking

PKR 'Bn	2021	2020	Change
Total Income	66.6	63.6	4.7%
Total Expenses	30.9	27.9	10.8%
Profit Before Prov.	35.7	35.7	0.0%
Advances (net)	179.3	162.8	10.1%
Deposits	2,563.6	2,070.4	23.8%



existing consumer assets, launch of new products/variants institutional sales of consumer assets. This entails entering into arrangement with institutions to promote growth in consumer assets products. RGB is leading the industry in the category of personal loans with more than 50% market share. “NBP Advance Salary” maintained the lion’s share among all consumer assets product. The product during 2021 registered a growth of more than 6% despite change is Prudential regulations to keep growth under check. The revised PRs reduced the DBR from 50% to 40% and financing tenor from 05 to 04 years. The regulatory measures resultantly reduced the average ticket size for new loans and also impacted the rollover cases. With the zeal to provide customer convenience and strengthen risk management, the bank revamped and automated the “NBP Advance Salary” loan approval process, thereby providing customers the ease to apply for loan from the comfort of his / her home / office. The bank maintained its insignia of being the only bank among peers to offer financing against gold ornaments. In 2021, RGB gold financing portfolio registered a growth of 30%. Besides, a new running finance variant namely “NBP Sunehri Sahulat” was launched in 2021. NBP carried forward its legacy of being an active participant in all government initiated lending programs and aligning its strategy with government initiatives. RGB, being the custodian of government low cost housing program “Mera Pakistan Mera Ghar”, proudly maintains its position as a prominent player of the banking industry in provision of low cost housing. The group geared its efforts to grow its housing finance portfolio aiming to enable home ownership for low to middle income market segment. This is evident from the fact that the bank maintains the highest relative market share in terms of number of loans and is the first bank providing shelter to 1,000 families. Cognizant of the true target market and the government motive, RGB developed the proxy income model catering the informal segment interested in benefitting from the housing program. The group took the novel initiatives of introducing mobile van unit to promote low cost housing, wherein dedicated and trained team attends the public queries to create awareness and handholding for financial literacy.

RGB will continue its performance trajectory in 2022 and years ahead. The group future plan entails

- Establishing a full-fledged parallel sales structure to complement the existing Region / Branch workforce. This will facilitate in implementing the group’s aggressive growth strategy, thereby continuing to outgrow the industry growth rate and increase market share
- Capitalizing on the Institutional Sales Initiative – Targeting institutions to enter into bilateral arrangement with NBP for liability and consumer assets products for their employees.
- Revision in the product programs with the aim to expand the target market and capitalize on institutional sales
- Pursue achieving the position as market leader under housing finance category
- Engage with housing industry participants builders / developers / realtors to promote portfolio growth
- Launch of new products and services , with special focus on products catering to financial needs of women
- Automation of Products - Loan origination, disbursement and management
- Acquire digital lending platform to facilitate on boarding of prospective borrowers for personal loans
- A fortified support system for business growth and customer outreach and satisfaction

Inclusive Development

IDG has made its top priority to develop new markets and products for financial inclusion of underserved and unserved segments of the economy needed to achieve the sustainable growth. To increase financial inclusion and footprint in the area of Agriculture, SME and Product Development team has developed number of products and initiatives to cater the underserved and unserved sectors in SME's and support small land holder farmer's ability to increase food production, the focus of the Group is to develop structured products to serve the largely undocumented or thinly documented sector.

Product Development

IDG has taken various initiatives and collaborated with following educational institutions/Universities; University of Agriculture, Faisalabad, PMAS Arid Agriculture University, Rawalpindi, MNS University of Agriculture, Multan and Sindh Agriculture University, Tandojam. The Product Program of "Commercial Vehicle Financing" was approved in 2021. Developed collaborations with the Millat Tractors Limited, Al Ghazi Tractors Limited, Fecto Belarus Tractors limited resulted an increase in Tractors Financing by 104% and Farm Machinery/implements financing by in 40% in 2021. Further, developed collaborations with Ministry of Tourism, Gilgit Baltistan to promote Tourism /Homestay Financing, Pakistan Stone Development Company for financing to underserve segments i.e. marble & granite sector, Pakistan Poverty Alleviation Fund for livestock and horticulture sector value chain in target districts of Sindh and Baluchistan and Directorate General Agriculture, Water Management Punjab to promote financing for High Efficiency Irrigation Systems (HEIS) and solar systems for efficient use of water for improving crop productivity and farmer's profitability which increased HEIS portfolio by 226% in 2021, also collaborated with Ministry of Climate Change, Ministry of Science & Technology and National Vocation & Technical Training Commission (NAVTTTC) and providing financing under / beyond Kamyab Jawan Program in order to promote Apiculture/ Honey bee farming in the country.

Commercial & Sme Business

NBP has played a leading role in developing the SME spectrum. During the year 2021, SME has outperformed by achieving portfolio growth of 31% as compared to 11% in the preceding year. During the year, more focus was given to lending under general finance instead of seasonal finance due to which concentration in general finance has increased to 47% in 2021 from 30% in 2020. In order to improve services to customer and to ensure maximum financial inclusion, Hub branch structure has been introduced in 2021.

Corporate & Social Responsibility

Corporate Social Responsibility (CSR) is about giving back to society. NBP's CSR activities also aligned with the UN Sustainable Development Goals. NBP's CSR activities as part of the Inclusive Development Group (IDG) focuses on sectors that are classified as "priority sectors". The six main areas of focus are health, education, environment, women's empowerment, WASH and Differently Abled People. In a move away from previous practices, the CSR division aims to build sustainable relationships with organizations instead of making one time donations. NBP, in recognition of its services also received 10th Annual Corporate Social Responsibility Award 2021.

Best Agriculture Bank In Pakistan Banking Award 2021



Best Bank for Agriculture
Institute of Bankers Pakistan

Advances

13%
of the bank's
total advances

Inclusive Development

PKR 'Bn	2021	2020	Change
Total Income	3.2	5.4	-40.7%
Total Expenses	3	2.8	7.1%
Profit Before Prov.	1.6	2.6	-38.5%
Advances (net)	227.2	188.3	20.7%

Inclusion, Innovation & Capacity Building Division (IICBD)

With the aim to build strong Non-Financial Advisory Services at NBP, IDG established a new Division: Inclusion, Innovation & Capacity Building Division in March 2021. Key NFAS initiatives undertaken by IICBD in 2021 include engagement with Chambers of Commerce Islamabad and Rawalpindi, WCCI Multan, Bahawalpur, Peshawar, Faisalabad and Karachi, trade association (KATI), academia (Lahore University of Home Economics, GC Women University, Faisalabad and TEVTA) and an NGO (AWARD Faisalabad) through awareness sessions, conferences, and webinars on banking products for promoting women entrepreneurship and facilitating youth and startups. In this regard, IDG field teams also conducted different awareness sessions for rural women communities at Abbottabad, DG Khan, Hyderabad, Muzaffarabad, Sialkot, Gujrat and Faisalabad.

In the period under review, MOUs were also signed with SMEDA, PATTa and Food Panda for collaboration and partnership on creating financial inclusion opportunities. In terms of internal capacity building, a series of capacity building workshops for Women Champions and IDG Regional Executives on Financial Inclusion and Credit Processing & Presentation Skills were held at NBP Staff Colleges in Karachi, Lahore, Islamabad and Multan. Furthermore, women champions staff were deployed in 32 Regional field offices for facilitation of female entrepreneurs.

Kamyab Jawan Scheme

National Bank of Pakistan is a major player in the Kamyab Jawan Scheme. The Bank has approved and disbursed more loans than any other participating bank. In line with the spirit of the scheme, the Bank has focused on reaching out to the small businesses, underprivileged youth of the country from far-flung areas, those that usually don't have access to the banking services. NBP has disbursed loans to young generation of Baluchistan, south Punjab, rural area of Sindh, Gilgit Baltistan and rural areas of KPK. Most of these loans (more than 95%), have been given without any collateral or security.

NBP, as a policy, encourages the female population of the country to apply for these loans and female borrowers have a significant percentage in NBP's portfolio.

During the year 2021, NBP was the best bank (customer-wise) under Kamyab Jawan Scheme and The Prime Minister himself acknowledged the bank's performance and an "Appreciation Award" was awarded in a grand ceremony in Islamabad. The President NBP received the prestigious award.

Agriculture Business

"The Best Agriculture Bank in Pakistan" is again a feather in the cap of National Bank of Pakistan at "Pakistan Banking Award 2021".

In 2021, NBP is holding the hand of 144,864 farmers with the portfolio size of PKR 61,032Mn, which is the highest in banking industry of Pakistan.

During the year, NBP has extended financial assistance to 33,446 new customers. In addition to conventional fields of Agriculture financing, we have focused specially over the Farm Modernization. NBP has broken all its previous records in this category by sanctioning 815 new tractor financing cases during 2021. During the year, we have diversified our portfolio by extending Green Financing (Solar Energy) to women under the financial inclusion initiatives.

NBP has increased its outreach by inducting 74 Relationship Managers / Officer pan Pakistan. The other initiatives like Execution of Agreement with PLRA and MOU with Tractor Companies, Agri. Universities and other Govt. Of Punjab Water Management, to promote Agri. portfolio will also lead the Bank towards the victory stand once again.

Lending To Micro Finance Institutions

Wholesale lending to microfinance institutions is relatively new in this area. We have initiated it and during the last year NBP has consolidated its leadership position in the industry. The bank has highest number of clients and largest portfolio as compared to all the commercial banks in the country.

Treasury & Capital Markets

Treasury & Capital Markets Group (TCMG) functions as the focal point for managing the bank's liquidity, foreign exchange, and investment portfolios for optimal utilization of funds which are consistent with Bank's strategy vis-à-vis global and domestic market outlook by focusing on exchange rate, equity and interest rate movements while also catering to a diverse clientele of FX and fixed income.

Treasury function at NBP comprises of four specialized segments, i.e., Financial Markets Trading – mainly focusing on investments, both domestic & international, and trading in FI and FX; Equity Markets – investments and trading in domestic equities; Sales & Structuring – catering to a diverse clientele base in FX and FI besides providing structured solutions; and Asset Liability Management – responsible for liquidity and balance sheet management both domestic and international.

The year 2021 turned out to be a turbulent one for treasury markets of the country and presented its fair share of challenges for banks, both in terms of a volatile FX market and rapidly changing interest rate environment. Major challenge emanated from balance of payment woes that once again proved to be the game changer for entire economy and forced SBP and government to shift its policies from stabilization to growth and then back to stabilization. Increase in current account deficit way beyond anticipation due to a significant surge in domestic demand, global supply chain disruptions, and high global commodity and energy prices shaped and reshaped economic policies and hence market volatility. Despite the ensuing volatility that engulfed FX, money and equity markets, National Bank's Treasury with its well-equipped systems, dedicated and experienced team and wide array of network not only captured higher trading volumes, but also optimized liquidity management and prudently managed various market risks arising out of trading positions, converting challenges into opportunities that led to higher profits and enhanced the value proposition of the Bank. Collectively, NBP treasury maintained its status as being a top market-maker both in Foreign Exchange & Fixed Income be it the interbank or on the client side and surpassed all our budgetary goals with comfortable margins.

TCMG has made steady progress in further strengthening our controls and compliance environment by focusing on people, culture, and systems. One of the key aspects of our approach is the improved and enhanced coordination with other business groups within the organization.

TCMG gives special emphasis on cultivating strong relationship with external stakeholders as well. This two-pronged approach enables us to better synergize our efforts in achieving overall goals and objectives.

Finally, the coordination and bonding among various divisions of the group coupled with enhanced liaison with other groups enable TCMG to set the tone and direction that synergizes divisional goals into departmental ones and further into organizational goals.

Key achievements for 2021:

1.Despite increasing global commodity prices and hiking of the policy rate TCMG capitalized by booking a substantial net interest income through dynamic portfolio rebalancing.

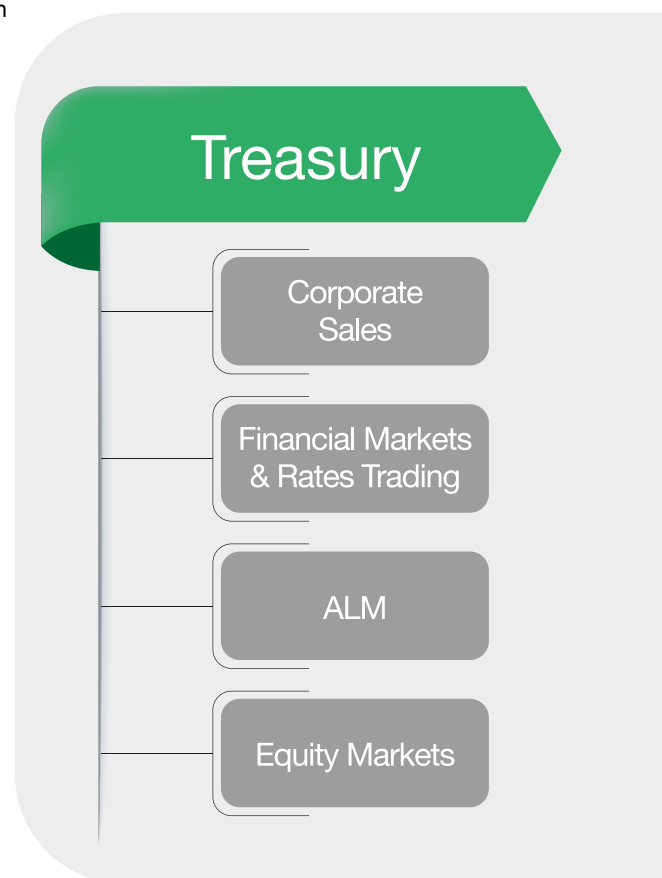
2.NBP rated by SBP among top performing primary dealers of the market bears testament to our expertise in meeting Primary Dealer targets, active market making and dynamic contribution in price discovery of fixed income securities meeting the expectations of our diverse clientele.

3.Registered hefty capital gain of over PKR 6.0 Bn for the year 2021

4.NBP become market maker for government securities in PSX for the development and growth of debt capital markets in Pakistan.

5.TCMG functioned in an uninterrupted manner despite cyber-attack in October 2021 and ensured continuity in business activities.

6.Initiated automation of functions: Sales Desk activities, Investor Portfolio Securities Products, and automation of Fund Transfer Pricing. With the migration from a pool-based FTP mechanism to Matched FTP, Treasury will be optimally geared to manage interest rate risk of the entire banking book.



93% of the bank's investment Treasury & Capital Markets

PKR 'Bn	2021	2020	Change
Total Income	29.5	39.5	-25.3%
Total Expenses	0.4	0.4	0.0%
Profit Before Prov.	29.1	39.2	-25.8%
Investment	1,803.2	1,340.6	34.5%

*Exchange income is exclusive of down streaming shared with branches

International, Financial Institution & Remittances

With presence in 17 countries, NBP has one of the largest international franchise amongst Pakistani Banks. Our international operations is spread over North America, Europe, Middle East, South Asia, Central Asia and Far East. Our focus is on trade finance, bi-lateral and syndicated lending facilities, investments in sovereign debt investments and remittances business.

Bank is following the strategy of consolidating its operations to reduce compliance risk with the business model of selectively growing its lending book and focusing on developing a local franchise coupled with growth in trade, remittances and FI business. Another area is the focus on recoveries mainly from Bangladesh.

While following its strategy on consolidation, Bank closed 2 branches, Jalalabad (Afghanistan) and Sylhet (Bangladesh) and 2 Rep. Offices, Tashkent Rep. Office (Uzbekistan) and Toronto Rep. Office (Canada). Despite all the financial challenges and global slowdown due to Covid-19; International Branches have overcome these difficulties and achieved core goals including improving business in these markets. Following are some Key Achievements of IFRG in 2021.

A. Converted Bangladesh Operations in profit after 9 years and Export Processing Zone branch after 6 years.

B. Implemented new CBS in 5 locations i.e. Hong Kong, Riyadh, Bahrain, Bangladesh and EPZ

C. Successfully booked syndication transactions in favor of GoP amounting to USD 198 Mn. (PKR 35.4 Billion)

Going forward, International operations will continue to explore new avenues to ensure increase in deposit base and trade business to reflect improvement in its funded and non-funded Income. We will continue to focus on enhancing the control environment in our international branches.

Remittance & NRP Division:

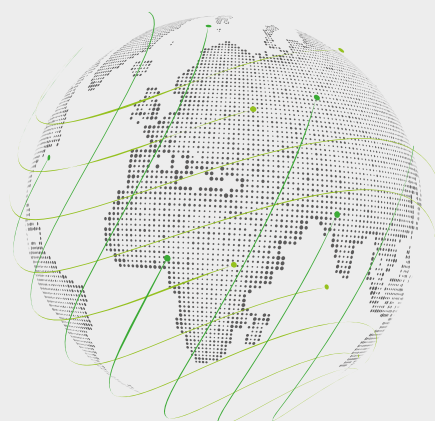
Home remittances continued to play a vital role in stabilizing country's economy during 2021 as overseas Pakistanis send record volume of remittances during the year. GoP also took various key initiatives such as introduction of Sohni Dharti Remittance Program for Non-Resident Pakistanis to promote remittances through legal channels. NBP played an active role in the development of this program in collaboration with MoF, SBP and top five bank.

Despite challenging situation and high competition in the industry, NBP maintained its position as one of the leading remittance processing banks of the country. Utilizing its network of 1,500 plus online branches and 500 post office locations for remittance payouts throughout the country to an advantage, NBP remained the most preferred and first choice bank of customers in respect of KSA transactions which is the leading corridor in terms of remittance inflows to Pakistan.

IFRG continued to support GoP's vision of promoting remittances through legal channels by successfully launching various remittance marketing campaigns with its valued international business partners and conducting a local remittance marketing campaign during the year.

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International Branches



PKR 'Bn	2021	2020	Change
Total Income	5.1	4.9	4.1%
Total Expenses	6.4	6.3	1.6%
Profit Before Prov. (1.3)	(1.5)		-13.3%
Investment	55.8	46.1	21.0%
Advances (net)	82.0	44.7	83.4%
Deposits	75.5	73.2	3.1%

NBP Aitemaad Islamic Banking Group

Alhamdulillah, NBP Aitemaad Islamic Banking Group posted pretax profit of PKR 1.5 Bn for the year ended December 31, 2021 as compared to PKR 2.11 Bn during the previous year. Decline in net spread PKR 520 Mn is in line with forecast with 625 bps drop in SBP policy rate. Impact of rate cut is PKR 924 Mn, however, NBP Aitemaad was able to recoup PKR 404 Mn by volume growth in earning assets and deposits. NBP Aitemaad earned net spread above budget by PKR 257 Mn, even with a large current account deposit of PKR 7.3 Bn converted to savings account in June-2021. Despite the decline in policy rate and reduction in income on FBR collection by ADC switch, NBP Aitemaad closed PKR 1.5 Bn pre-tax profit, 24% above budget.

NBP Aitemaad grew average CASA by 26% to close at PKR 67.4 Bn in Dec-21 from PKR 53.7 Bn in Dec-20. Average deposit base increased by 15% reaching PKR 76.2 Bn in Dec 21 from 66.2 Bn in Dec-20. End of period deposit grew by 13% YOY and increased to PKR 84.8 Bn as of Dec-21 from PKR 75.3 Bn as of Dec 20. Home Remittance transactions stood at 352,679 for the year ended December 31, 2021 despite an unfortunate tech incident in the last quarter. Total customers serviced grew from 178,576 in December 2020 to 197,293 as of December 31, 2021. More than 16,300 debit cards were activated in 2021, showing 60% growth over last year. Over 4,600 digital banking were activated during the year, 270% up YOY.

In view of the upcoming maturity of Bai Muajjal with GOP of PKR 7.9 Bn in early next year, NBP Aitemaad invested PKR 8 Billion in Government backed statutory liquidity requirement (SLR) eligible GOP Ijarah sukuk and PKR 2.68 Bn Govt. Guaranteed corporate sukuk during the year under review. Hence, investments increased from PKR 42.1 Bn in December 2020 to PKR 49.5 Bn in December 2021 recording 18% growth.

NBP Aitemaad recorded 13% YOY growth in financing which increased to PKR 43.02 Bn in Dec 21 from PKR 38.15 Bn in Dec 20. 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, in 2021, NBP Aitemaad Islamic Banking has introduced PayPak Debit Card, Free Remittance Account, Hamsafar Auto Finance, SBP Micro Payment Gateway (Raast) for dividend payments and various services with regard to issuance of Debit Card & Cheque Book through Call Center, cross inter branch transaction / interbank fund transfer through ATM. Additionally, NBP Aitemaad has discontinued Cash Cards, replaced with EMV compliant Cards and also amended the Key Fact Statement (KFS) as well as marketing collaterals in order to increase customer comprehension about banking product's affordability and risks, leading to better decision-making.

To strengthen controls, NBP Aitemaad has implemented Centralize Account Processing Unit (CAPU) with Document Management System (DMS) for Aitemaad Islamic Branches during June 21. The new concept of Centralized Account Opening along with a system named DMS supports to overcome Regulatory shortcomings, minimize audit irregularities and streamlining the Account Opening Process for Aitemaad network. To ensure centralized monitoring of branch control parameters / exceptions, Centralized Operations Control Center (COCC) Portal has also been launched during the year.

Consequently, NBP Aitemaad Islamic Banking Group achieved a PKR 100 Bn milestone of total assets which increased from PKR 88.9 Bn in December 2020 to PKR 100.9 Bn in December 2021 recording significant growth of 13.5% during the year under review.

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Branches

13%
Deposit Growth

PKR 'Bn	2021	2020	Change
Total Income	4.4	5.0	-12.0%
Total Expenses	2.8	2.5	12.0%
Profit Before Prov.	1.6	2.5	-36.0%
Investment	49.5	42.1	17.6%
Financing (net)	42.3	37.5	12.8%
Deposits	84.8	75.3	12.6%



HR Management

HRMG Key Initiatives & Achievements

At National Bank of Pakistan, Human Resource Management Group continued its journey towards transformation and accomplishment of its vision to align HR Strategy with business, through best practices for employee development and performance. Numerous initiatives and projects were initiated to implement best market practices and embed performance driven, merit based and transparent culture within the Bank.

Encouraging Accountability & Reward Culture: With an aim to develop a merit and performance based transparent culture at NBP, HR reintroduced the Bell Curve and launched Balanced Score Card for Vice President and above grades. For first time in the history of NBP, the three main deliverables of Rewards i.e. Increments, Bonus and Promotions were successfully conducted and completed in the first quarter of 2021. Bank wide Promotion cycle was concluded after a gap of 3 years, however, going forward HRMG Leadership and its team is committed to execute staff promotions on an annual basis and to ensure that rewards are distributed well in time as per market practice, in order to keep our employees motivated to do their job efficiently and effectively. HRMG team is geared up for the upcoming promotion cycle.

Recruitment of Top Talent at Senior Positions: HRBP's dedication towards excellence ensured that the top talent across various industries is recruited in the Bank at senior roles that bring years of experience, innovative mindset and the drive to scale heights of success.

Employee Wellness focus on COVID-19 Initiatives: NBP rolled out a comprehensive medical plan for employees and eligible dependants for all COVID related hospitalisation and related Medical expenses, including pathological tests and injections, medication and antibody tests. HRMG arranged four major COVID-19 vaccination drives for employees and their family members in collaboration with various hospitals at the Head Office and Karachi. The NBP management's initiatives in supporting its staff during this pandemic also included arranging free Antibody Test for all employees at Head Office which aided in uncovering the spread of this infection.

Set Up of robust HR Legal Compliance Division: HR Legal Compliance division was set up in the HR department with the objectives to mitigate HR legal cases, manage compliance and control, and work on digital transformation of HR legal cases. So far the division has achieved review of HR policies as per current applicable country laws, compliance of case orders within time frame, and a reduction in Contempt Cases due to effective Management. HRMG succeeded in managing out of court settlements in numerous cases. One major long pending case was that of MTO vs. Non MTO personnel which was resolved.

Managing Employee Grievances: A meticulous grievance handling policy was designed and implemented via the online portal

Grievance Redressal Interface Program (GRIP) and the formation of the Grievance Resolution Committee to facilitate swift and timely addressing of employee grievances and issues.

Automation in HR: The Compensation & Benefits division managed to automate several areas in their ambit, including Centralization of Staff Finance, Automation of Final Settlement (UAT and parallel testing), Electronic distribution of Income Tax Certificates and Electronic distribution of APA letters

Update of HR Policies: Revision, development and improvement of various HR policies in line with the best market practices were completed, including Recruitment Policy, Promotion policy, Code of Conduct, Health benefits policy, Staff loans policy, End service benefits policy as well as the development of grievance handling, remuneration and social media guidelines.

HR Intranet Launched: HRMG launched an exclusive HR Intranet page, the One-Stop shop for all HR updates and all matters pertaining to the function. The HR Intranet page also gives NBPIans the opportunity to hear from the HR management about latest developments. HR Intranet tab provides immediate access to HR policies, employee forms, training calendar, internal job postings, HR Circulars and what's new. Employees are encouraged to explore the HRMG offerings and experience employee convenience at its best!

Competency Framework Launch: HR Management Group conducted a series of first full day intensive and exciting sessions of Competency Framework's focus group series at NBP's state-of-the-art Training Centre. The President, Mr. Arif Usmani attended all the sessions and emphasized the need and importance of a robust Competency Framework for growth and development of Bank employees. Group wise sessions were conducted which are designed to identify Leadership (behavioral) and Technical competencies across the board. Consultants have been engaged to work with team HR to develop competencies in a customized Competency Framework. The goal for HR's Competency Framework strategy is to communicate which knowledge, skills and behaviors are required, valued and recognized with respect to specific job roles. Through such initiatives employee skills gaps are addressed, strengths are further developed and requirements for career progression are clarified. Once competency mapping is rolled out and completed, it will align with learning and development as well as recruitment and selection processes.

EMPLOYER BRANDING

HRMG Knowledge Sharing Initiatives: NBP believes that knowledge sharing not only increases productivity, but it also empowers employees to do their jobs effectively and efficiently. Imparting knowledge and inculcating a learning culture is a key aim for the HRM Group. NBP's management participates in various corporate and educational events as well. Ms. Asma Shaikh, Group Chief, HRMG was invited as a guest speaker at National Institute of

Management to speak on 'Human Resource Management in Public Sector'. She has also shared her expertise at the HR Tech Summit & Conference Asia 2021, and at different forums including various webinars and workshops on a number of topics such as Mental Health at the Workplace, embracing technology in HR, the pandemic and HR initiatives, global state of talent in 2021, and skills development strategy.

Employee Engagement

Regional HR Workshops: HRMG reorganized its first Regional HR workshops in Karachi and Islamabad at the respective Staff Colleges in Q4. Regional HR teams from all over Pakistan were invited to attend these extremely interactive sessions which were planned to provide an overview of all HR functions, their day-to-day operations, milestones achieved and future plans to the Regional HRBP teams. Overall, 160 team members country wide were covered in the sessions. The session received encouraging feedback from regional HR and Staff College team, who stated that they look forward to welcoming many such sessions in their own cities and regions as such workshops are a great way to build cohesion amongst teams. Going forward, all Divisional / Wing Heads are encouraged to conduct sessions and take responsibility of training Regional HR Teams.

Women's Day Celebration 2021: This International Women's Day, National Bank celebrated women across the country with an exciting roadshow showcasing various women achievers including Board Member and social entrepreneur Ms. Sadaf Abid, actress and activist Ms. Sarwat Gilani, Professor Dr. Yaamina Salman, Director of Institute of Administrative Sciences, Punjab University and seven female Special Olympics athletes. The inspiring guest speaker sessions were held at the Head Office and various staff colleges in Lahore, Islamabad, Peshawar and Multan with proper SOPs.

In Her Own Words- Pinktober at NBP: On 28 Oct, 2021, a brave breast cancer survivor Ms. Sadiya Siddiqui spoke about her inspiring and extremely difficult journey at the NBP Head Office Auditorium. She is an active member of Begum Samina Alvi's taskforce working on spreading Breast Cancer Awareness across the country. A candid Q&A with audience followed where several insights were shared about myths involving risks for the disease. The key message from the session was to be vigilant through monthly self-exams and doctor visits and getting mammograms done at once in case of any suspicion as well as after the age of 40. NBP HRM Group will continue to campaign for the health and wellness of employees and families.

Learning & Development

Renovation of NBP Learning Center, Karachi:

L&D, JNMDC and Karachi Staff College premises have been renovated at FTC building. L&D with the assistance from LCMG restored the premises and transformed it into state-of-the-art Learning Center.

Low-Cost Housing Scheme E-Learning:

To create awareness on SBP's Low-cost Housing Scheme, L&D launched an e-Learning module for all the concerned employees in its first phase. Moreover, in second phase Branch Managers & Point

of Contact's (POCs) were specifically trained to effectively deliver according to the business requirements for Low-Cost Housing Finance. In third phase, Prime Minister of Pakistan and President NBP, inaugurated the mobile unit for processing LCHS applications on the go. L&D provided training for mobile unit staff.

Audit & Risk Workshop:

3 Day Workshop on Risk Based Internal Auditing was conducted for relevant participants covering the topics below:

- Risk Based Auditing
- Audit of Risk Management Functions and Risk Management Valuation Models
- Cost & Management Audit

Induction Program for Relationship Officer - Agri Finance:

10 Days Induction Program for newly hired batch of Relationship Officers (Agri Finance) was executed nationwide by L&D in March 2021.

Diversity Initiatives:

HRMG aims to execute a 5-pronged strategy towards Gender Diversity and Inclusion Initiatives. This includes a holistic approach of inducting females in all areas of the Bank, providing logistics and facilities in branches / offices, development and growth opportunities for female employees and sensitization trainings, in order to ensure a conducive work environment for females.

L&D has been playing pivotal role in bringing the culture of diversity and inclusion in NBP. Following are the interventions that are deployed to eliminate Gender disparity and discrimination against differently abled staff members.

Achieving Excellence Programs for Women:

Achieving Excellence is a training program that is focused on women empowerment and dealing with sexual harassment at workplace. This is an ongoing program. 89% of women employees of the bank are trained online under this program.

Training Program for Differently Abled Persons:

Online Training Sessions for differently abled persons were facilitated by L&D, where staff members with various disabilities were trained along with their supervisors. The purpose of the sessions was to motivate those staff members and educate those around them to be mindful of the needs and limitations of people with disabilities. These will be ongoing sessions for sensitizing all the staff members who deal with differently abled persons.

National Financial Literacy Program:

NFLP is a program by ADB for financial inclusion of unbanked segments of society with special emphasis on women financial inclusiveness. L&D with the help of Field Trainers from business conducted NFLP sessions across Pakistan and achieved target of women participation by 47% of total participants against the target of 50% with 78% account conversion rate.

Managerial Excellence Session for Women Branch Managers:

Managerial Excellence Program especially for women BMs was held online in June 2021. More sessions like these are planned in the future.

Compliance

First and foremost, NBP is committed to the best industry practices for compliance with all regulatory frameworks including AML/CFT practices, so that the interests of all stakeholders are protected. The bank's Code of Ethics and Conduct, which is annually agreed to by all employees in letter and spirit, acts as a guide for them in discharging their duties and sets out the standards of good governance.

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.

In early 2021, the bank inducted a new Compliance Group Chief who has 27 years of Compliance/AML/CFT/Sanctions experience in domestic and international banks as well as a clear vision of how to streamline the Group. Supported by the Bank's President and Board of Directors, the Compliance Group restructured its activities by inducting experienced industry professional from Pakistan and beyond at all levels, including at senior levels, with a view to significantly enhance governance, bring rigor to the Program, enhance relationships with global regulators, as well as to automate to improve oversight, controls and overall efficiency. The Group has gone from strength to strength throughout the year and in doing so, improved line of sight on its global operations, thus, enabling it to make strategic changes. Amongst others, the Group focused on enhancing rationalization of its Divisions, enhancing documented controls and awareness of teams through soft and hard 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.

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.

As part of its commitment to the highest standards of AML-CFT compliance, the Group implemented renowned systems for Transaction monitoring and name screening for its domestic and some overseas operations. The Group has continued to automate these and other control systems in its overseas network, which continues to be a work-in-progress.

2021 was a watershed year for the Group. Based on the principal of constant learning and improving, there is always room to grow. Compliance now has a significantly enhanced line of sight on the bank's global operations, supported by hard data, a strong team of industry professionals. The group was gone through a sizable re-structuring. With a very competent leadership, it stands in strong position to face the compliance and regulatory challenges in 2022.

Audit

The Bank has an independent internal audit function referred to as Audit & Inspection Group (A&IG). A&IG provides independent assessment of the 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.

During 2021, audit programs have been realigned as per the audit strategy to cover major risk areas and issue effective audit reports of each function for corrective action by management.

Human Resources have been provided necessary training to build-up their capacity for effective audits. In addition to this, a hiring process has been initiated to fill up the resource gap.

In order to automate the audit cycle, eAudit software deployment has been initiated. Changes required in the system to cater the audit program under the revised audit methodology are being discussed with the vendor. The system has been implemented for the branch audits.

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.

Risk Management Group

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 Risk & Compliance Committee (BRCC).

The Bank follows a prudent path to risk management through developing/using effective tools to keep the Bank resilient, achieve corporate sustainability and minimize losses within the defined risk tolerance levels. Strategic goals, embedded into our approach to risk management are to maintain a robust framework, identify and escalate risks and 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 of activities from set standards, to Senior Management / BoD. RMG has achieved many milestones during the year with the aim of continuous improvement in risk management practices through the introduction of new methodologies based on sophisticated tools. Few key achievements during the year include:

- Designing and Implementation of revised credit tools, such as, Simplified Credit Packages, Introduction of BIR, Industry specific and generic Risk Appetite Frameworks, Generic RAFS for Commercial and Medium enterprise & Score Card for small enterprise, green light memo format, Check lists, cover office note for Retail Products, Revised assessment of Stock and receivable reports etc.
- Restructuring of the credit function at the Branches and Regions in order to further strengthen and consolidate the Bank's risk function and ensure downstream implementation of the changes introduced to streamline processes, generate cost savings through head count reduction, improve customer experience through reduced TATs.
- Reactivation of the remedial team resulting in cash recovery of Rs 1.5 - 1.6 Bn in past 5 to 6 months.
- Formulation of the Early Warning Policy for the Bank along with roll out of the early warning process. This will enable the Bank to eventually reduce the flow of problem loans to Bank's portfolio
- Pan Pakistan training workshops on Credit processing, presentation and negotiating skills for RE Credits & RE IDs.
- Over 775 credit requests were processed for CIBG and 750 processed for IDG/Agri/IFRG by the SCOs.
- Conducted a quantitative impact assessment on IFRS 9 ECL calculation as per regulatory parallel run guidelines.
- Prepared Rapid Portfolio Review to highlight credit exposures with greater than normal credit risk, to evaluate overall portfolio quality and to ensure that management takes prompt and rigorous action to protect the Bank's interest.
- Presented to BoD and SBP a comprehensive NPL study encompassing Analysis, Strategy and Way-forward.
- Implemented, updated and revised, "Credit Risk Concentration Management Framework" that enforces single obligor / economic group / sector limits for prudent credit underwriting / approval.
- Developed Mastersheet template – a compendium of financial and non-financial parameters related to obligors. Mastersheet template broadly assists obligor's credit evaluation from an Expected Credit Loss / Provisioning assessment point of view.
- Creation of dedicated setup for risk management of Retail financing & Program Lending under umbrella of Risk Management to focus on products that are managed on Program Lending basis and will add controls, governance and risk culture around it.
- Developed framework for the coverage of Shari'ah Non-Compliance Risk (SNCR) Management through identification of SNCR events, maintenance of database, monitoring and internal/external reporting along with relevant stakeholders.
- Introduction of revised Credit Disbursement procedures for financing to Sugar Mills under Shari'ah Compliant as well as conventional mode of financing with an objective to ensure timely and complete direct payments to growers in their accounts to keep the pledged sugar unencumbered.
- Implementation of Financial Institutions Secured Transactions Act (STA), 2016, entailing necessary guidelines & mechanism for registration of security interest with STR (SECP).
- Issuance of DAC under Retail and Consumer lending at pre-disbursement stage, instead of verification on post fact basis, pertaining to Housing Finance Product, Advance Salary Product, and loans above PKR 10M under Cash n Gold product on pilot basis.
- Implementation of SBP revised guidelines on Stress-Testing for both conventional and Islamic portfolios and approval of its framework.
- Facilitated Operations Group for implementation of 24x7 Fraud Risk Management Solution for the monitoring and detection of any suspicious activity on Bank's alternative payment delivery channels passing through 1-Link switch.
- Facilitated/ enhancement in financial support extended by Bank to SMEs through revising seasonal policies and products.
- Acquired the consultancy services for PCI DSS (Payment Card Industry Data Security Standard) Assessment and its Compliance certification for Security of Digital Payments, which handles Debit/- Credit Cards from major Card Schemes.
- Development and approval of IS Incident & Forensics Management and Card Security Frameworks to ensure compliance of SBP regulations.
- Timely resolution of Borrower's complaints, provision of data to the Private Bureaus and submission of eCIB & eDAD to regulator without any interruption despite pandemic.
- Risk management policies, procedures, tools/ MISs, and frameworks were revised to strengthen risk management for approval of Board.

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 has emerged through its synergetic core functions i.e. accounting, 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.

FCG has been assisting the BoD and Executive Management in the process of strategic decision making by keeping them abreast of the Bank's financial position & performance through actual and forecast analysis, thus translating the financial data into meaningful information.

Efficiently managing the taxation affairs in 2021, FCG managed to adjust over PKR 11 Bn refunds, leading to a better cash flow management thereby contributing towards income stream of the Bank. 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.

In 2021, FCG has took yet another strategic initiative to get the Bank registered as a "Training Organisation" with the Institute of

Chartered Accountants of Pakistan "ICAP". Under this programme, NBP will be offering training (article) opportunities to the CA student in its key functional areas e.g. Finance, Risk, Treasury, Credit, Audit, etc. This scheme will create professional learning & growth opportunities for the CA students across the Country.

Going forward, FCG is all set to take efficient measures to strengthen the internal control & compliance environment within FCG as well as at Bank level. This will be achieved through further improving the quality of published financial reporting to secure a top position, updating the relevant policy & procedure documents for efficient financial reporting and also includes promoting a tax compliance culture by keeping the Head Office functions & branches abreast of relevant changes in the applicable taxation laws.

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 2022 is clearly focused on moving towards a more automated environment for data gathering, processing and producing quality information for all our stakeholders.

Last, but not the least, FCG will be enriching the Bank's talent pool by acquiring young finance professionals under the CA trainee scheme ICAP and capacity building of existing resources

On the regulatory side, FCG is managing statutory financial reporting, external audit, taxation and other regulatory reporting to the SBP, SECP, 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 following prestigious recognition for the Bank on quality financial reporting:



Technology & Digitization

The year 2021 was a challenging year for ITG. Despite the disruption across society and to our daily lives as a result of the continuing pandemic, IT Teams provided dedicated and untiring support ensuring the continuance of the Banks systems and technology infrastructure. Every Individual in ITG displayed exemplary dedication in managing IT operations and infrastructure 24x7 and delivered services and solutions with limited resources testament to our commitment and can-do approach. Specifically, IT Operations and IT Infrastructure teams not only exhibited tremendous efforts to assure branch operations and ATMs uptime but also ensured that all applications and connectivity landscape 24x7.

Major projects which will add great value to the NBP infrastructure timeline:

- CBA (Profile) Upgrade – approval and initiation
- Data Center (3S Strategy) – approval and initiation
- Trade Innovation Implementation
- Endpoint Protection and upgrade
- Infrastructure Upgrade – Links and Network

During the year 2021, ITG successfully implemented regulatory directives and went live with multiple services for customers to provide ease of business through digital channels and through facilities over the counter. Some of the major services include

- Implementation of SBP Micro Payment Gateway for Conventional Banking
- Online Complaint Tracking on NBP Web Site
- NBP Hong Kong -Core Banking System
- MPG Islamic banking, Direct Credit System (DCS) – NBP Customer Pension System
- NBP-KSA Core Banking System

ITG also provided extended support to its internal customers (all NBP groups) through continuous improvements and enhancements in its existing systems. Some of the major achievements included

- Implementation of ATM Switch IRIS Release Upgrade to 5.4.18.x
- SAP upgrade to the latest version (EHP 8)
- SAPHCM – Staff Final Settlement module, Staff Finance House Building Finance/Motor Car Finance, SAP Utility to upload mass family dependents data, MIS for Medical System
- eAudit - Audit Management System
- Advance Salary Digitalization
- Kamyab Jawaan Loan - GoP subsidized markup posting and accrual mechanism
- Dormant Account biometric activation for Islamic banking
- Depositors' Protection Corporation (DPC) Status report for Islamic banking
- NBP Cash Cards migration to IRIS ATM Switch
- IVR – Urdu and English Script for Call Center

Moreover, the Bank faced a cyber-attack at the end of October 2021. IT teams in coordination with other Business groups worked tirelessly to ensure that banking services and branches are operational with minimal possible disruption and no direct financial and data loss. ITG with the support of ISD, RMG and Senior Management of the Bank, has established an enhanced Cyber Security posture implementing strict security controls across NBP IT assets and is continuing to do so with the acquisition of the latest security solutions.

For ITG, 2021 was a year with many achievements along with lessons learnt that will strengthen the Group to continue its transformation to a more secure, vigilant and responsive posture and to be prepared to respond to unforeseen events with agility and measure.

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Centralized Operations & Administration

The Group continued its journey of transformation with restructuring, process reengineering and better technology solutions for increased effectiveness and efficiency, breaking silos, adopting industry best practices, deploy controls to mitigate operational risks and ultimately to improve customer experience.

The Group structure at Head Office was reorganized into functional verticals of Payment Services, Branch Operations, Internal Control, Service Quality & Administration.

The Operations teams at Regional Offices were also reorganized in the same spirit with Regional Service Managers supporting the Regional Executives. The Technology Support for branches was strengthened by extending the reach to all 37 Regions.

The internal control function was revamped with a new structure and program adding operational and strategic controls in addition to usual financial reporting controls.

Islamic network was brought into Centralized Account Opening thereby improving the quality of account opening. The Islamic network of branches was also mapped to Centralized Operations Control Center for Ops Risk control and monitoring.

The bank also increased efficiencies for trade customers by launching centralized trade processing centres leveraging the implementation of Trade Innovation System as platform.

The Group continued to provide back office support to its conventional partners of Retail, Corporate, Inclusive Development and Digital Banking, rather it partnered with HR partners to automate and centralize staff loans and employee pension disbursements.

Bank revamped its ATM transaction posting model to allow efficient reconciliation, settlement and customer service. Bank also joined 1LINK Fraud Risk Management System (FRMS) Fractals which augmented the immunity of the payments ecosystem by enabling suspicious activity monitoring on all electronic transactions.

To continue to further improve bank's service standards, foundation for Governance and Control framework was laid down with the establishment of a Service Council.

With the fundamentals set in 2021, the Operations Group is well aligned with industry best practices and has multiple initiatives set in motion enabling it to support Business Growth and Customer Services in long run.

Logistics, Communications & Marketing Group

In pursuit of excellence, Engineering Division had paved the way to augment the expectation bars of our customer's preferences enabling them to experience state of the art infrastructure. Despite socio economic challenges like COVID 19, Engineering Division diligently and dexterously completed two iconic projects (NBP Staff College & Inclusive Development Centre) to upscale their work ethic which sought huge laurels from the President, Leadership, staff and industry.

Along with many developmental initiatives, 54 conventional & 14 Islamic branches, 226 Minor renovation works, more than 1000 ramps, around 250 RFPs and a beautiful mosque are the hallmarks dedicated in 2021. ED is contented, committed to build synergy within all Divisions & Groups to foster endeavors and lead by example in coming years.

Procurement Division faced these tasks by successfully concluding many critical tenders thereby maintaining the smooth operations of the Bank. Effective procurement helped to streamline processes, costs and identify better sources of supply- thus improving organizational efficiency. During this period Procurement Division was revamped Pan Pakistan to improve its efficiency and working.

Banking Service Division (BSD) is striving to provide smart support services to Bank's internal as well as external customers with ease in many aspects comprising, adequate supply of stationery, security, Travel & Fleet, Property Management, managing NBP Sports Club/ sporting events etc. In 2021, BSD played an effective supportive role in terms of maintaining adequate inventory of Bank's Printed and Table Stationery. It further ensured the in-time procurement and dispatch of stationery items requisitioned by the Bank offices/branches and recovery of its cost. Furthermore, BSD remained proactive in ensuring proper Security of the Bank's assets

and its customers by introducing latest technology and gadgets across the network i.e. Burglar Alarm (BAS), CCTV, walk through gates & converted branches into digitally Guarded branches. BSD in the year 2021 floated the 1st Security & Safety Policy of the Bank, covering all possible security aspects including Physical as well as digital security. In furtherance, BSD efficiently provided Protocol Services to the Bank's Senior Management and dignitaries while ensuring proper services in travel arrangements, Hotel reservations, AGM arrangements, upkeep of the Bank's Committee / Board Room and Annual Business Conference arrangement. Fleet Management system has also been implemented, having complete details of the Bank-wide vehicles provided to the different offices & Branches, along with recording maintenance expense thereof. While in 2021 various sporting events were arranged by NBP Sports Wing compliant with all Covid SOPs i.e. National Snooker Championship, held at NBP Sports Club, National Championship lifted by NBP. In the field of hockey, NBP earmarked the title Azadi Cup and completed Hat-trick of securing CNS Hockey championship.

In 2021, Strategic Marketing Division maintained and protected NBP's image, and enhanced its brand identity to showcase positive image of the bank, counter negative publicity and any damage control measures. The Internal Communications Department in 2021 effectively updated the employees about happenings and events taking place in NBP. Our internal newsletter "NBP Newslines" was revamped to make it more attractive and to give it a professional look. The newsletter creates awareness in employees about bank progress, current affairs and its achievements. Apart from in-house newsletter, Internal Communications is responsible for generating regular emails to all employees on religious/social occasions, highlighting awards and significant achievements and information which needs to be shared with employees instantly.

Notes

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Unconsolidated Financial Statements

The Financial Statements and the accompanying notes, are in compliance with all applicable Accounting Standards and are free from material misstatement. As opined in the Independent Auditors' Report, these Financial Statements provide a true and fair view of the Bank's performance, financial position, changes in equity and cash flows.

Our Auditors have expressed their unqualified opinion on these Financial Statements as indicated in their "Independent Auditors' Report" to the shareholders.

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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 Auditor's 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, 2021, 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 80 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, 2021 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 25.3.3.1 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 qualified 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.

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>Provision against advances:</p> <p>(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 branches 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. 11,119 million in the unconsolidated profit and loss account in the current year. As at December 31, 2021, the Bank holds a provision of Rs. 191,784 million against advances. Moreover, the Bank has recognised 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"> • Obtained an understanding of the management process to record provision and ensure that it is consistent with the requirement of PRs; and • 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. <p>We selected a sample of loan accounts and performed the following substantive procedures to evaluate the appropriateness of specific and general provision:</p> <ul style="list-style-type: none"> • Checked credit documentation, repayments of loan / mark-up instalments, tested classification of non-performing advances based on the number of days overdue; • 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; • 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; • We also reviewed minutes of the meeting of credit and audit committee to identify risky exposures; and • We had discussions with management to challenge assumptions and judgements used in recording provisions. <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>

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Deloitte Touche Tohmatsu Limited

Member firm of PwC network

Yousuf Adil
Chartered Accountants

A.F. Ferguson & Co.
Chartered Accountants

S.No.	Key Audit Matter	How the matter was addressed in our audit
2	<p>Valuation of listed equity shares, units of mutual funds and term finance certificates classified as available-for-sale</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"> each investment's cost was compared to its market value wherever available to determine decline / surplus in valuation; 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 5.24(c); and For TFCs, checked that listed TFCs were valued as per the quoted prices and for unlisted TFCs, we checked that these were valued at cost less provision. Further, on sample basis, TFCs were also evaluated based on evidence of deterioration in the financial health of the investee and repayment pattern.
3	<p>Regulatory Matters in respect of New York Branch</p> <p>(Refer note 25.5 to the unconsolidated financial statements)</p>	
	<p>The Bank operates a branch in New York which is licensed by the New York State Department of Financial Services (NYDFS) and is also subject to supervision by the Federal Reserve Bank of New York (FRBNY).</p> <p>In February 2022, the Bank has reached agreements with FRBNY and NYDFS, the US Regulators of NBP's New York Branch. The agreements include fines totaling US \$ 55.4 million equivalent to Rs. 9,778 million and focused on historical compliance program weaknesses and delays in making compliance related enhancements.</p> <p>Under the agreements, the Bank is required to submit status and progress reports at defined frequencies to the Regulators with respect to the remedial measures being taken.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> Discussed with the senior management and the Board Audit Committee to obtain their views on the status of the regulatory matters; Reviewed relevant regulatory correspondence with State Bank of Pakistan on the compliance matters raised with respect to New York Branch; Reviewed the orders issued by the US Regulators in which fines were imposed on the Bank; Reviewed the minutes of meetings of the Board of Directors in which deliberations relevant to compliance matters raised by the US Regulators with respect to New York Branch took place; and

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S.No.	Key Audit Matter	How the matter was addressed in our audit
	The above action taken by the US Regulators, including the amount of penalties imposed is a significant event and has been considered as a key audit matter.	<ul style="list-style-type: none"> Evaluated the adequacy of disclosure in accordance with the applicable financial reporting framework.

Information Other than the Unconsolidated and Consolidated Financial Statements and Auditor's 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 auditor's 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.

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.

Auditor's 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 auditor's 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.

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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 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 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
 - 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.

Yousuf Adil
Chartered Accountants

A.F. Ferguson & Co.
Chartered Accountants

Other Matter

The unconsolidated financial statements of the Bank as at and for the year ended December 31, 2020 were audited by Yousuf Adil, Chartered Accountants and Grant Thornton Anjum Rahman, Chartered Accountants, who had expressed an unmodified opinion on those statements vide their report dated February 25, 2021.

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 8, 2022
UDIN: AR202110091sWhlozCFY

A. F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: March 8, 2022
UDIN: AR202110068ZqsLDfmR2

Unconsolidated Statement of Financial Position

As at December 31, 2021

2020 ----- (US Dollars in '000) -----	2021		Note	2021 ----- (Rupees in '000) -----	2020
ASSETS					
1,412,128	1,579,183	Cash and balances with treasury banks	7	278,747,059	249,259,590
80,602	100,089	Balances with other banks	8	17,667,067	14,227,355
718,385	1,900,516	Lendings to financial institutions	9	335,466,675	126,804,675
8,290,573	10,980,297	Investments	10	1,938,170,642	1,463,398,076
5,570,421	6,307,690	Advances	11	1,113,392,485	983,254,527
308,268	307,351	Fixed assets	12	54,251,555	54,413,493
1,721	2,848	Intangible assets	13	502,791	303,813
37,786	37,422	Right of use assets	14	6,605,400	6,669,684
-	9,210	Deferred tax assets	15	1,625,647	-
624,293	567,976	Other assets	16	100,255,148	110,195,768
17,044,177	21,792,582			3,846,684,469	3,008,526,981
LIABILITIES					
95,150	123,777	Bills payable	17	21,848,270	16,795,186
784,864	1,772,811	Borrowings	18	312,925,106	138,539,005
13,704,144	17,104,386	Deposits and other accounts	19	3,019,155,045	2,418,966,479
42,681	44,722	Lease liability against right of use assets	20	7,893,960	7,533,691
16,873	-	Deferred tax liabilities	15	-	2,978,364
884,666	1,125,464	Other liabilities	21	198,659,523	156,155,514
15,528,378	20,171,160			3,560,481,904	2,740,968,239
1,515,799	1,621,422	NET ASSETS		286,202,565	267,558,742
REPRESENTED BY					
120,530	120,530	Share capital	22	21,275,131	21,275,131
320,445	342,022	Reserves	23	60,371,495	56,562,933
417,528	365,310	Surplus on revaluation of assets	24	64,482,122	73,699,344
657,296	793,560	Unappropriated profit		140,073,817	116,021,334
1,515,799	1,621,422			286,202,565	267,558,742
CONTINGENCIES AND COMMITMENTS					
			25		

The annexed notes 1 to 51 and annexures I and II form an integral part of these unconsolidated financial statements.

Zubyr Soomro
Chairman

Arif Usmani
President & CEO

Abdul Wahid Sethi
Chief Financial Officer

Asif Jooma
Director

Ahsan Ali Chughtai
Director

Unconsolidated Profit and Loss Account

For the year ended December 31, 2021

2020 ----- (US Dollars in '000) -----	2021		Note	2021 ----- (Rupees in '000) -----	2020
1,460,574	1,313,683	Mark-up / return / interest earned	26	231,882,702	257,811,015
870,505	760,649	Mark-up / return / interest expensed	27	134,264,896	153,655,908
590,069	553,034	Net mark-up / interest income		97,617,806	104,155,107
		NON MARK-UP / INTEREST INCOME			
103,412	100,864	Fee and commission income	28	17,803,801	18,253,547
10,771	26,030	Dividend income		4,594,593	1,901,168
23,077	36,885	Foreign exchange income		6,510,668	4,073,396
44,674	35,059	Gain on securities - net	29	6,188,319	7,885,503
22,453	10,448	Other income	30	1,844,236	3,963,294
204,387	209,286	Total non-mark-up / interest income		36,941,617	36,076,908
794,456	762,320	Total income		134,559,423	140,232,015
		NON MARK-UP / INTEREST EXPENSES			
355,761	337,976	Operating expenses	31	59,657,321	62,796,623
1,786	1,963	Other charges	32	346,463	315,307
357,547	339,939	Total non-markup / interest expenses		60,003,784	63,111,930
436,909	422,381	Profit before provisions		74,555,639	77,120,085
175,034	67,510	Provisions and write offs - net	33	11,916,383	30,895,938
-	55,400	Extra ordinary item	25.5	9,778,848	-
261,875	299,471	PROFIT BEFORE TAXATION		52,860,408	46,224,147
88,748	140,796	Taxation	34	24,852,420	15,665,228
173,127	158,675	PROFIT AFTER TAXATION		28,007,988	30,558,919
----- (US Dollars) -----				----- (Rupees) -----	
0.08	0.07	Basic earnings per share	35	13.16	14.36
0.08	0.07	Diluted earnings per share	36	13.16	14.36

The annexed notes 1 to 51 and annexures I and II form an integral part of these unconsolidated financial statements.

Zubyr Soomro
Chairman

Arif Usmani
President & CEO

Abdul Wahid Sethi
Chief Financial Officer

Asif Jooma
Director

Ahsan Ali Chughtai
Director

Unconsolidated Statement of Comprehensive Income

For the year ended December 31, 2021

2020 ----- (US Dollars in '000) -----	2021		2021 ----- (Rupees in '000) -----	2020
173,127	158,675	Profit after taxation for the year	28,007,988	30,558,919
		Other comprehensive income		
		Items that may be reclassified to profit and loss account in subsequent periods:		
6,789	5,709	Exchange gain on translation of net assets of foreign branches	1,007,763	1,198,299
16,101	(48,795)	Movement in surplus on revaluation of investments - net of tax	(8,613,053)	2,842,019
22,890	(43,086)		(7,605,290)	4,040,318
		Items that will not be reclassified to profit and loss account in subsequent periods:		
(2,821)	(7,721)	Remeasurement loss on defined benefit obligations - net of tax	(1,362,794)	(497,972)
3,566	(2,803)	Movement in surplus on revaluation of operating fixed assets - net of tax	(494,741)	629,407
1,214	559	Movement in surplus on revaluation of non-banking assets - net of tax	98,660	214,238
1,959	(9,965)		(1,758,875)	345,673
197,976	105,624	Total comprehensive income	18,643,823	34,944,910

The annexed notes 1 to 51 and annexures I and II form an integral part of these unconsolidated financial statements.

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Chairman

Arif Usmani
President & CEO

Abdul Wahid Sethi
Chief Financial Officer

Asif Jooma
Director

Ahsan Ali Chughtai
Director

Unconsolidated Statement of Changes in Equity

For the year ended December 31, 2021

	Share capital	Reserves					Surplus 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		
(Rupees in '000)											
Balances as at December 31, 2019	21,275,131	10,371,792	33,071,810	343,802	8,000,000	521,338	52,308,742	25,659,252	44,584,808	70,244,060	232,613,833
Profit after taxation for the year ended December 31, 2020	-	-	-	-	-	-	-	-	-	-	30,558,919
Other comprehensive income - net of tax	-	1,198,299	-	-	-	-	1,198,299	2,842,018	843,645	3,685,663	4,385,990
Transfer to statutory reserve	-	-	3,055,892	-	-	-	3,055,892	-	-	-	-
Transfer from loan loss reserve to unappropriated profit	-	-	-	-	-	-	-	-	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(230,379)	(230,379)	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2020	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	267,558,742
Profit after taxation for the year ended December 31, 2021	-	-	-	-	-	-	-	-	-	-	28,007,988
Other comprehensive income - net of tax	-	1,007,763	-	-	-	-	1,007,763	(8,613,053)	(396,081)	(9,009,134)	(9,364,165)
Transfer to statutory reserve	-	-	2,800,799	-	-	-	2,800,799	-	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(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	286,202,565

The annexed notes 1 to 51 and annexures I and II form an integral part of these unconsolidated financial statements.

Zubyr Soomro
Chairman

Arif Usmani
President & CEO

Abdul Wahid Sethi
Chief Financial Officer

Asif Jooma
Director

Ahsan Ali Chughtai
Director

Unconsolidated Cash Flow Statement

For the year ended December 31, 2021

2020 ---- (US Dollars in '000) ----	2021		Note	2021 ----- (Rupees in '000)-----	2020
		CASH FLOW FROM OPERATING ACTIVITIES			
261,875	299,471	Profit before taxation		52,860,408	46,224,147
(10,771)	(26,030)	Less: Dividend income		(4,594,593)	(1,901,168)
251,104	273,441			48,265,815	44,322,979
		Adjustments:			
24,647	25,039	Depreciation		4,419,746	4,350,604
1,195	1,923	Amortization		339,382	210,961
175,034	67,510	Provision and write-offs	33	11,916,383	30,895,938
(61)	(357)	Gain on sale of fixed assets		(62,945)	(10,775)
4,447	4,606	Finance charges on leased assets		812,964	785,032
(12)	684	Unrealized loss / (gain) on revaluation of investments classified as held-for-trading		120,675	(2,074)
41,880	41,960	Charge for defined benefit plans - net		7,406,457	7,392,388
247,130	141,365			24,952,662	43,622,074
498,234	414,806			73,218,477	87,945,053
		(Increase) / decrease in operating assets			
53,681	(1,074,666)	Lendings to financial institutions		(189,693,077)	9,475,335
(343,109)	(130,763)	Held-for-trading securities		(23,081,441)	(60,563,416)
(33,534)	(824,782)	Advances		(145,585,209)	(5,919,170)
281,309	38,629	Other assets (excluding advance taxation)		6,818,552	49,654,870
(41,653)	(1,991,582)			(351,541,175)	(7,352,381)
		Increase / (decrease) in operating liabilities			
(17,405)	28,627	Bills payable		5,053,084	(3,072,238)
(1,665,491)	745,737	Borrowings		131,632,640	(293,981,639)
1,251,560	3,400,242	Deposits and other accounts		600,188,566	220,917,198
(184,199)	218,290	Other liabilities		38,531,195	(32,513,646)
(615,535)	4,392,896			775,405,485	(108,650,325)
(4,447)	(4,606)	Financial charges paid		(812,964)	(785,032)
(120,157)	(127,669)	Income tax adjusted / paid	16.6	(22,535,380)	(21,209,420)
(20,297)	(17,178)	Benefits paid		(3,032,126)	(1,817,492)
(293,855)	2,666,667	Net cash flow generated from / (used in) operating activities		470,702,317	(51,869,597)
		CASH FLOW FROM INVESTING ACTIVITIES			
(449,983)	(1,736,053)	Net investments in available-for-sale securities		(306,436,769)	(79,428,088)
740,156	(890,368)	Net investments in held-to-maturity securities		(157,162,049)	130,647,453
10,771	26,030	Dividends received		4,594,593	1,901,168
(11,144)	(10,698)	Investments in operating fixed assets		(1,888,345)	(1,967,003)
276	562	Proceeds from sale of operating fixed assets		99,147	48,771
6,789	9,559	Effect of translation of net investment in foreign branches		1,687,352	1,198,299
296,865	(2,600,968)	Net cash flow (used in) / generated from investing activities		(459,106,071)	52,400,600
		CASH FLOW FROM FINANCING ACTIVITIES			
(11,559)	(13,880)	Payments of lease obligations	37.1	(2,450,084)	(2,040,384)
(7)	(20)	Dividend paid		(3,519)	(1,152)
(11,566)	(13,900)	Net cash flow used in financing activities		(2,453,603)	(2,041,536)
(8,556)	51,799	Increase / (decrease) in cash and cash equivalents		9,142,643	(1,510,533)
1,494,244	1,485,686	Cash and cash equivalents at beginning of the year		262,243,717	263,754,250
1,485,688	1,537,485	Cash and cash equivalents at end of the year	37	271,386,360	262,243,717

The annexed notes 1 to 51 and annexures I and II form an integral part of these unconsolidated financial statements.

Zubyr Soomro
Chairman

Arif Usmani
President & CEO

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, 2021

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 Bank is engaged in providing commercial banking and related services in Pakistan and overseas. The Bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The Bank operates 1,513 (2020: 1,514) branches in Pakistan including 189 (2020: 191) Islamic Banking branches and 19 (2020: 21) overseas branches (including the Export Processing Zone branch, Karachi). The Bank also provides services in respect of Endowment Fund for students loan scheme.

2. BASIS OF PRESENTATION

- 2.1 In accordance with the directives of the Federal Government of Pakistan regarding shifting of banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible form of trade related mode of financing includes purchase of goods by the Bank 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 of 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. 176.5135 to 1 US Dollar has been used for 2021 and 2020 as it was the prevalent rate as on December 31, 2021.

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 Acts, 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. 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 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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

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 New accounting standards, amendments and IFRS interpretations that are effective for the year ended December 31, 2021

The following standards, amendments and interpretations are effective for the year ended December 31, 2021. 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. Effective from accounting period beginning on or after June 01, 2020.
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16). Effective from accounting period beginning on or after January 01, 2021.

Certain annual improvements have also been made to a number of IFRSs.

3.4.2 New accounting standards, amendments and IFRS interpretations 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 IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022
International Financial Reporting Standard - 9 "Financial Instruments"	January 01, 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)	January 01, 2022
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
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 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, 2021

There are certain new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2021 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** As per SBP's BPRD Circular Letter no. 24 of 2021, IFRS 9 'Financial Instruments' is applicable to banks in Pakistan effective January 1, 2022. The aforementioned circular letter required banks to submit IFRS 9 compatible pro forma financial statements for the year ended December 31, 2021 and perform parallel run of IFRS 9 on quarterly basis. Further, it was stated that final instructions will be issued subsequently based on the results of parallel reporting of banks.

The Banks in Pakistan through the Pakistan Banks Association (PBA) have submitted their comments on instructions issued for parallel reporting and requested that those are addressed in the final instructions to be issued. The matters raised include retaining some relaxations given presently in the Prudential Regulations, prescription of macro-economic variables, retaining local regulatory requirements pertaining to IFRS 9 related areas on overseas branches, impact on Capital Adequacy Ratio (CAR), guidance on Significant Increase in Credit Risk (SICR) criteria, future tax impacts of any reversals, recording of Expected Credit Loss (ECL) on Government securities denominated in local currency, including further clarifications required in certain areas.

Due to the fact that final instructions have not yet been issued and there are a large number of reservations on the draft instructions, the banks are collectively of the opinion that impact on initial application of IFRS 9 cannot be determined as at December 31, 2021.

- 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.

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 present value.

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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

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 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) 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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

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 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 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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

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.

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.

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For the year ended December 31, 2021

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.

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

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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.

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.

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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.

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 balance sheet 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.

Notes to and forming part of the Unconsolidated Financial Statements

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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.

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, 2021.

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 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.

During the year the Bank changes its organizational structure in a manner that causes the composition of its reportable segments to change, and accordingly the prior year disclosure is restated to reflect the current reportable segments in note 43.

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Business segments

The Bank's primary segment reporting is based on 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** segment 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** segment includes the results of all international branches, correspondent banking business and global remittances. This represents Bank's operations in 14 countries including Pakistan and 19 branches including one branch in export processing zone in Pakistan.
- VI. **Aitemaad and Islamic Banking** 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 operating following geographic lines for monitoring and reporting purpose:

- I. Pakistan
- II. Asia Pacific (including South Asia)
- III. Europe
- IV. United States of America
- V. Middle East

5.24 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,

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

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 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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

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

The Board of Directors (BoD) of the Bank, in their meeting held on January 20 and 21, 2020, have decided for closure of their two overseas Subsidiaries in Almaty (Kazakhstan) and Dushanbe (Tajikistan) along with three overseas branches in Baku (Azerbaijan), Bishkek (Kyrgyzstan) and Ashgabat (Turkmenistan) so their carrying amount will be recovered principally through continuing use. With regards to regulatory approval, the Bank applied to ministry of finance and State Bank of Pakistan for their endorsements and accordingly received their approval, with respect to the BoD decision, on April 07, 2020 and April 24, 2020 respectively.

Further, it has been decided by BoD to restrict their country operations in Afghanistan (Jalalabad) and Bangladesh (Sylhet, Chittagong and Gulshan) to one branch in each country located in Kabul and Dhaka respectively.

As of December 31, 2021, Bank has closed down its operations in Tashkent (Uzbekistan), Jalalabad (Afghanistan) and Sylhet (Bangladesh). The licenses of Ashgabat (Turkmenistan), Dushanbe (Tajikistan) and Almaty (Kazakhstan) have been cancelled and these locations are under closure process. Further, as of January 17, 2022, the BoD has approved the closure of its operation of Paris branch.

	As at December 31, 2021						
Particulars	CJSC Subsidiary Bank of NBP in Kazakhstan (Almaty)	CJSC Subsidiary Bank of NBP in Tajikistan (Dushanbe)	Baku (Azerbaijan)	Bishkek (Kyrgyzstan)	Ashgabat (Turkmenistan)	Paris (France)	Total
	----- (Subsidiaries) -----		----- (Branches) -----				
	----- (Rupees in '000) -----						
Cost of investment - net of impairment	1,003,778	453,632	-	-	-	-	1,457,410
Total Assets	-	-	981,309	1,714,063	352,392	3,329,382	6,377,146
Total Liabilities	-	-	60,027	4,101	-	2,776,326	2,840,454
Profit / (loss) for the year	-	-	(34,466)	12,527	(21,624)	(408,935)	(452,498)

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

		2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
7. CASH AND BALANCES WITH TREASURY BANKS	Note		
In hand:			
Local currency		55,956,579	48,290,809
Foreign currency		6,885,815	6,425,017
		62,842,394	54,715,826
With State Bank of Pakistan in:			
Local currency current accounts	7.1	133,688,664	125,017,240
Foreign currency current accounts	7.2	11,738,428	10,209,399
Foreign currency deposit accounts	7.2	24,098,591	21,022,297
Foreign currency collection accounts		1,226,824	1,618,084
		170,752,507	157,867,020
With other central banks in:			
Foreign currency current accounts	7.3	40,265,103	29,581,326
Foreign currency deposit accounts	7.3	2,920,706	4,789,170
		43,185,809	34,370,496
Prize bonds		1,966,349	2,306,248
		278,747,059	249,259,590
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 6.3% per annum (2020: 0% to 3.50% per annum).		

		2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
8. BALANCES WITH OTHER BANKS	Note		
In Pakistan:			
In current account		-	-
In deposit accounts	8.1	12,531	11,948
		12,531	11,948
Outside Pakistan:			
In current accounts		12,008,146	8,336,597
In deposit accounts	8.2	5,646,390	5,878,810
		17,654,536	14,215,407
		17,667,067	14,227,355

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

- 8.1 These include various deposits with banks and carry interest at rates ranging from 2.5% to 8% per annum (2020: 2% to 8% per annum).
- 8.2 These include various deposits with correspondent banks outside Pakistan and carry interest at rates ranging from 0% to 1.5% per annum (2020: 0% to 2.5% per annum).

	Note	2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
9. LENDINGS TO FINANCIAL INSTITUTIONS			
Call / clean money lendings	9.1	21,009,723	2,040,800
Repurchase agreement lendings (reverse repo)	9.2 & 9.8	282,051,308	124,763,875
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	176,150
	9.6	335,640,825	126,980,825
Less: provision held against lendings to financial institutions	9.7 & 9.9	(174,150)	(176,150)
Lendings to financial institutions - net of provision		335,466,675	126,804,675

- 9.1 This includes zero rate lending to a financial institution amounting to Rs. 9.7 million (2020: Rs. 40.8 million) which is guaranteed by the SBP.
- 9.2 These carry mark-up at rates ranging from 8.75% to 10.7% per annum (2020: 6% to 7.29% per annum) with maturities ranging from January 4, 2022 to January 14, 2022.
- 9.3 This represents Musharaka agreements entered into with Meezan Bank Limited and carrying profit at the rate of 10.65% (2020: nil) 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". These placements are for a period of six months to one year and carry no mark-up.
- 9.5 These are overdue placements and full provision has been made against these placements as at December 31, 2021.

	2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
9.6 Particulars of lending		
In local currency	335,640,825	126,980,825
In foreign currencies	-	-
	335,640,825	126,980,825
9.7 Movement in provision held against lendings is as follows:		
Opening balance	176,150	176,150
Reversal for the year	(2,000)	-
Closing balance	174,150	176,150

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

9.8 Securities held as collateral against lendings to financial institutions

	2021			2020		
	Held by Bank	Further given as collateral	Total	Held by Bank	Further given as collateral	Total
----- (Rupees in '000) -----						
Market Treasury Bills	163,594,180	-	163,594,180	91,230,121	-	91,230,121
Pakistan Investment Bonds	118,457,128	-	118,457,128	33,533,754	-	33,533,754
Total	282,051,308	-	282,051,308	124,763,875	-	124,763,875

9.8.1 Market value of the securities under repurchase agreement lendings amounts to Rs. 279,633 million (2020: Rs. 125,094 million).

9.9 Category of classification

	2021		2020	
	Classified lending	Provision held	Classified lending	Provision held
----- (Rupees in '000) -----				
Domestic				
Loss	174,150	174,150	176,150	176,150
Total	174,150	174,150	176,150	176,150

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

10. INVESTMENTS

10.1 Investments by type:

	2021				2020			
	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								
Market treasury bills	90,744,281	-	(55,659)	90,688,622	96,157,306	-	3,529	96,160,835
Pakistan investment bonds	29,114,020	-	(65,016)	29,049,004	496,805	-	(1,455)	495,350
	119,858,301	-	(120,675)	119,737,626	96,654,111	-	2,074	96,656,185
Available-for-sale securities								
Pakistan investment bonds	571,528,321	-	(8,147,316)	563,381,005	470,136,168	-	2,776,564	472,912,732
Market treasury bills	721,635,763	-	(430,492)	721,205,271	529,397,138	-	690,816	530,087,954
Ijarah sukuk	14,000,979	-	(31,279)	13,969,700	6,000,000	-	15,600	6,015,600
Ordinary shares of listed companies	34,146,109	(6,110,939)	11,749,467	39,784,637	33,237,574	(5,568,236)	20,238,444	47,907,782
Ordinary shares of unlisted companies	1,882,198	(410,893)	-	1,471,305	1,865,982	(410,893)	-	1,455,089
Preference shares	1,706,823	(539,708)	98,614	1,265,729	1,445,308	(539,708)	194,250	1,099,850
Investments in mutual funds	619,646	(41,167)	1,289,705	1,868,184	619,646	(41,167)	1,421,691	2,000,170
Ordinary shares of a bank outside Pakistan	463,294	-	27,060,912	27,524,206	463,295	-	17,189,483	17,652,778
Term finance certificates / Musharika								
and Sukuk bonds	55,463,127	(5,200,180)	961,220	51,224,167	60,199,753	(5,196,406)	856,659	55,860,007
GoP foreign currency bonds	20,778,528	-	26,435	20,804,963	10,429,632	-	411,243	10,840,875
Foreign Government securities	880,932	-	26,372	907,304	2,795,017	-	52,159	2,847,176
Foreign currency debt securities	-	-	-	-	79,438	-	1,202	80,640
	1,423,105,720	(12,302,887)	32,603,638	1,443,406,471	1,116,668,951	(11,756,410)	43,848,111	1,148,760,653
Held-to-maturity securities								
Pakistan investment bonds	324,556,862	-	-	324,556,862	168,422,981	-	-	168,422,981
Debentures, bonds, sukuk, participation term	407,164	(407,134)	-	30	414,972	(407,134)	-	7,838
certificates and term finance certificates	10,914,185	-	-	10,914,185	11,641,133	-	-	11,641,133
Bai muajjal with Government of Pakistan	34,091,600	-	-	34,091,600	32,328,738	-	-	32,328,738
Foreign Government securities	680	-	-	680	618	-	-	618
Foreign currency debt securities								
	369,970,491	(407,134)	-	369,563,357	212,808,442	(407,134)	-	212,401,308

Note

10.5.1

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

	2021				2020			
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
----- (Rupees in '000) -----								
Note								
10.8/10.15	4,970,863	(3,938,595)	-	1,032,268	4,970,863	(3,821,854)	-	1,149,009
10.11	2,362,433	-	-	2,362,433	2,362,433	-	-	2,362,433
10.2.4	3,906,750	(1,838,263)	-	2,068,487	3,906,750	(1,838,263)	-	2,068,487
Total investments	1,924,174,558	(18,486,879)	32,482,963	1,938,170,642	1,437,371,550	(17,823,660)	43,850,185	1,463,398,076
10.2 Investments by segments:								
Federal Government Securities								
Market Treasury Bills	812,380,044	-	(486,151)	811,893,893	625,554,444	-	694,345	626,248,789
Pakistan Investment Bonds	925,199,203	-	(8,212,332)	916,986,871	639,055,954	-	2,775,109	641,831,063
Bai Muajjal with Government of Pakistan	10,914,185	-	-	10,914,185	11,641,133	-	-	11,641,133
Ijarah Sukuks	14,000,979	-	(31,279)	13,969,700	6,000,000	-	15,600	6,015,600
Shares	1,762,494,411	-	(8,729,762)	1,753,764,649	1,282,251,531	-	3,485,054	1,285,736,584
10.12 / 10.13/10.14	34,146,109	(6,110,939)	11,749,467	39,784,637	33,237,574	(5,568,236)	20,238,444	47,907,782
Listed Companies	1,882,198	(410,893)	-	1,471,305	1,865,982	(410,893)	-	1,455,089
Unlisted Companies	36,028,307	(6,521,832)	11,749,467	41,255,942	35,103,556	(5,979,129)	20,238,444	49,362,871
Non Government Debt Securities								
Term Finance Certificates / Musharika / Bonds / Debentures and Sukuk Bonds								
Listed	17,190,767	(1,092,251)	961,220	17,059,736	20,663,236	(1,031,476)	279,518	19,911,278
Unlisted	38,679,524	(4,515,064)	-	34,164,460	39,951,489	(4,572,064)	577,141	35,956,567
Foreign Securities	55,870,291	(5,607,314)	961,220	51,224,196	60,614,725	(5,603,540)	856,659	55,867,845
GoP Foreign Currency Bonds	20,778,528	-	26,435	20,804,963	10,429,632	-	411,243	10,840,875
Foreign Government Securities	34,972,532	-	26,372	34,998,904	35,123,755	-	52,159	35,175,914
Foreign Currency Debt Securities	680	-	-	680	80,056	-	1,202	81,258
Preference shares	55,751,740	-	52,807	55,804,547	45,633,443	-	464,604	46,098,047
	1,706,823	(539,708)	98,614	1,265,729	1,445,308	(539,708)	194,250	1,099,850

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

	Note	2021			2020				
		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
		----- (Rupees in '000) -----							
Investments in mutual funds		619,646	(41,167)	1,289,705	1,868,184	619,646	(41,167)	1,421,691	2,000,170
Ordinary shares of a bank outside Pakistan	10.6	463,294	-	27,060,912	27,524,206	463,295	-	17,189,483	17,652,778
Associates	10.9								
- Listed									
First Credit and Investment Bank Limited	10.15	157,429	(17,229)	-	140,200	157,429	(28,829)	-	128,600
Land Mark Spinning Mills Limited		39,710	(39,710)	-	-	39,710	(39,710)	-	-
S.G. Allied Business Limited		218,535	(218,535)	-	-	218,535	(218,535)	-	-
Nina Industries Limited		49,060	(49,060)	-	-	49,060	(49,060)	-	-
NBP Stock Fund	10.7	600,000	(109,728)	-	490,272	600,000	(121,326)	-	478,674
Agritech Limited		3,665,605	(3,263,810)	-	401,795	3,665,605	(3,123,870)	-	541,735
	10.8	4,730,339	(3,698,072)	-	1,032,267	4,730,339	(3,581,330)	-	1,149,009
- 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)	-	-	44,817	(44,817)	-	-
Dadabroy 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	240,524	(240,524)	-	-	240,524	(240,524)	-	-
		4,970,863	(3,938,596)	-	1,032,267	4,970,863	(3,821,854)	-	1,149,009
Joint Venture									
United National Bank Limited	10.11	2,362,433	-	-	2,362,433	2,362,433	-	-	2,362,433
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	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
		3,906,750	(1,838,262)	-	2,068,488	3,906,750	(1,838,262)	-	2,068,488
Total investments		1,924,174,558	(18,486,879)	32,482,963	1,938,170,642	1,437,371,550	(17,823,660)	43,850,185	1,463,398,076

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For the year ended December 31, 2021

	2021		2020	
	(Rupees in '000)		(Rupees in '000)	
	30,682,290	2,300,000	30,682,290	2,300,000
	96,128,050	3,000,000	96,128,050	3,000,000
	126,810,340	5,300,000	126,810,340	5,300,000

	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
(Rupees in '000)									
10.2.1 Investments given as collateral									
Pakistan Investment Bonds									
Market Treasury Bills									
10.2.2 Associates									
Listed									
First Credit and Investment Bank Limited	20,000,000	30.77	Pakistan	June 30, 2021	2,272,038	1,522,087	145,063	20,535	11,620
National Fibres Limited	17,030,231	20.19	Pakistan	-	-	-	-	-	-
Land Mark Spinning Mills Limited	3,970,859	32.79	Pakistan	June 30, 2020	174,448	252,160	-	(16,925)	(16,925)
SG Allied Businesses Limited	3,754,900	25.03	Pakistan	June 30, 2021	1,166,565	475,775	16,903	(11,922)	(11,907)
Nina Industries Limited	4,906,000	20.27	Pakistan	-	-	-	-	-	-
AgriTech Limited	106,014,565	27.01	Pakistan	December 31, 2020	67,176,554	60,735,890	5,699,723	(4,296,900)	(4,295,428)
NBP Stock Fund	31,347,444	2.69	Pakistan	June 30, 2021	21,132,632	438,759	5,805,098	4,980,935	4,980,935
Unlisted									
Pakistan Emerging Venture Limited	12,500,000	33.33	Pakistan	June 30, 2019	1,194	345	96	(175)	(175)
National Fructose Company Limited	1,300,000	39.50	Pakistan	-	-	-	-	-	-
Venture Capital Fund Management	33,333	33.33	Pakistan	-	-	-	-	-	-
Kamal Enterprises Limited	11,000	20.37	Pakistan	-	-	-	-	-	-
Mehran Industries Limited	37,500	32.05	Pakistan	-	-	-	-	-	-
National Assets Insurance Company Limited	4,481,500	8.96	Pakistan	December 31, 2020	689,888	7,813	64,505	22,828	22,427
Tharparkar Sugar Mills Limited	2,500,000	21.52	Pakistan	-	-	-	-	-	-
Youth Investment Promotion Society	644,508	25.00	Pakistan	-	-	-	-	-	-
Dadabhai Energy Supply Company Limited	9,900,000	23.11	Pakistan	-	-	-	-	-	-
K-Agricole Limited	5,000	20.00	Pakistan	-	-	-	-	-	-
New Pak Limited	200,000	20.00	Pakistan	-	-	-	-	-	-

For the year ended December 31, 2021

[illegible]

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

10.4 Quality of available for sale securities

Details regarding quality of available for sale securities are as follows:

Federal government securities - government guaranteed

	2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
Market treasury bills	721,635,763	529,397,138
Pakistan investment bonds	571,528,321	470,136,168
Ijarah sukuks	14,000,979	6,000,000
Cost	1,307,165,063	1,005,533,306

Shares

Listed companies sector - wise

Automobile Assembler	614,233	536,303
Automobile Parts and Accessories	1,113,967	843,923
Cable and Electrical Goods	269,669	211,166
Cement	2,919,974	1,882,741
Chemical	788,003	753,684
Commercial Banks	3,648,181	3,896,815
Engineering	1,096,335	855,646
Fertilizer	1,929,148	2,457,103
Food and Personal Care	1,218,036	1,393,503
Glass and Ceramics	72,522	203,855
Insurance	1,642,720	1,713,756
Investment Banks / Investment companies / Securities companies	508,688	508,688
Leasing Companies	13,738	21,890
Leather and Tanneries	297,568	189,470
Modarabas	-	120
Oil and Gas Exploration Companies	2,702,776	2,408,733
Oil and Gas Marketing Companies	6,117,686	5,954,784
Paper and Board	675,319	402,039
Pharmaceuticals	995,798	512,974
Power Generation and Distribution	3,000,787	2,988,617
Real Estate Investment Trust	305,972	586,526
Refinery	447,422	900,998
Sugar and Allied Industries	260,476	288,528
Synthetic and Rayon	32,622	91,980
Technology and Communication	754,027	960,033
Textile Composite	1,552,549	1,890,534
Textile Spinning	655,364	638,440
Textile Weaving	25,854	25,854
Transport	32,068	32,385
Miscellaneous	454,607	86,486
Cost	34,146,109	33,237,574

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

Unlisted companies	2021		2020	
	Cost	Breakup value	Cost	Breakup value
	(Rupees in '000)			
Digri Sugar Mills Limited	4,063	135,585	4,063	135,585
JDM Textile Mills Limited	-	-	4,784	324,651
Gelcaps Pakistan Limited	4,665	8,842	4,665	8,842
Pakistan Agriculture Storage Service Corporation	5,500	1,623	5,500	1,623
Al Ameen Textile	328	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	123	N/A	121	N/A
Arabian Sea Country Club	6,500	(6,810)	6,500	(6,640)
Atlas Power Limited	375,000	1,544,905	375,000	1,328,000
Attock Textile Mills Limited	200	N/A	200	N/A
Pakistan Mortgage Refinance Company Limited	600,000	1,006,700	600,000	770,195
F.T.C. Management Company Private Limited	250	40,094	250	46,998
Fauji Akbar Portia Marines Terminal Limited	321,076	570,681	321,076	570,680
Fauji Oil Terminals and Distribution Limited	10,886	119,741	10,886	99,059
First Women Bank Limited	21,100	79,733	21,100	71,946
Fortune Securities Limited	5,000	11,411	5,000	7,574
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	50,902	30,346	46,890
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	-	1,810	N/A
Myfip Video Industries Limited	5,373	-	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	35,899	1,526	74,484
National Investment Trust Limited	100	1,003,283	100	830,782
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, 2021

Unlisted companies	2021		2020	
	Cost	Breakup value	Cost	Breakup value
	(Rupees in '000)			
Pakistan Tourism Development Corporation	100	83	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	1,503,561	132,888	1,322,458
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 (Guarantee) Limited	50,000	267,895	50,000	139,362
Pakistan Corporate Restructuring Company Limited	96,000	N/A	96,000	N/A
Pakvitae (Private) Limited	21,000	-	-	-
	1,882,198		1,865,982	

* Not available

	2021	2020
	(Rupees in '000)	
Non Government Debt Securities		
Listed		
- AAA	-	1,547,210
- AA+, AA, AA-	9,265,030	11,049,399
- A+, A, A-	833,334	966,667
- BBB+, BBB, BBB-	-	-
- Unrated	7,073,222	7,072,012
Cost	17,171,586	20,635,288
Unlisted		
- AAA	22,132,940	19,792,681
- AA+, AA, AA-	4,010,113	5,212,557
- A+, A, A-	2,745,811	2,850,000
- BBB+, BBB, BBB-	299,760	299,820
- Unrated	9,102,917	11,409,407
Cost	38,291,541	39,564,465

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

Foreign Securities

Government Securities	2021		2020	
	Cost (Rupees in '000)	Rating	Cost (Rupees in '000)	Rating
USA	880,932	AA+	2,795,017	AA+

Non Government Debt Securities - Cost

Listed	2021	2020
	(Rupees in '000)	(Rupees in '000)
- A+	-	79,438

10.5 Particulars relating to Held to Maturity securities are as follows:

Federal Government Securities - Government guaranteed

Pakistan Investment Bonds	324,556,862	168,422,981
Bai muajjal with Government of Pakistan	10,914,185	11,641,133
	335,471,047	180,064,114

Non Government Debt Securities

Listed

- Unrated	19,181	27,948
	19,181	27,948

Unlisted

- Unrated	387,983	387,025
	387,983	387,025

Foreign Securities

Government Securities	2021		2020	
	Cost (Rupees in '000)	Rating	Cost (Rupees in '000)	Rating
Azerbaijan	204,494	BB+	646,649	BB+
Bangladesh	29,672,064	Ba3	27,277,984	Ba3
Kyrgyzstan	841,944	B2	1,118,290	B2
Kingdom of Saudi Arabia	2,631,097	A	2,551,243	A
Korea	742,001	AA	734,572	AA
	34,091,600		32,328,738	

Non Government Debt Securities

Listed

- Unrated - Cost	680	618
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10.5.1 The market value of securities classified as held-to-maturity as at December 31, 2021 amounted to Rs. 366,869 million (2020: Rs. 218,678 million).

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

10.6 Investment in shares of a bank incorporated outside Pakistan - Bank Al-Jazeera

The Bank holds 30,333,333 (2020: 30,333,333) shares in Bank Al-Jazeera (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 3.7% (2020: 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 F2 with short term and long term IDR at BBB+ by Fitch Rating Agency.

- 10.7 The 94,273,510 (2020: 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 these shares at December 31, 2021 amounted to Rs. 3.79 per share resulting in an impairment of Rs. 3,264 million (2020: Rs. 3,124 million) which has been fully recorded in these unconsolidated financial statements.

There is a put option available to Azgard Nine Limited, under which Azgard Nine Limited has the right to sell 58.29 million preference shares of Agritech Limited to the Bank at a price of Rs. 5.25 per share subject to the occurrence of certain events under the agreement.

- 10.8 Aggregate market value of investment in associates (quoted) on the basis of quoted prices amounts to Rs. 1,880 million (2020: Rs. 1,456 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)
National Assets Insurance Limited	December 31, 2020	61,114
Pakistan Emerging Venture Limited	June 30, 2019	283
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, 2021	16,876

	Note	2021 ------(Rupees in '000)-----	2020
10.11 Investments in joint venture			
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, 2021

- 10.12** The investments in shares include shares of Pakistan State Oil Company Limited, Sui Northern Gas Pipeline Limited and Pakistan Engineering Company with cost of Rs. 4,603 million (2020: Rs. 4,603 million) that have been frozen by the Government of Pakistan for sale in the equity market due to their proposed privatization.
- 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). The cost of these shares amounts to Rs. 4,603 million and market value as at December 31, 2021 amounts to Rs. 7,606 million. These shares can not be sold without concurrence of privatization commission.
- 10.14** The investments also include 10,555,000 shares of Pakistan Reinsurance. The cost of these shares amounts to Rs. 220 million and market value as at December 31, 2021 amounts to Rs. 236 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. These shares can not be disinvested without prior consultation with Ministry of Finance.

11. ADVANCES

	Performing		Non Performing		Total	
	2021	2020	2021	2020	2021	2020
Note ----- (Rupees in '000) -----						
Loans, cash credits, running finances, etc.	1,045,675,022	931,976,385	183,077,586	160,045,212	1,228,752,608	1,092,021,597
Islamic financing and related assets	42,316,269	37,546,863	712,762	602,913	43,029,031	38,149,776
Net investment in finance lease	47,548	58,239	-	-	47,548	58,239
Bills discounted and purchased	19,199,730	18,998,127	14,147,881	10,646,008	33,347,611	29,644,135
Advances - gross	1,107,238,569	988,579,614	197,938,229	171,294,133	1,305,176,798	1,159,873,747
Provision against advances						
- Specific	-	-	179,311,722	154,145,472	179,311,722	154,145,472
- General	12,472,591	22,473,748	-	-	12,472,591	22,473,748
	12,472,591	22,473,748	179,311,722	154,145,472	191,784,313	176,619,220
Advances - net of provision	1,094,765,978	966,105,866	18,626,507	17,148,661	1,113,392,485	983,254,527

11.1 Net investment in finance lease

	2021				2020			
	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	955	64	-	1,019	10,911	556	-	11,467
Residual value	46,536	185	-	46,721	46,535	815	-	47,350
Minimum lease payments	47,491	249	-	47,740	57,446	1,371	-	58,817
Less: Financial charges for future periods	191	1	-	192	546	32	-	578
Present value of minimum lease payments	47,300	248	-	47,548	56,900	1,339	-	58,239

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% (2020: 10.19% to 17.30%) per annum.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

	2021 ------(Rupees in '000)-----	2020
11.2 Particulars of advances (Gross)		
In local currency	1,178,151,941	1,071,844,946
In foreign currencies	127,024,857	88,028,801
	1,305,176,798	1,159,873,747

11.3 Advances include Rs. 197,938 million (2020: Rs.171,294 million) which have been placed under non-performing status as detailed below.

	2021		2020	
Category of Classification	Non Performing Loans	Provision	Non Performing Loans	Provision
Domestic	------(Rupees in '000)-----			
Other Assets Especially Mentioned	1,941,221	94,550	1,617,988	45,392
Substandard	5,245,094	1,230,458	5,418,693	1,336,002
Doubtful	16,998,929	8,453,057	15,767,573	7,881,223
Loss	127,459,837	124,795,990	106,144,785	103,816,435
	151,645,081	134,574,055	128,949,039	113,079,052
Overseas				
Not past due but impaired				
Overdue by:				
Upto 90 days	-	-	-	-
91 to 180 days	-	-	-	-
181 to 365 days	286,746	143,373	-	-
>365 days	46,006,402	44,594,294	42,345,094	41,066,420
	46,293,148	44,737,667	42,345,094	41,066,420
Total	197,938,229	179,311,722	171,294,133	154,145,472

11.4 Particulars of provision against advances

		2021			2020		
		Specific	General	Total	Specific	General	Total
Note		------(Rupees in '000)-----					
Opening balance		154,145,472	22,473,748	176,619,220	134,170,016	9,005,950	143,175,966
Exchange adjustments		4,277,260	50,984	4,328,244	1,468,169	15,535	1,483,704
Charge for the year		15,655,578	513,602	16,169,180	18,982,569	13,707,207	32,689,776
Reversals		(4,097,388)	(952,785)	(5,050,173)	(3,047,958)	(321,795)	(3,369,753)
		11,558,190	(439,183)	11,119,007	15,934,611	13,385,412	29,320,023
Amounts written off	11.5.1	(171,425)	-	(171,425)	(89,494)	-	(89,494)
Amounts charged off- agriculture financing	11.4.1.3	(110,733)	-	(110,733)	(193,807)	-	(193,807)
Transfer from general to specific provision		9,612,958	(9,612,958)	-	-	-	-
Transfer from other assets		-	-	-	2,855,977	66,851	2,922,828
Closing balance		179,311,722	12,472,591	191,784,313	154,145,472	22,473,748	176,619,220

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

11.4.1 Particulars of provision against advances

	2021			2020		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	134,574,055	12,220,748	146,794,803	113,079,052	22,274,089	135,353,141
In foreign currencies	44,737,667	251,843	44,989,510	41,066,420	199,659	41,266,079
	179,311,722	12,472,591	191,784,313	154,145,472	22,473,748	176,619,220

11.4.1.1 General provision includes provision amounting to Rs. 5,618 million (2020: Rs. 5,196 million) against consumer & SME finance portfolio as required by the Prudential Regulations issued by the SBP. General provision also includes Rs. 252 million (2020: Rs. 200 million) pertaining to overseas advances to meet the requirements of regulatory authorities of the respective countries in which the Bank operates.

The Bank has also maintained general provision of Rs. 6,603 million (2020: Rs. 17,078 million) in respect of its underperforming portfolio on prudent basis.

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, 2021. 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.

11.5 Particulars of write-offs	Note	2021	2020
		(Rupees in '000)	(Rupees in '000)
11.5.1 Against provisions	11.5.2	171,425	89,494
11.5.2 Write-offs of Rs. 500,000 and above			
- Domestic		44,536	40,260
- Overseas		81,364	-
	11.6	125,900	40,260
Write-offs of below Rs. 500,000		45,525	49,234
		171,425	89,494

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, 2021 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	2021	2020
		(Rupees in '000)	(Rupees in '000)
Capital work-in-progress	12.1	1,550,340	2,154,184
Property and equipment	12.2	52,701,215	52,259,309
		54,251,555	54,413,493

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

2021	2020
1,335,603	2,040,456
10,825	10,825
58,733	58,733
145,179	44,170
1,550,340	2,154,184

[illegible]

(Rupees in '000) -

20,370,445	19,673,159	6,498,047	4,367,094	6,505,280	4,403,125	6,230,222	1,247,328	165,253	69,459,953
-	-	(1,241,903)	(902,703)	(4,623,656)	(4,213,981)	(5,177,945)	(875,204)	(165,252)	(17,200,644)
20,370,445	19,673,159	5,256,144	3,464,391	1,881,624	189,144	1,052,277	372,124	1	52,259,309

20,370,445	19,673,159	5,256,144	3,464,391	1,881,624	189,144	1,052,277	372,124	1	52,259,309
-	-	26,900	70,302	519,016	496,751	526,338	852,882	-	2,492,189
-	-	-	712,882	42,560	-	841,822	-	-	1,597,264
-	-	-	(132,235)	(34,048)	-	(685,393)	-	-	(851,676)
-	(193,330)	-	-	-	-	-	-	-	(193,330)
-	-	-	-	(13,654)	(15,197)	(4,156)	(138,728)	-	(171,735)
-	-	(280,799)	(195,152)	(616,873)	(332,792)	(645,415)	(329,074)	-	(2,400,105)
-	-	-	-	11,227	10,480	3,144	110,681	-	135,532
-	-	-	(18,900)	46,337	26,726	2,726	1,977	-	58,866
-	(14,086)	-	-	(278,735)	67,722	-	-	-	(225,099)
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

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
-	-	(1,522,702)	(1,230,090)	(5,263,350)	(4,536,294)	(6,505,609)	(1,093,597)	(165,252)	(20,316,894)
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

	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
Nil	Nil	Nil					

12.1 Capital work-in-progress

Civil works

Equipment

Advances to suppliers and contractors

Software implementation in progress

12.2 Property and equipment

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

Closing net book value

At December 31, 2021

Cost / revalued amount

Accumulated depreciation

Net book value

Rate of depreciation (percentage)

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

2020									
(Rupees in '000)									
Freehold land	Lease hold land	Building on freehold land	Building on lease hold land	Furniture and fixture	Computer and peripheral equipment	Electrical, office equipment	Vehicles	Assets held under finance lease - vehicles	Total
At January 1, 2020									
Cost / Revalued amount	19,362,870	6,465,668	4,310,442	5,712,163	4,092,424	5,737,394	1,233,476	165,253	67,188,571
Accumulated depreciation	-	(948,528)	(729,730)	(3,974,903)	(3,367,926)	(4,548,202)	(664,637)	(165,252)	(14,999,178)
Net book value	19,362,870	5,517,140	3,580,712	1,737,260	124,498	1,189,192	568,839	1	52,189,393
Year ended December 2020									
Opening net book value	19,362,870	5,517,140	3,580,712	1,737,260	124,498	1,189,192	568,839	1	52,189,393
Additions	-	3,622	45,369	798,720	272,507	516,285	195,700	-	1,832,203
Movement in surplus on assets revalued	261,564	310,289	28,757	59,671	-	-	-	-	660,281
Disposals	-	-	-	(14,393)	(1,354)	(1,796)	(185,097)	-	(202,640)
Depreciation charge	-	-	(293,375)	(172,973)	(660,371)	(631,469)	(360,513)	-	(2,366,110)
Depreciation adjustment - disposal	-	-	-	11,618	1,354	1,726	149,946	-	164,644
Exchange rate adjustments	-	-	(88,834)	(764)	39,548	(21,661)	3,249	-	(18,462)
Other adjustments / transfers	-	-	(9,554)	9,554	-	-	-	-	-
Closing net book value	19,673,159	5,256,144	3,464,391	1,881,624	189,144	1,052,277	372,124	1	52,259,309
At December 31, 2020									
Cost / Revalued amount	19,673,159	6,498,047	4,367,094	6,505,280	4,403,125	6,230,222	1,247,328	165,253	69,459,953
Accumulated depreciation	-	(1,241,903)	(902,703)	(4,623,656)	(4,213,981)	(5,177,945)	(875,204)	(165,252)	(17,200,644)
Net book value	19,673,159	5,256,144	3,464,391	1,881,624	189,144	1,052,277	372,124	1	52,259,309
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	

12.2.1 Revaluation of Properties

Desktop revaluation of the Bank's properties was last carried out in a phase manner in 2019 and 2020. 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, 2021, amounts to Rs. 44,320 million. Had there been no revaluation, the carrying amount of the revalued assets at December 31, 2021, would have been as follows :

(Rupees in '000)	
Freehold land	1,132,637
Leasehold land	890,025
Building on freehold land	820,613
Building on leasehold land	1,575,994
	4,419,269
	4,795,454
Furniture and fixtures	251,231
Electrical and office equipment	642,704
Computer and peripheral equipment	971,294
Vehicles	1,076,918
	2,942,147

12.2.2 Carrying amount of temporarily idle property of the Bank

12.2.3 The cost of fully depreciated assets still in use

Furniture and fixtures
Electrical and office equipment
Computer and peripheral equipment
Vehicles

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

12.3 Details of disposals of fixed assets to related parties

The particulars of disposal of fixed assets to related parties 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	1,858	186	186	-	As per Entitlement	Ex-Employee	Dr. Qadir Baksh
Vehicles	1,673	335	335	-	As per Entitlement	Employee	Muhammad Zaheer Abbas
Vehicles	1,673	335	335	-	As per Entitlement	Employee	Syed Khurram Hussain
Vehicles	1,893	379	379	-	As per Entitlement	Employee	Syed Muhammad Ali Zamin
Vehicles	1,673	335	335	-	As per Entitlement	Ex-Employee	Syed Shakeel Raza Abidi
Vehicles	1,673	335	335	-	As per Entitlement	Employee	Wasimullah
Vehicles	5,257	964	1,051	87	As per Entitlement	Employee	Abdul Wahid Sethi
Vehicles	1,858	-	186	186	As per Entitlement	Employee	Sardar Azmat Babar Chohan
Vehicles	1,673	307	335	28	As per Entitlement	Employee	Umeed Ayaz Mahmood
Vehicles	1,858	186	186	-	As per Entitlement	Ex-Employee	Tariq Latif Ansari
Vehicles	1,673	335	335	-	As per Entitlement	Employee	Hammad Sarwar
Vehicles	1,673	307	335	28	As per Entitlement	Employee	Nazneen Zaka
Vehicles	1,673	307	335	28	As per Entitlement	Employee	Inaam Mallick
Vehicles	1,673	307	335	28	As per Entitlement	Ex-Employee	Sohail Ahmed
Vehicles	1,824	791	791	-	As per Entitlement	Ex-Employee	Riffat Sultana Mughal
Vehicles	1,824	851	851	-	As per Entitlement	Employee	Safdar Ali
Vehicles	5,106	-	511	511	As per Entitlement	Ex-Employee	Sultana Naheed
Vehicles	2,380	1,864	1,864	-	As per Entitlement	Ex-Employee	Aziz Ur Rehman
Vehicles	1,664	333	333	-	As per Entitlement	Employee	Rehman Nazir
Vehicles	1,664	333	333	-	As per Entitlement	Ex-Employee	Haseeb Arshad
Vehicles	1,664	333	333	-	As per Entitlement	Employee	Muhammad Faud Mohsin
Vehicles	1,664	305	333	28	As per Entitlement	Employee	Kaleemullah Shaikh
Vehicles	1,664	333	333	-	As per Entitlement	Employee	Mujahid Abbas Khan
Vehicles	2,875	2,252	2,252	-	As per Entitlement	Ex-Employee	Muhammad Atlas
Vehicles	1,664	388	388	-	As per Entitlement	Ex-Employee	Nadir Khan
Vehicles	2,380	1,745	1,745	-	As per Entitlement	Ex-Employee	Ahmed Sohail Warrich
Vehicles	1,664	361	361	-	As per Entitlement	Ex-Employee	Abdul Hamid Asim
Vehicles	2,380	1,666	1,666	-	As per Entitlement	Ex-Employee	Tahir Shahbaz Anjum
Vehicles	5,857	2,050	2,050	-	As per Entitlement	Ex-Employee	Usman Shahid
Vehicles	2,875	2,156	2,156	-	As per Entitlement	Ex-Employee	S H Irtiza Kazmi
Vehicles	1,864	404	404	-	As per Entitlement	Ex-Employee	Muhammad Farooq
Vehicles	1,899	855	855	-	As per Entitlement	Ex-Employee	Kazi Imtiaz Ahmed
Vehicles	1,864	342	342	-	As per Entitlement	Ex-Employee	Khurram Saeed Naik
Vehicles	1,673	-	167	167	As per Entitlement	Employee	Shahla Ghulam Hussain
Vehicles	1,658	-	166	166	As per Entitlement	Ex-Employee	Saleem Ahmed
Vehicles	1,664	333	333	-	As per Entitlement	Employee	Imtiaz Ahmed
Vehicles	1,664	333	333	-	As per Entitlement	Employee	Manzoor Ahmed
Vehicles	1,734	347	347	-	As per Entitlement	Employee	Dilbur Hussain Khan
Vehicles	1,664	333	333	-	As per Entitlement	Ex-Employee	Syed Akhtar Ali Shah
Vehicles	1,664	333	333	-	As per Entitlement	Employee	Aamer Manzoor
Vehicles	1,864	373	373	-	As per Entitlement	Employee	Tahir Abbas
Vehicles	5,257	1,051	1,051	-	As per Entitlement	Employee	Rehmat Ali Hasnie
Vehicles	1,664	333	333	-	As per Entitlement	Employee	Syed Azhar Ali
Vehicles	1,664	333	333	-	As per Entitlement	Employee	Sumaira Mazhar
Vehicles	1,764	353	353	-	As per Entitlement	Employee	Muhammad Younas
Vehicles	1,664	333	333	-	As per Entitlement	Employee	Javed Ashraf
Vehicles	1,708	342	342	-	As per Entitlement	Employee	Shakeel Hayat Mir
Vehicles	1,673	251	335	84	As per Entitlement	Employee	Kashif Khan
Vehicles	1,824	699	699	-	As per Entitlement	Ex-Employee	Mukhtar Ahmed
Vehicles	1,873	312	375	63	As per Entitlement	Ex-Employee	Adnan Adil
	105,223	28,029	29,433	1,404			

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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 and peripheral equipment	99	-	10	10	As per Entitlement	Employee	Farhan Javaid Durrani
Computer and peripheral equipment	99	-	10	10	As per Entitlement	Employee	Nabeel Aslam
Computer and peripheral equipment	99	-	10	10	As per Entitlement	Ex-Employee	Sajjad Ahmed Rana
Computer and peripheral equipment	64	-	6	6	As per Entitlement	Employee	Muhammad Nasim
Computer and peripheral equipment	114	-	11	11	As per Entitlement	Ex-Employee	Abdul Qadir
Computer and peripheral equipment	114	-	11	11	As per Entitlement	Ex-Employee	Abdul Qadir
Computer and peripheral equipment	106	-	11	11	As per Entitlement	Ex-Employee	Abdul Qadir
Computer and peripheral equipment	106	-	11	11	As per Entitlement	Ex-Employee	Riffat Sultana Mughal
Computer and peripheral equipment	64	-	6	6	As per Entitlement	Employee	Waqar Ahmed
Computer and peripheral equipment	106	-	11	11	As per Entitlement	Employee	Fouad Farrukh
Computer and peripheral equipment	204	-	20	20	As per Entitlement	Ex-Employee	Usman Shahid
Computer and peripheral equipment	93	-	9	9	As per Entitlement	Ex-Employee	S H Irtiza Kazmi
Computer and peripheral equipment	99	-	10	10	As per Entitlement	Employee	Hisham Jan Kiani
Computer and peripheral equipment	99	-	10	10	As per Entitlement	Employee	Rashid Ata
Computer and peripheral equipment	123	-	12	12	As per Entitlement	Employee	Iqbal Ali
Computer and peripheral equipment	99	-	10	10	As per Entitlement	Employee	Abdul Rehman Shaikh
Computer and peripheral equipment	64	-	6	6	As per Entitlement	Employee	Nadia Ahmer
Computer and peripheral equipment	110	-	11	11	As per Entitlement	Employee	Moin Uddin Khan
Computer and peripheral equipment	135	-	14	13	As per Entitlement	Employee	Qaiser Alam
Computer and peripheral equipment	100	-	10	10	As per Entitlement	Employee	Aqib Malik
Computer and peripheral equipment	105	-	11	10	As per Entitlement	Employee	Muhammad Adil Usmani
	2,202	-	220	220			
Electrical, office equipment	50	-	-	-	As per Entitlement	Ex-Employee	Abdul Qadir
Electrical, office equipment	148	-	-	-	As per Entitlement	Ex-Employee	S H Irtiza Kazmi
Electrical, office equipment	115	-	-	-	As per Entitlement	Ex-Employee	S H Irtiza Kazmi
Electrical, office equipment	114	-	-	-	As per Entitlement	Ex-Employee	Dr. Qadir Baksh
Electrical, office equipment	71	-	-	-	As per Entitlement	Ex-Employee	Dr. Qadir Baksh
Electrical, office equipment	115	-	-	-	As per Entitlement	Ex-Employee	Dr. Qadir Baksh
Electrical, office equipment	167	-	-	-	As per Entitlement	Ex-Employee	Usman Shahid
Electrical, office equipment	161	-	-	-	As per Entitlement	Ex-Employee	Usman Shahid
Electrical, office equipment	34	-	-	-	As per Entitlement	Ex-Employee	Adnan Adil
Electrical, office equipment	50	-	-	-	As per Entitlement	Ex-Employee	Syed Shakeel Raza Abidi
Electrical, office equipment	35	9	9	-	As per Entitlement	Ex-Employee	Muhammad Anwar
Electrical, office equipment	50	29	29	-	As per Entitlement	Ex-Employee	Tahir Shahbaz Anjum
Electrical, office equipment	115	48	48	-	As per Entitlement	Ex-Employee	Muhammad Farooq
	1,225	86	86	-			
Furniture and fixture	160	51	51	-	As per Entitlement	Ex-Employee	Muhammad Hanif
Furniture and fixture	200	-	-	-	As per Entitlement	Ex-Employee	Aziz Ur Rehman
Furniture and fixture	190	15	15	-	As per Entitlement	Ex-Employee	Ejaz Muneer
Furniture and fixture	200	16	16	-	As per Entitlement	Ex-Employee	Abdul Hamid Asim
Furniture and fixture	200	12	12	-	As per Entitlement	Ex-Employee	Ghulam Hyder Channa
Furniture and fixture	160	11	11	-	As per Entitlement	Ex-Employee	Muhammad Ismail
Furniture and fixture	200	41	41	-	As per Entitlement	Ex-Employee	Ahmed Sohail Warrich
Furniture and fixture	190	62	62	-	As per Entitlement	Ex-Employee	Waseem Zehra
Furniture and fixture	160	6	6	-	As per Entitlement	Ex-Employee	Ghulam Nabi Bhatti
Furniture and fixture	200	72	72	-	As per Entitlement	Ex-Employee	Tahir Shahbaz Anjum
Furniture and fixture	160	39	39	-	As per Entitlement	Ex-Employee	Sees Raj
Furniture and fixture	190	62	62	-	As per Entitlement	Ex-Employee	Muhammad Usman
Furniture and fixture	200	46	46	-	As per Entitlement	Ex-Employee	Muhammad Yousuf
Furniture and fixture	200	82	82	-	As per Entitlement	Ex-Employee	Manzur Ahmed

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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	36	36	-	As per Entitlement	Ex-Employee	Laiquat Ali Shaikh
Furniture and fixture	200	51	51	-	As per Entitlement	Ex-Employee	Muhammad Shahbaz
Furniture and fixture	200	62	62	-	As per Entitlement	Ex-Employee	Safdar Ali
Furniture and fixture	190	45	45	-	As per Entitlement	Ex-Employee	Kaiser Sattar
Furniture and fixture	190	38	38	-	As per Entitlement	Ex-Employee	Muhammad Sarwar
Furniture and fixture	190	71	71	-	As per Entitlement	Ex-Employee	Gulzar Ahmed
Furniture and fixture	190	63	63	-	As per Entitlement	Ex-Employee	Asif Mehmood Khan
Furniture and fixture	190	57	57	-	As per Entitlement	Ex-Employee	Muhammad Razzaq
Furniture and fixture	190	18	18	-	As per Entitlement	Ex-Employee	Huma Naz
Furniture and fixture	500	23	23	-	As per Entitlement	Ex-Employee	Sultana Naheed
Furniture and fixture	190	59	59	-	As per Entitlement	Ex-Employee	Samina Zia
Furniture and fixture	160	51	51	-	As per Entitlement	Ex-Employee	Muhammad Anwar Khan
Furniture and fixture	190	7	7	-	As per Entitlement	Ex-Employee	Shahzad Ahmed
Furniture and fixture	160	18	18	-	As per Entitlement	Ex-Employee	Irshad Ghani
Furniture and fixture	190	6	6	-	As per Entitlement	Ex-Employee	Shahid Hussain
Furniture and fixture	190	-	-	-	As per Entitlement	Ex-Employee	Manzoor Sultan
Furniture and fixture	300	101	101	-	As per Entitlement	Ex-Employee	Muhammad Atlas
Furniture and fixture	160	64	64	-	As per Entitlement	Ex-Employee	Muhammad Qasim
Furniture and fixture	160	45	45	-	As per Entitlement	Ex-Employee	Muhammad Hussain Zar
Furniture and fixture	160	63	63	-	As per Entitlement	Ex-Employee	Pervez Ahmed
Furniture and fixture	160	29	29	-	As per Entitlement	Ex-Employee	Nayab Ahmed
Furniture and fixture	160	26	26	-	As per Entitlement	Ex-Employee	Abduil Rasheed
Furniture and fixture	190	12	12	-	As per Entitlement	Ex-Employee	Saleem Abbas Bangash
Furniture and fixture	160	39	39	-	As per Entitlement	Ex-Employee	Jawaid Akhtar
Furniture and fixture	300	98	98	-	As per Entitlement	Ex-Employee	Muhammad Farooq
Furniture and fixture	200	23	23	-	As per Entitlement	Ex-Employee	Mr.muhammad Zulfiqar Ali
Furniture and fixture	200	26	26	-	As per Entitlement	Ex-Employee	Mukhtar Ahmed
Furniture and fixture	160	39	39	-	As per Entitlement	Ex-Employee	Ghulam Abbas Sangi
Furniture and fixture	160	40	40	-	As per Entitlement	Ex-Employee	Muhammad Idrees
Furniture and fixture	160	70	70	-	As per Entitlement	Ex-Employee	Abdul Ghafoor
Furniture and fixture	160	26	26	-	As per Entitlement	Ex-Employee	Muhammad Akhtar Malik
Furniture and fixture	190	10	10	-	As per Entitlement	Ex-Employee	Samina Parveen
Furniture and fixture	200	-	-	-	As per Entitlement	Ex-Employee	Haseeb Arshad
Furniture and fixture	200	28	28	-	As per Entitlement	Ex-Employee	Kazi Imtiaz Ahmed
Furniture and fixture	190	70	70	-	As per Entitlement	Ex-Employee	Muhammad Anwar
Furniture and fixture	300	10	10	-	As per Entitlement	Ex-Employee	Khurram Saeed Naik
Furniture and fixture	160	55	55	-	As per Entitlement	Ex-Employee	Bashir Ahmed Qazi
Furniture and fixture	160	37	37	-	As per Entitlement	Ex-Employee	Muhammad Bashir
Furniture and fixture	160	26	26	-	As per Entitlement	Ex-Employee	Niaz Hussain
Furniture and fixture	200	85	85	-	As per Entitlement	Ex-Employee	Hananeel Azhar Joseph
	10,440	2,132	2,132	-			
	119,090	30,247	31,871	1,624			

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

	Core Banking Application	Computer software	Total
	(Rupees in '000)		
13. INTANGIBLE ASSETS			
At January 1, 2021			
Cost	2,913,952	1,140,555	4,054,507
Accumulated amortisation and impairment	(2,913,952)	(836,742)	(3,750,694)
Net book value	-	303,813	303,813
Year ended December 2021			
Opening net book value	-	303,813	303,813
Additions:			
- through acquisitions / purchased	-	304,412	304,412
Adjustments - addition	-	223,556	223,556
Amortisation charge	-	(339,382)	(339,382)
Exchange rate adjustments	-	10,392	10,392
Closing net book value	-	502,791	502,791
At December 31, 2021			
Cost	2,913,952	1,678,915	4,592,867
Accumulated amortisation and impairment	(2,913,952)	(1,176,124)	(4,090,076)
Net book value	-	502,791	502,791
Rate of amortisation (percentage)	33.33 % on cost	33.33 % on cost	
Useful life	3 years	3 years	
At January 1, 2020			
Cost	2,913,952	1,000,731	3,914,683
Accumulated amortisation and impairment	(2,913,952)	(625,781)	(3,539,733)
Net book value	-	374,950	374,950
Year ended December 2020			
Opening net book value	-	374,950	374,950
Additions:			
- developed internally	-	94,788	94,788
Amortisation charge	-	(210,961)	(210,961)
Adjustments - additions	-	45,756	45,756
Exchange rate adjustments	-	(720)	(720)
Closing net book value	-	303,813	303,813
At December 31, 2020			
Cost	2,913,952	1,140,555	4,054,507
Accumulated amortisation and impairment	(2,913,952)	(836,742)	(3,750,694)
Net book value	-	303,813	303,813
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, 2021

13.1 The cost of fully amortised intangible assets that are still in use

(Rupees in '000)

Core Banking Application	2,913,952
Computer software	414,906
	<u>3,328,858</u>

14. RIGHT OF USE ASSETS

2021 2020
----- (Rupees in '000) -----

Balance as at January 01,	6,669,684	7,221,266
Additions during the period	1,894,476	1,331,535
Derecognition during the period	27,387	-
Depreciation charged for the period	1,931,373	1,883,117
Balance as at December 31,	<u>6,605,400</u>	<u>6,669,684</u>

15. DEFERRED TAX

	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 loans and advances	9,084,601	1,373,337	-	10,457,938
- Provision against off-balance sheet obligations	115,222	-	-	115,222
- Fixed assets	1,136,458	53,911	-	1,190,369
- Other provisions	105,416	-	-	105,416
- Right of use assets	-	502,538	-	502,538
	<u>14,810,008</u>	<u>1,929,786</u>	<u>871,295</u>	<u>17,611,089</u>
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)
	<u>(17,788,372)</u>	<u>133,040</u>	<u>1,669,890</u>	<u>(15,985,442)</u>
	<u>(2,978,364)</u>	<u>2,062,826</u>	<u>2,541,185</u>	<u>1,625,647</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

	At January 01, 2020	Recognised in profit and loss account	Recognised in other comprehensive income	At December 31, 2020
	----- (Rupees in '000) -----			
Deductible Temporary Differences on				
- Tax losses carried forward	10,705	-	-	10,705
- Post retirement employee benefits	3,852,716	-	268,139	4,120,855
- Provision for diminution in the value of investments	236,751	-	-	236,751
- Provision against loan and advances	2,625,495	6,459,106	-	9,084,601
- Provision against off-balance sheet obligations	115,222	-	-	115,222
- Fixed assets	800,678	335,780	-	1,136,458
- Other provisions	105,416	-	-	105,416
	7,746,983	6,794,886	268,139	14,810,008
Taxable Temporary Differences on				
- Surplus on revaluation of fixed assets	(2,489,995)	124,050	(30,874)	(2,396,819)
- Surplus on revaluation of investments	(13,816,519)	-	(1,530,321)	(15,346,840)
- Surplus on revaluation of non-banking assets	(41,439)	-	(3,274)	(44,713)
- Others	(2,314,832)	2,314,832	-	-
	(18,662,785)	2,438,882	(1,564,469)	(17,788,372)
	(10,915,802)	9,233,768	(1,296,330)	(2,978,364)

	Note	2021 ----- (Rupees in '000) -----	2020
16. OTHER ASSETS			
Income / return / mark-up accrued in local currency - net of provision		41,779,183	39,642,348
Income / return / mark-up accrued in foreign currency - net of provision		2,842,699	2,274,912
Advances, deposits and other prepayments	16.1	3,870,355	2,918,231
Advance taxation (payments less provisions) and Income tax refunds receivable	16.6	12,824,850	27,183,199
Compensation for delayed tax refunds		19,221,431	17,556,551
Non-banking assets acquired in satisfaction of claims	16.4	1,195,660	1,211,122
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)		208,423	208,423
Unrealized gain on forward foreign exchange contracts		3,058,205	-
Commission receivable on Government treasury transactions		5,006,019	4,612,174
Stationery and stamps on hand		470,402	499,511
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		11,083	88,996
Acceptances		10,311,259	15,741,754
Others		7,355,244	6,437,628
		109,092,218	119,312,254
Less: Provision held against other assets	16.5	11,700,956	11,873,693
Other assets (net of provision)		97,391,262	107,438,561
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		2,863,886	2,757,207
Other assets - total		100,255,148	110,195,768

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

- 16.1** This includes Rs. 2,800 million (2020: Rs. 800 million) advance against Pre-IPO placement of Term Finance Certificates.
- 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.

	2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
16.4 Market value of Non-banking assets acquired in satisfaction of claims	<u>4,059,546</u>	<u>3,968,329</u>

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, 2021. The valuation was carried out by Imtech (Private) Limited, registered at SBP panel of valuers on the basis of an assessment of present market values.

	2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
16.4.1 Non-banking assets acquired in satisfaction of claims		
Opening balance	3,968,329	3,762,068
Revaluation	106,679	217,404
Depreciation	(15,462)	(15,784)
Adjustment	-	4,641
Closing balance	<u>4,059,546</u>	<u>3,968,329</u>

16.5 Provision held against other assets

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	4,164,485	4,092,280
Ex-MBL / NDFC	770,398	770,398
Assets acquired from corporate and industrial restructuring corporation asset (CIRC)	208,423	208,423
Others	4,533,147	4,778,089
	<u>11,700,956</u>	<u>11,873,693</u>

16.5.1 Movement in provision held against other assets

Opening balance	11,873,693	10,853,587
Charge for the year	72,205	1,517,709
Transfer in / (out)	-	(484,393)
Adjustment against provision	(244,942)	(13,210)
Closing balance	<u>11,700,956</u>	<u>11,873,693</u>

- 16.6** During the year, the Bank has adjusted an amount of Rs. 11,322 million (2020: Rs. 20,950 million) its advance tax liability and demand of previous tax year against income tax refunds receivables.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

		2021	2020
	Note	------(Rupees in '000)-----	
17. BILLS PAYABLE			
In Pakistan		21,775,348	16,718,064
Outside Pakistan		72,922	77,122
		<u>21,848,270</u>	<u>16,795,186</u>
18. BORROWINGS			
Secured			
Borrowings from State Bank of Pakistan			
Under Export Refinance Scheme	18.2	5,057,300	2,451,874
Under Export Refinance Scheme (New Scheme)	18.2	29,193,202	28,686,149
Financing Scheme for Renewable Energy	18.3	740,493	481,261
Refinance Facility for Modernization of SMEs	18.4	130,288	177,976
Financing Facility for storage of Agriculture Produce (FFSAP)	18.5	526,479	256,184
Under Long Term Financing Facility (LTFF)	18.6	19,465,068	16,380,117
Refinance Scheme for Payment of Wages and Salaries	18.7	566,315	1,167,527
Temporary Economic Refinance Facility	18.8	12,122,947	537,912
Refinance Facility for Combating Covid-19	18.9	79,976	61,448
		<u>67,882,068</u>	<u>50,200,448</u>
Repurchase agreement borrowings	18.10	126,810,340	5,266,007
Bai Muajjal		72,195,209	79,788,522
Total secured		<u>266,887,617</u>	<u>135,254,977</u>
Unsecured			
Call borrowings	18.10	46,011,009	2,047,588
Overdrawn nostro accounts		26,480	1,236,440
Total unsecured		<u>46,037,489</u>	<u>3,284,028</u>
		<u>312,925,106</u>	<u>138,539,005</u>
18.1 Particulars of borrowings with respect to currencies			
In local currency		275,739,772	136,491,430
In foreign currencies		37,185,334	2,047,575
		<u>312,925,106</u>	<u>138,539,005</u>

- 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 1.00% to 2.00% (2020: 3.00%) per annum.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

- 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% 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 6.00% (2020: 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% 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 1.5% to 3% 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% (2020: 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% (2020: 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% (2020: 0.00%) per annum.
- 18.10 Mark-up / interest rates and other terms are as follows:
- Repurchase agreement borrowings carry mark-up ranging from 9.7% to 10.21% per annum (2020: 7% to 7.05% per annum) having maturity on Jan 4, 2022 to Feb 18, 2022.
 - Call borrowings carry interest ranging from 0.63% to 4.15% per annum (2020: 0% to 2% per annum).
- 18.11 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.
- 18.12 Pakistan Investment Bond and Market Treasury Bill having maturity of 5 years and 6 months respectively, are pledged as security under borrowing having carrying amount of Rs. 126,810 million (2020: Rs. 5,266 million).

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

19. DEPOSITS AND OTHER ACCOUNTS

	2021			2020		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	----- (Rupees in '000) -----					
Customers						
Current deposits - remunerative	648,854,267	-	648,854,267	405,738,851	-	405,738,851
Current deposits - non-remunerative	476,510,388	145,931,064	622,441,452	433,284,063	115,191,412	548,475,475
Savings deposits	675,591,525	79,434,496	755,026,021	637,694,450	66,126,336	703,820,786
Term deposits	400,905,240	70,853,064	471,758,304	276,454,916	81,153,488	357,608,404
Others	-	6,463	6,463	4,683,735	316,040	4,999,775
	2,201,861,420	296,225,087	2,498,086,507	1,757,856,015	262,787,276	2,020,643,291
Financial Institutions						
Current deposits	445,782,844	1,155,463	446,938,307	360,581,882	1,634,466	362,216,348
Savings deposits	7,075,299	3,842,651	10,917,950	4,253,051	3,246,855	7,499,906
Term deposits	21,613,144	5,760,597	27,373,741	12,613,687	8,883,345	21,497,032
Others	35,838,540	-	35,838,540	7,109,902	-	7,109,902
	510,309,827	10,758,711	521,068,538	384,558,522	13,764,666	398,323,188
	2,712,171,247	306,983,798	3,019,155,045	2,142,414,537	276,551,942	2,418,966,479
	2021			2020		
	----- (Rupees in '000) -----					

19.1 Composition of deposits

Individuals	1,032,316,946	847,611,816
Government (Federal and Provincial)	931,199,067	674,985,259
Public Sector Entities	279,984,059	257,331,543
Banking companies	460,090,410	368,855,014
Non-Banking Financial Institutions	60,978,126	29,468,173
Private sector	254,586,437	240,714,674
	3,019,155,045	2,418,966,479

19.2 Foreign currencies deposits includes deposit of foreign branches amounting to Rs. 75,485 million (2020: Rs. 73,145 million).

19.3 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 1,132,236 million (2020: Rs. 981,942 million) including islamic branches.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

		2021	2020
		----- (Rupees in '000) -----	
20. LEASE LIABILITY AGAINST RIGHT OF USE ASSETS			
Lease liabilities included in the statement of financial position			
As at December 31		7,893,960	7,533,691
Of which are:			
Current lease liability		1,524,809	1,367,840
Non-current lease liability		6,369,151	6,165,851
		7,893,960	7,533,691
Maturity analysis - contractual undiscounted cash flows			
Less than one year		2,199,012	2,315,989
One to five years		5,981,702	5,869,956
More than five years		6,500,876	5,839,515
Total undiscounted lease liabilities as at December 31		14,681,590	14,025,460
21. OTHER LIABILITIES			
Mark-up / Return / Interest payable in local currency		48,801,768	37,808,884
Mark-up / Return / Interest payable in foreign currency		384,638	844,452
Unearned commission and income on bills discounted		428,443	1,574,563
Accrued expenses		21,027,250	18,183,815
Advance payments		370,807	362,466
Unclaimed dividends		181,997	185,516
Unrealised loss on forward foreign exchange contracts		-	2,918,017
Unrealised loss on put option		306,339	306,339
Branch adjustment account		1,342,640	917,487
Employee benefits:			
Pension fund	39.4	17,834,945	15,704,077
Post retirement medical benefits	39.4	24,516,717	22,282,747
Benevolent scheme	39.4	1,778,825	2,054,218
Gratuity scheme	39.4	3,168,258	2,711,914
Compensated absences	39.4	9,952,554	9,251,755
Staff welfare fund		371,257	371,257
Liabilities relating to barter trade agreements		3,006,122	2,142,033
Provision against off-balance sheet obligations		627,494	627,494
Provision against contingencies	21.1	3,805,376	4,180,071
Payable to brokers		155,001	65,137
PIBs shortselling		34,144,415	3,237,676
Acceptances		10,311,259	15,741,754
Others		16,143,418	14,683,842
		198,659,523	156,155,514

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

	2021 ----- (Rupees in '000) -----	2020 ----- (Rupees in '000) -----
21.1 Provision against contingencies		
Opening balance	4,180,071	4,629,645
Charge during the year	253,239	381,090
Transfer out	-	(830,664)
Adjustment	(627,934)	-
Closing balance	21.1.1 3,805,376	4,180,071

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

2021 ----- (Number of shares) -----	2020 ----- (Number of shares) -----		2021 ----- (Rupees in '000) -----	2020 ----- (Rupees in '000) -----
2,500,000,000	2,500,000,000	Ordinary shares of Rs. 10 each	25,000,000	25,000,000

22.2 Issued, subscribed and paid up

2021 ----- (Number of shares) -----	2020 ----- (Number of shares) -----		2021 ----- (Rupees in '000) -----	2020 ----- (Rupees in '000) -----
140,388,000	140,388,000	Fully paid in cash	1,403,880	1,403,880
1,987,125,026	1,987,125,026	Issued as bonus shares	19,871,251	19,871,251
2,127,513,026	2,127,513,026		21,275,131	21,275,131

The Federal Government and the SBP hold 75.60% (2020: 75.60%) shares of the Bank.

2021 ----- (Number of shares) -----	2020 ----- (Number of shares) -----
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:	
First Credit & Investment Bank Limited	70,000
	70,000

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, 2021

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

The Bank is cognizant of the fact that a part of its credit or loan portfolio (funded and non-funded) which is not currently impaired as per the applicable Prudential Regulations is underperforming and therefore the potential for risk of credit losses on this part of portfolio is higher than the usual risk. Therefore, as a matter of abundant caution and in order to protect the equity base of the Bank from future contingencies in respect of the credit portfolio, the Board of Directors in their meeting held on April 29, 2015 decided to transfer an aggregate amount of Rs. 12 billion from the unappropriated profits to a "General loan loss reserve". This appropriation was made on the basis of the management's best estimates and judgement regarding the inherent portfolio risks. Subsequently, Board of Directors in their meeting held on 11 & 12 July, 2019 decided to transfer Rs. 4 billion from general loss reserve to unappropriated profit based on revised estimates.

	Note	2021 ------(Rupees in '000)-----	2020
24. SURPLUS ON REVALUATION OF ASSETS			
Surplus on revaluation of:			
- Available for sale securities	10.1	32,603,638	43,848,111
- Fixed assets	24.1	44,320,452	44,882,399
- Non-banking assets acquired in satisfaction of claims	24.2	2,863,886	2,757,207
		<u>79,787,976</u>	<u>91,487,717</u>
Deferred tax on surplus on revaluation of:			
- Available for sale securities	24.1	(12,715,420)	(15,346,840)
- Fixed assets	24.1	(2,537,701)	(2,396,819)
- Non-banking assets acquired in satisfaction of claims	24.2	(52,732)	(44,713)
		<u>(15,305,853)</u>	<u>(17,788,373)</u>
		<u>64,482,122</u>	<u>73,699,344</u>
24.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1		44,882,399	44,576,547
Recognised during the year		-	660,281
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		(208,088)	(230,379)
Related deferred tax liability on incremental depreciation charged during the year		(133,040)	(124,050)
Surplus on revaluation of fixed assets as at December 31		<u>44,320,452</u>	<u>44,882,399</u>
Less: related deferred tax liability on:			
- revaluation as at January 1		(2,396,819)	(2,489,995)
- revaluation recognised during the year		-	(30,874)
- Rate adjustment		(273,922)	-
- incremental depreciation charged during the year		133,040	124,050
		<u>(2,537,701)</u>	<u>(2,396,819)</u>
		<u>41,782,751</u>	<u>42,485,580</u>

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	Note	2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
24.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims			
Surplus on revaluation as at January 1		2,757,207	2,539,695
Recognised during the year		106,679	217,512
Surplus on revaluation as at December 31		2,863,886	2,757,207
Less: related deferred tax liability on:			
- revaluation as at January 1		(44,713)	(41,439)
- revaluation recognised during the year		(8,019)	(3,274)
		(52,732)	(44,713)
		2,811,154	2,712,494
25. CONTINGENCIES AND COMMITMENTS			
Guarantees	25.1	261,356,068	242,030,415
Commitments	25.2	2,192,951,563	1,543,932,780
Other contingent liabilities	25.3	36,196,804	34,820,672
		2,490,504,435	1,820,783,867
25.1 Guarantees			
Financial guarantees		197,024,912	145,379,692
Performance guarantees		64,331,156	96,650,723
		261,356,068	242,030,415
25.2 Commitments			
Documentary credits and short-term trade-related transactions			
- letters of credit		1,582,757,532	1,096,347,086
Commitments in respect of:			
- forward foreign exchange contracts	25.2.1	571,111,340	419,327,735
- forward government securities transactions	25.2.2	38,255,954	27,625,340
Commitments for acquisition of:			
- operating fixed assets		826,737	632,619
		2,192,951,563	1,543,932,780
25.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		337,970,120	272,245,550
Sale		233,141,220	147,082,185
		571,111,340	419,327,735

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.

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	2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
25.2.2 Commitments in respect of forward government securities transactions		
Purchase	30,218,032	496,331
Sale	8,037,922	27,129,009
	<u>38,255,954</u>	<u>27,625,340</u>

Commitments for outstanding forward government securities transactions are disclosed in these unconsolidated financial statements at contracted rates.

	2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
25.3 Other contingent liabilities		
25.3.1 Claims against the Bank not acknowledged as debt	<u>36,196,804</u>	<u>34,820,672</u>

Claims against the Bank not acknowledged as debts includes claims relating to former Mehran Bank Limited amounting to Rs.1,597 million (2020: Rs. 1,597 million).

25.3.2 Taxation

Tax returns of the Bank have been filed up to tax year 2021 and amended by tax authorities up to tax year 2020. 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 2021.

- The Taxation Officer had issued show-cause notices under section 221 of the Income Tax Ordinance, 2001 to the Bank last year to withdraw compensation on delayed refunds already given to the Bank, and questioned issuance of refund orders already issued to the Bank in the past several years which had become past and closed transactions and thus legally fall outside the scope of rectification. The amount involved is Rs. 14,874.98 million and Rs. 26,406.58 million respectively. These notices being totally illegal were challenged by the Bank before the Honorable Sindh High Court (SHC) which instructed the taxation officer not to take adverse action. The Honorable SHC has stayed the recovery of tax demands. The Bank as a matter of abundant caution had also filed appeal before Commissioner Inland Revenue (Appeals) (CIR(A)) which has remanded the matter to the taxation officer for re-adjudication for failing to give opportunity of hearing to the Bank. Similar notices have been issued and orders were passed for tax year 2013 during the year cancelling refund compensation aggregating to Rs. 535.91 million which has been challenged before CIR(A) and appeal is pending for hearing.
- Sindh High Court had quashed the show-cause notices issued in previous round in 2013 for passing orders for tax years 2006 and 2007 under section 161 of the Ordinance on the grounds that these were time-barred in terms of section 174(3) of the Ordinance. Supreme Court on Department's appeal has subsequently allowed taxation officer to initiate proceedings through fresh notices, subject to certain directions. Orders were passed by taxation officer for tax years 2006 and 2007 last year, treating the Bank as taxpayer-in-default and raising tax demands of Rs. 1,032.18 million and Rs. 1,394.72 million respectively. Bank has filed appeals before CIR(A) primarily on the grounds that Supreme Court's instructions have been blatantly ignored as cogent reasons for late proceedings were not given and neither amount of tax default nor names of parties were disclosed in the show-cause notices or the orders. The orders are also assailed for being passed in quite arbitrary manner and various legal and factual mistakes are made therein. The appeals have been heard by CIR(A) and decision is awaited.
- Taxation officer has passed assessment order for tax year 2020 during the year. The Bank has filed appeal before CIR(A) which is pending for hearing. Stay has been granted against tax demand arising out of the assessment order. The Bank has shown the additional tax liability of Rs. 4,298.17 million arising out of the impugned order as contingency based on the tax consultants' expectation that the issues would be decided in Bank's favour.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

- d) Taxation officer has passed assessment order for tax year 2019 during the year. The Bank has filed appeal before CIR(A) which is pending for hearing. Stay has been granted against tax demand arising out of the assessment order. The Bank has shown the additional tax effect of Rs. 1,772.79 million arising out of the impugned order as contingency based on the tax consultants' expectation that the issues would be decided in Bank's favour.
- e) The Additional Commissioner, PRA has passed an order creating the Punjab sales tax liability on the non-withholding of Punjab Sales Tax on the insurance services received by the Bank for the tax periods January 2016-December 2016 and January 2017-December 2017 amounting to Rs. 254.734 million and Rs. 281.774 million respectively. The rectification application has been submitted under section 79 of the Punjab Sales Tax on Services Act, 2012 for the apparent mistake of facts. After the rectification, the net principal exposure would be Rs. 56.621 million and Rs. 50.685 million. Based on the legal and factual position, the Tax Advisor is confident that the ultimate outcome of the proceeding will be decided in the Bank's favor.
- f) The other matters under tax contingencies include allocation of common expenditure between taxable income and exempt / low tax rate income, interest credited to suspense account, reversal of bad debts expense, reversal of provisions of non-performing loans, provisions for diminution in value of investment. Surplus on revaluation of Available for Sale securities disclosed in the Statement of Comprehensive Income in respect of tax year 2013. The aggregate effect of these contingencies as on December 31, 2021, including amount of Rs. 1,982.32 million (December 31, 2020: Rs. 645.97 million) in respect of indirect tax issues, amounts to Rs. 19,964.93 million (December 31, 2020: Rs. 21,163 million). No provision has been made against these contingencies, based on the opinion of tax consultants of the Bank, who expect favorable outcome upon decisions of pending appeals.

25.3.3 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 25.3.3.1, the financial impact of other matters is impracticable to determine with sufficient reliability.

25.3.3.1 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 @ 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.

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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 @ 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.

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. 74.4 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.8.4 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.

25.3.3.2 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.

25.3.3.3 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.

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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.

As advised by our counsel, NBP has also fled 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

The Bank operates a branch in New York which is licensed by the New York State Department of Financial Services (NYSDFS) and is also subject to supervision by the Federal Reserve Bank of New York (FRBNY).

The Bank and its New York Branch had entered into a Written Agreement with the FRBNY and NYSDFS (US regulators) in 2016 which inter-alia required the Bank to address certain compliance and risk management matters relating to anti-money laundering and the US bank secrecy law requirements and the implementation of the requisite systems and controls and allocation of adequate resources to ensure full compliance with such requirements.

In February 2022, the Bank has reached agreements with the US Regulators. The agreements include fines totaling US \$ 55.4 million equivalent to Rs. 9,778 million focused on historical compliance program weaknesses and delays in making compliance related enhancements.

Under the agreements, the Bank is required to submit status and progress reports at defined frequencies to the US Regulators with respect to the remedial measures being taken in respect of non-compliances at the New York branch. The New York branch has been under new management since May 2020 and has substantially enhanced its compliance program. Management and the Board of Directors of the Bank are committed to ensure compliance with the conditions agreed in the orders given by US Regulators. There were no findings of improper transactions or willful misconduct.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

	Note	2021 ------(Rupees in '000)-----	2020 -----
26. MARK-UP / RETURN / INTEREST EARNED			
On:			
a) Loans and advances		87,346,632	99,780,695
b) Investments		139,115,194	154,040,914
c) Securities purchased under resale agreements		3,956,776	2,373,880
d) Balances with banks		1,464,100	1,615,526
		231,882,702	257,811,015
27. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		87,838,223	103,380,273
Borrowings		6,838,985	6,929,625
Cost of foreign currency swaps against foreign currency deposits / borrowings		8,018,491	9,175,328
Finance charge on lease liability against right of use assets		774,664	754,180
Securities sold under repurchase agreements		30,794,533	33,416,502
		134,264,896	153,655,908
28. FEE AND COMMISSION INCOME			
Branch banking customer fees		1,211,530	1,264,985
Consumer finance related fees		764,985	771,759
Card related fees (debit cards)		1,751,172	1,051,111
Credit related fees		273,464	186,655
Investment banking fees		769,417	807,481
Commission on trade		1,947,282	1,830,680
Commission on guarantees		459,515	477,271
Commission on cash management		95,267	14,149
Commission on remittances including home remittances		1,724,239	1,763,544
Commission on bancassurance		332,743	278,406
Commission on government transactions		8,408,285	9,652,545
Others		65,902	154,960
		17,803,801	18,253,547
29. GAIN / (LOSS) ON SECURITIES - NET			
Realised	29.1	6,308,994	7,883,429
Unrealised - held for trading	10.1	(120,675)	2,074
		6,188,319	7,885,503
29.1 Realised gain on			
Federal Government securities		1,065,169	5,346,600
Shares		5,136,681	1,868,517
Ijarah sukuks		10,809	8
Foreign securities		96,335	668,304
		6,308,994	7,883,429

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

	Note	2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
30. OTHER INCOME			
Rent on property		63,480	36,919
Gain on sale of fixed assets - net		62,945	10,775
Postal, SWIFT and other charges recovered		23,450	48,071
Claim from insurance company		4,355	-
Compensation for delayed tax refunds	30.1	1,664,879	3,834,424
Gain on derecognition on right of use assets		12,378	-
Tender money		2,082	5,836
Others		10,667	27,269
		1,844,236	3,963,294

30.1 This represents compensation of delayed refunds determined under Section 171 of Income Tax Ordinance 2001.

	Note	2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
31. OPERATING EXPENSES			
Total compensation expenses	31.1	37,044,928	40,549,691
Property expenses			
Rent and taxes		800,290	778,645
Insurance	31.2	33,590	34,734
Utilities cost		1,363,539	1,345,619
Security (including guards)		2,846,980	2,726,215
Repair and maintenance (including janitorial charges)		909,994	965,093
Depreciation		475,951	466,348
Depreciation on non banking assets		15,462	15,784
Depreciation on Ijarah assets		72,807	85,593
Depreciation on ROUA		1,931,373	1,883,117
		8,449,986	8,301,148
Information technology expenses			
Software maintenance		1,353,962	1,366,196
Hardware maintenance		87,765	19,802
Depreciation		332,791	247,410
Amortisation		339,382	210,961
Network charges		612,209	559,235
IT Manage Services		359,054	164,897
		3,085,163	2,568,501

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

		2021	2020
	Note	------(Rupees in '000)-----	
Other operating expenses			
Directors' fees and allowances		25,431	36,160
Fees and allowances to Shariah Board		12,564	9,407
Legal and professional charges		1,355,610	2,150,248
Outsourced services costs	31.3	640,760	829,229
Travelling and conveyance		816,183	653,230
NIFT clearing charges		177,432	189,866
Depreciation		1,591,362	1,652,352
Training and development		62,409	62,039
Postage and courier charges		212,943	213,403
Communication		339,605	322,654
Stationery and printing		1,334,676	1,128,834
Marketing, advertisement and publicity		368,095	317,000
Contributions for other corporate and social responsibility	31.4	8,197	85,447
Auditors' remuneration	31.5	183,610	198,063
Financial charges on leased assets		38,300	30,852
Entertainment		265,210	252,132
Clearing charges, verification and licence fee		293,146	342,554
Brokerage		140,233	121,092
Insurance general		461,301	369,473
Vehicle expenses		173,999	149,421
Deposit premium expense		1,571,107	1,388,248
Repairs and maintenance general		698,708	677,533
Others		306,363	198,046
		11,077,244	11,377,283
Grand Total		59,657,321	62,796,623
31.1 Total compensation expense			
Managerial Remuneration			
i) Fixed		7,943,984	12,957,847
of which;			
a) Cash Bonus / Awards etc.		4,481,382	4,413,504
Charge for defined benefit plan		7,406,457	7,392,388
Rent & house maintenance		5,305,594	4,591,965
Utilities		1,961,619	1,712,734
Medical		3,453,565	3,141,830
Conveyance		3,359,933	3,192,648
Club Membership & Subscription		197,461	80,796
Education Allowance		1,455,624	1,463,449
Insurance		337,287	440,776
Honorarium to Staff and Staff Welfare		251,752	206,662
Overtime		44,249	25,196
Special Duty Allowance		139	477
Washing Allowance		16,590	15,971
Key Allowance		72,813	72,208
Unattractive Area Allowance		56,898	57,929
Leave Encashment		9,775	9,246
Teaching Allowance		10,392	9,199
Incentive on CASA deposits mobilization		20,473	6,790
Meal Allowance		125,580	126,585
Liveries		1,265	1,086
Others		532,096	630,405
		37,044,928	40,549,691
		37,044,928	40,549,691

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

31.2 This includes Rs. 3.422 million (2020: Rs.3.550 million) insurance premium against directors' liability insurance.

31.3 Total cost for the year included in other operating expenses relating to outsourced activities is Rs. 640.8 million (2020: Rs. 829 million). Out of this cost, Rs. 631.7 million (2020: Rs. 821 million) pertains to the payment to companies incorporated in Pakistan and Rs. 9.1 million (2020: Rs. 8 million) pertains to payment to companies incorporated outside Pakistan. Total Cost of outsourced activities for the year given to related parties is Rs. nil (2020: 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	2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
HTECH Solutions (Private) Limited	Call center management	94,770	97,407
		94,770	97,407

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 Contributions for Corporate & Social Responsibilities include following amounts exceeding Rs. 500,000:

Description	2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
Karachi Relief Trust (KRT)	-	20,000
Rural Community Development Program	-	20,000
National Rural Support Program	-	25,000
SAFCO Support Program	-	5,000
Thardeep Mirco Finance Foundation	-	5,000
Agha Khan Rural Support Program	-	5,000
Namal Education Foundation	5,197	5,200
Pakistan Hindu Council	1,000	-
Tehzibul Akhlaq Trust	2,000	-
Total	8,197	85,200

31.4.1 None of the Directors, Sponsor shareholders and Key Management Personnel or their spouse have an interest in the Donee.

31.5 Auditors' remuneration

	Yousuf Adil	A.F. Ferguson & Co.	Total 2021	Total 2020
	----- (Rupees in '000) -----			
Audit fee	6,226	6,226	12,452	12,452
Review of interim financial statements	2,178	2,178	4,356	4,356
Fee for audit of domestic branches	5,060	5,060	10,120	10,120
Special certifications and sundry advisory services	6,798	1,136	7,934	5,604
Tax services	-	-	-	20,000
Sales Tax	1,900	1,608	3,508	4,203
Out-of-pocket expenses	4,500	4,500	9,000	9,000
	26,662	20,708	47,370	65,735
Fee for audit of overseas branches including advisory services and out-of-pocket expenses	-	-	136,240	132,328
	26,662	20,708	183,610	198,063

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	Note	2021 ------(Rupees in '000)-----	2020
32. OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		343,698	310,588
Penalties imposed by other regulatory bodies (Central bank of international branches)		2,765	4,719
		<u>346,463</u>	<u>315,307</u>
33. PROVISIONS AND WRITE OFFS - NET			
Provisions for diminution in value of investments	10.3	663,219	(126,387)
Provisions against loans and advances	11.4	11,119,007	29,320,023
Provision against other assets		134,157	1,702,302
		<u>11,916,383</u>	<u>30,895,938</u>
34. TAXATION			
Current	34.1	26,915,246	24,898,997
Prior years		-	-
Deferred		(2,062,826)	(9,233,769)
		<u>24,852,420</u>	<u>15,665,228</u>
34.1 Current taxation includes Rs. Nil (2020: Rs. Nil million) of overseas branches.			
34.2 Relationship between tax expense and accounting profit			
Accounting profit before tax		<u>52,860,408</u>	<u>46,224,147</u>
Income tax at statutory rate @ 35% (2020: 35%)		18,501,143	16,178,451
Increase / (decrease) in taxes resulting from:			
Super tax at statutory rate @ 4% (2020: 4%)		2,114,416	1,848,966
Inadmissible items		3,948,871	122,970
Enhanced rate on Govt. Securities		832,181	65,134
Reduced rate on SME / Housing		(96,438)	(27,636)
Impact of tax order		-	(2,314,832)
Others		(447,753)	(207,825)
Tax charge for current and prior years		<u>24,852,420</u>	<u>15,665,228</u>
35. BASIC EARNINGS PER SHARE		2021	2020
Profit for the year (Rupees in 000's)		<u>28,007,988</u>	<u>30,558,919</u>
Weighted average number of ordinary shares (Number in 000's)		<u>2,127,513</u>	<u>2,127,513</u>
Basic earnings per share (Rupees)		<u>13.16</u>	<u>14.36</u>
36. DILUTED EARNINGS PER SHARE			
Profit for the year (Rupees in 000's)		<u>28,007,988</u>	<u>30,558,919</u>
Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares) (Number in 000's)		<u>2,127,513</u>	<u>2,127,513</u>
Diluted earnings per share (Rupees)		<u>13.16</u>	<u>14.36</u>

Notes to and forming part of the Unconsolidated Financial Statements

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		2021	2020
	Note	------(Rupees in '000)-----	
37. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	7	278,747,059	249,259,590
Balances with other banks	8	17,667,067	14,227,355
Call / clean money lendings	9	21,009,723	2,040,800
Call borrowings	18	(46,011,009)	(2,047,588)
Overdrawn nostro accounts	18	(26,480)	(1,236,440)
		<u>271,386,360</u>	<u>262,243,717</u>

37.1 Reconciliation of movements of liabilities to cash flows arising from financing activities

	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	(2,450,084)	(3,519)
Total charges from financing activities	(2,450,084)	(3,519)
Other charges		
Renewed lease during the year	1,894,476	-
Interest unwinding	774,664	-
Foreign exchange loss	141,213	-
Total other charges	2,810,353	-
Balance as at December 31, 2021	<u>7,893,960</u>	<u>181,997</u>

	2020	
	Lease Obligation	Unclaimed Dividend
	------(Rupees in '000)-----	
Balance as at January 1, 2020	7,640,188	186,668
Changes from financing cashflows		
Payment of lease obligation / dividend	(2,040,384)	(1,152)
Total charges from financing activities	(2,040,384)	(1,152)
Other charges		
Renewed lease during the year	1,237,488	-
Interest unwinding	754,180	-
Foreign exchange gain	(57,781)	-
Total other charges	1,933,887	-
Balance as at December 31, 2020	<u>7,533,691</u>	<u>185,516</u>

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For the year ended December 31, 2021

	2021 ----- (Numbers) -----	2020 ----- (Numbers) -----
38. STAFF STRENGTH		
Permanent	10,437	10,751
On Bank contract	4,972	4,358
Bank's own staff strength at the end of the year	15,409	15,109

38.1 In addition to the above, 1273 (2020: 1,838) 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, 1258 employees are working domestically (2020: 1,825) and 15 (2020: 13) 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:

	2021 ----- (Numbers) -----	2020 ----- (Numbers) -----
Pension fund	10,437	10,751
Post retirement medical scheme	10,437	10,751
Benevolent scheme	10,437	10,751
Gratuity scheme	4,685	3,985
Compensated absences	10,437	10,751

39.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2021 using the following significant assumptions:

	2021 ----- (Per annum) -----	2020 ----- (Per annum) -----
Discount rate	11.75%	9.75%
Expected rate of return on plan assets	11.75%	9.75%
Expected rate of salary increase	11.75%	9.75%
Expected rate of increase in pension	29% for next one year, 7.25% onwards	14.00%
Expected rate of increase in medical benefit	11.75%	9.75%

Notes to and forming part of the Unconsolidated Financial Statements

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39.4 Reconciliation of (receivable from)/ payable to defined benefit plans

	2021					2020						
	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	79,608,695	24,516,717	1,778,825	3,168,258	9,992,554	119,025,049	72,742,130	22,282,747	2,054,218	2,711,914	9,251,755	109,042,764
Fair value of plan assets	(61,773,750)	-	-	-	-	(61,773,750)	(57,038,053)	-	-	-	-	(57,038,053)
Payable	17,834,945	24,516,717	1,778,825	3,168,258	9,992,554	57,251,289	15,704,077	22,282,747	2,054,218	2,711,914	9,251,755	52,004,711
Movement in defined benefit obligations												
Obligations at the beginning of the year	72,742,130	22,282,747	2,054,218	2,711,914	9,251,755	109,042,764	66,473,466	18,333,947	1,749,006	2,206,599	8,344,182	97,107,200
Current service cost	1,036,822	794,194	72,381	379,017	16,194	2,286,608	1,517,934	554,295	61,059	311,438	133,178	2,577,904
Past Service due to early retirement gratuity	119,800	-	-	-	-	119,800	-	-	-	-	-	-
Adjustment against contingency Reserve	245,833	70,731	2,939	-	31,950	351,453	2,338,905	497,146	20,650	-	319,164	3,175,865
Interest cost	6,939,689	2,118,798	189,497	258,343	887,413	10,393,740	7,285,453	1,996,008	183,757	244,487	919,810	10,629,515
Benefits paid by the Bank	(3,131,668)	(1,102,980)	(221,326)	(124,479)	(600,163)	(4,880,616)	(3,427,771)	(1,183,316)	(231,219)	(66,763)	(336,194)	(5,245,263)
Re-measurement loss / (gain) - Profit and loss	-	-	-	-	66,405	66,405	-	-	-	-	(128,385)	(128,385)
Re-measurement loss / (gain) - OCI	1,656,089	353,227	(318,894)	(56,537)	-	1,633,895	(1,445,657)	2,084,667	270,965	16,153	-	925,928
Obligations at the end of the year	79,608,695	24,516,717	1,778,825	3,168,258	9,992,554	119,025,049	72,742,130	22,282,747	2,054,218	2,711,914	9,251,755	109,042,764
Movement in fair value of plan assets												
Fair value at the beginning of the year	57,038,053	-	-	-	-	57,038,053	51,687,819	-	-	-	-	51,687,819
Interest income on plan assets	5,471,096	-	-	-	-	5,471,096	5,686,646	-	-	-	-	5,686,646
Contribution by the Bank - net	1,283,178	-	-	-	-	1,283,178	1,148,063	-	-	-	-	1,148,063
Benefits paid	(3,131,668)	-	-	-	-	(3,131,668)	(3,427,771)	-	-	-	-	(3,427,771)
Benefits paid on behalf of fund	1,713,284	-	-	-	-	1,713,284	1,783,479	-	-	-	-	1,783,479
Actuarial gain / (loss) on Assets	(600,193)	-	-	-	-	(600,193)	159,817	-	-	-	-	159,817
Fair value at the end of the year	61,773,750	-	-	-	-	61,773,750	57,038,053	-	-	-	-	57,038,053
Movement in (receivable) / payable under defined benefits scheme												
opening balance	15,704,077	22,282,747	2,054,218	2,711,914	9,251,755	52,004,711	14,765,647	18,333,947	1,749,006	2,206,599	8,344,182	45,419,381
Charge / (reversal) for the year	2,505,415	2,912,992	261,878	637,360	968,012	7,286,657	3,116,141	2,550,303	244,816	555,925	924,603	7,392,388
Past Service due to early retirement gratuity	119,800	-	-	-	-	119,800	-	-	-	-	-	-
Adjustment against contingency Reserve	245,833	70,731	2,939	-	31,950	351,453	2,338,905	497,146	20,650	-	319,164	3,175,865
Contribution by the bank - net	(1,283,178)	-	-	-	-	(1,283,178)	(1,148,063)	-	-	-	-	(1,148,063)
Re-measurement loss / (gain) recognised in OCI during the year	2,256,282	353,227	(318,894)	(56,537)	-	2,234,088	(1,605,674)	2,084,667	270,965	16,153	-	766,111
Benefits paid by the Bank	(1,713,284)	(1,102,980)	(221,326)	(124,479)	(600,163)	(4,862,232)	(1,783,479)	(1,183,316)	(231,219)	(66,763)	(336,194)	(3,600,971)
	17,834,945	24,516,717	1,778,825	3,168,258	9,992,554	57,251,289	15,704,077	22,282,747	2,054,218	2,711,914	9,251,755	52,004,711
Charge for defined benefit plans												
Cost recognised in profit and loss												
Current service cost	1,036,822	794,194	72,381	379,017	16,194	2,286,608	1,517,934	554,295	61,059	311,438	133,178	2,577,904
Past Service due to early retirement gratuity	119,800	-	-	-	-	119,800	-	-	-	-	-	-
Actuarial loss recognized - Profit and Loss	-	-	-	-	66,405	66,405	-	-	-	-	(128,385)	(128,385)
Net interest on defined benefit asset / liability	1,468,593	2,118,798	189,497	258,343	887,413	4,922,644	1,598,807	1,996,008	183,757	244,487	919,810	4,942,689
	2,625,215	2,912,992	261,878	637,360	968,012	7,406,457	3,116,141	2,550,303	244,816	555,925	924,603	7,392,388
Re-measurements recognised in OCI during the year												
Loss / (gain) on obligation	2,256,282	353,227	(318,894)	(56,537)	-	2,234,088	(1,605,674)	2,084,667	270,965	16,153	-	766,111
- Experience adjustment	2,256,282	353,227	(318,894)	(56,537)	-	2,234,088	(1,605,674)	2,084,667	270,965	16,153	-	766,111
Total re-measurements recognised in OCI												

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

	2021	2020
	----- (Rupees in '000) -----	
39.8 Components of plan assets - Pension fund		
Pakistan investment bonds	19,320,490	22,127,729
Treasury bills	1,500,000	1,655,750
Term finance certificates	104,000	104,000
Mutual funds	6,697,543	6,427,374
Shares	6,969,297	7,179,354
Defence saving certificates	9,536,176	8,479,970
Special saving certificates	10,888,009	9,635,360
PLS - Term Deposit Receipts	6,625,201	-
Cash at bank	133,034	1,428,516
	61,773,750	57,038,053

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:

	2021				
	Pension fund	Post retirement medical scheme	Benevolent scheme	Gratuity scheme	Compensated absences
	----- (Rupees in '000) -----				
1% increase in discount rate	(7,801,671)	(3,200,097)	(111,278)	(350,414)	(723,780)
1% decrease in discount rate	9,421,062	4,025,246	125,533	425,462	825,806
1 % increase in expected rate of salary increase	3,902,322	1,255,589	22,217	437,303	865,321
1 % decrease in expected rate of salary increase	(3,524,818)	(1,112,159)	(21,297)	(365,858)	(770,514)
1% increase in expected rate of pension increase	5,283,386	1,863,193	-	-	-
1% decrease in expected rate of pension increase	(4,543,855)	(1,602,549)	-	-	-
1% increase in expected rate of medical benefit increase	-	882,076	-	-	-
1% decrease in expected rate of medical benefit increase	-	(721,887)	-	-	-
39.10 Expected contributions to be paid to the funds in the next financial year					1,589,502
39.11 Expected charge for the next financial year					8,622,697

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

39.12 Maturity profile

The weighted average duration of the obligation

	Years
Pension fund	10.86
Post retirement medical scheme	14.82
Benevolent scheme	6.66
Gratuity scheme	12.33
Compensated absences	7.79

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	133,034	0.2%
Government securities	41,244,675	66.8%
Shares	6,969,297	11.3%
Non-Government debt securities	104,000	0.2%
PLS - Term Deposit Receipts	6,625,201	10.7%
Mutual funds	6,697,543	10.8%
	61,773,750	100.0%

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:

Asset volatility	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.
Changes in bond yields	The risk arises when the actual return on plan assets is lower than expectation.
Inflation risk	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.
Life expectancy / Withdrawal rate	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.
Investment Risk	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

A defined contribution (DC) plan is a type of retirement plan in which the employer, employee or both make contributions on a regular basis. Individual accounts are set up for participants and benefits are based on the amounts credited to these accounts (through employee contributions and, if applicable, employer contributions) plus any investment earnings on the money in the account. In defined contribution plans, future benefits fluctuate on the basis of investment earnings.

Bank currently does not have any defined contribution plan.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

41. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

41.1 Total Compensation Expense

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	8	5	1	32	138

The President and certain executives are also provided with free use of Bank's cars, household equipment, mobile phones and free membership of clubs.

41.1.1 The total amount of deferred bonus as at December 31, 2021 for the Key Management Personnel and other Material Risk Takers (MRT) / Material Risk Controllers (MRC) is Rs. 55 million. The deferred bonus is held in a trust fund.

Performance bonus is accounted for on payment basis.

Items	2020					
	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non- Executives				
----- (Rupees in '000) -----						
Fees and Allowances etc.	4,109	32,050	7,362	-	-	-
Managerial Remuneration						
i) Fixed	-	-	-	54,000	206,031	405,064
ii) Total Variable	-	-	-	-	-	-
of which						
a) Cash Bonus / Awards	-	-	549	-	64,745	175,480
Charge for defined benefit plan	-	-	117	4,500	40,979	104,283
Rent & house maintenance	-	-	683	-	89,343	193,085
Utilities	-	-	211	-	27,615	60,211
Medical	-	-	155	-	24,633	63,510
Conveyance	-	-	330	-	17,234	50,435
Others	-	-	-	3,511	13,709	61,611
Total	4,109	32,050	9,407	62,011	484,289	1,113,679
Number of Persons	1	8	3	1	34	99

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

41.2 Remuneration paid to Directors for participation in Board and Committee Meetings

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. Sadaffe 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).

2020										
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	2,100	-	-	1,350	-	-	-	659	4,109
2	Mr. Farid Malik	1,950	-	1,050	1,350	1,350	-	-	1,097	6,797
3	Mr. Tawfiq Asghar Hussain	2,100	1,200	1,050	-	-	-	1,200	-	5,550
4	Mr. Imam Bukhsh Baloch	2,100	-	1,050	-	-	1,050	-	-	4,200
5	Ms. Sadaffe Abid	1,650	-	-	-	1,350	1,050	-	71	4,121
6	Mr. Asif Jooma	1,650	900	-	1,050	-	-	-	-	3,600
7	Mr. Muhammad Sohail Rajput	2,100	900	-	-	-	1,050	-	365	4,415
8	Mr. Zafar Masud	900	-	-	600	450	-	300	-	2,250
9	Mr. Muhammad Naeem	450	300	150	-	-	-	-	218	1,118
Total Amount Paid		15,000	3,300	3,300	4,350	3,150	3,150	1,500	2,410	36,160

41.3 Remuneration paid to Shariah Board Members

Items	2021				2020			
	Chairman	Resident Member	Non-Resident Member(s)	Total	Chairman	Resident Member	Non-Resident Member(s)	Total
(Rupees in '000)								
Retainer Fee & Fixed Remuneration	3,462	4,163	4,939	12,563	3,240	3,287	2,880	9,407
Total Amount Paid	3,462	4,163	4,939	12,564	3,240	3,287	2,880	9,407
Total Number of Persons	1	1	3	5	1	1	1	3

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, 2021

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:

	2021			
	Carrying Value	Level 1	Level 2	Level 3
	----- (Rupees in '000) -----			
On balance sheet financial instruments				
Financial assets - measured at fair value				
Investments				
Market Treasury Bills	811,893,893	-	811,893,893	-
Pakistan Investment Bonds	592,430,009	-	592,430,009	-
Ijarah Sukuks	13,969,700	-	13,969,700	-
Ordinary shares of listed companies	39,784,637	39,784,637	-	-
Preference shares	1,265,729	1,265,729	-	-
Investments in mutual funds	1,868,184	-	1,868,184	-
Term Finance Certificates / Musharika and Sukuk Bonds	51,224,167	17,059,736	34,164,431	-
GoP Foreign Currency Bonds	20,804,963	-	20,804,963	-
Foreign Government Securities	907,304	-	907,304	-
Foreign Currency Debt Securities	-	-	-	-
Ordinary shares of a bank outside Pakistan	27,524,206	27,524,206	-	-
	1,561,672,792	85,634,308	1,476,038,484	-
Financial assets - disclosed but not measured at fair value				
Cash and balances with treasury banks	278,747,059	-	-	-
Balances with other banks	17,667,067	-	-	-
Lending to financial institution	335,466,675	-	-	-
Investments				
Pakistan Investment Bonds	324,556,862	-	-	-
GoP Foreign Currency Bonds	-	-	-	-
Ordinary shares of unlisted companies	1,471,305	-	-	-
Market Treasury Bills	-	-	-	-
Foreign Government Securities	34,091,600	-	-	-
Foreign Currency Debt Securities	680	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	30	-	-	-
Bai muajjal with Government of Pakistan	10,914,185	-	-	-
Advances	1,113,392,485	-	-	-
Other assets	63,484,600	-	-	-
	2,179,792,548	-	-	-
	3,741,465,340	85,634,308	1,476,038,484	-
Off-balance sheet financial instruments - measured at fair value				
Foreign exchange contracts purchase and sale	571,111,340	-	3,058,205	-
Forward government securities transactions	38,255,954	-	(308,328)	-

Notes to and forming part of the Unconsolidated Financial Statements

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	2020				
	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	626,248,789	-	626,248,789	-	626,248,789
Pakistan Investment Bonds	473,408,082	-	473,408,082	-	473,408,082
Ijarah Sukuks	6,015,600	-	6,015,600	-	6,015,600
Ordinary shares of listed companies	47,907,782	47,907,782	-	-	47,907,782
Preference shares	1,099,850	1,099,850	-	-	1,099,850
Investments in mutual funds	2,000,170	-	2,000,170	-	2,000,170
Term Finance Certificates / Musharika and Sukuk Bonds	55,860,007	19,911,278	35,948,728	-	55,860,007
GoP Foreign Currency Bonds	10,840,875	-	10,840,875	-	10,840,875
Foreign Government Securities	2,847,176	-	2,847,176	-	2,847,176
Foreign Currency Debt Securities	80,640	-	80,640	-	80,640
Ordinary shares of a bank outside Pakistan	17,652,778	17,652,778	-	-	17,652,778
	1,243,961,749	86,571,688	1,157,390,061	-	1,243,961,749
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	249,259,590	-	-	-	-
Balances with other banks	14,227,355	-	-	-	-
Lending to financial instruments	126,804,675	-	-	-	-
Investments					
Pakistan Investment Bonds	168,422,981	-	-	-	-
GoP Foreign Currency Bonds	-	-	-	-	-
Ordinary shares of unlisted companies	1,455,089	-	-	-	-
Foreign Government Securities	32,328,738	-	-	-	-
Foreign Currency Debt Securities	618	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	7,838	-	-	-	-
Bai muajjal with Government of Pakistan	11,641,133	-	-	-	-
Advances	983,254,527	-	-	-	-
Other assets	63,745,385	-	-	-	-
	1,651,147,929	-	-	-	-
	2,895,109,678	86,571,688	1,157,390,061	-	1,243,961,749
Off-balance sheet financial instruments - measured at fair value					
Foreign exchange contracts purchase and sale	419,327,735	-	(2,918,017)	-	(2,918,017)
Forward government securities transactions	27,625,340	-	52,885	-	52,885

Valuation techniques used in determination of fair valuation of financial instruments within level 1 and level 2

Item	Valuation approach and input used
Market Treasury Bills	PKRV (MUFAP)
Pakistan Investment Bonds	PKRV (MUFAP)
Ijarah Sukuks	MUFAP
Ordinary shares of unlisted companies	Breakup value as per latest available audited financial statements
Term Finance Certificates / Musharika and Sukuk Bonds	MUFAP
GoP Foreign Currency Bonds	Reuter page
Foreign Government Securities	Reuter page
Foreign Currency Debt Securities	Reuter page
Investments in mutual funds	MUFAP

Notes to and forming part of the Unconsolidated Financial Statements

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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:

	2021			
	Carrying Value	Level 1	Level 2	Level 3
	(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

	2020			
	Carrying Value	Level 1	Level 2	Level 3
	(Rupees in '000)			
Land & building (fixed assets)	48,764,139	-	-	48,764,139
Non-banking assets acquired in satisfaction of claims	3,968,329	-	-	3,968,329
	52,732,468	-	-	52,732,468

43. SEGMENT INFORMATION

43.1 Segment Details with respect to Business Activities

During the year the Bank changed its internal organisation structure in a manner that changed the composition of its reportable segments, and accordingly the prior year disclosure is restated to reflect the current reportable segments. Branch banking has been bifurcated in to Retail Banking Group and Inclusive Development Group.

Notes to and forming part of the Unconsolidated Financial Statements

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2021

	Retail Banking Group	Inclusive Development Group	Corporate and Investment Banking	Treasury	International, Financial Institution and Remittance	Alteamaad and Islamic Banking	Head Office / Others	Sub total	Eliminations	Total
(Rupees in '000)										
Profit and loss account										
Net mark-up / return / profit	(58,755,894)	17,163,761	25,963,957	105,182,793	3,798,879	4,682,056	(417,747)	97,617,806	-	97,617,806
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	15,434,144	1,284,540	336,316	1,835,379	36,941,617	-	36,941,617
Total income	66,637,266	3,194,114	7,643,412	29,467,410	5,083,419	4,440,783	18,083,019	134,559,423	-	134,559,423
Segment direct expenses	30,900,118	3,031,845	1,121,182	387,232	6,363,529	2,816,952	416,581	45,037,440	-	45,037,440
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	25,161,773	69,782,632	-	69,782,632
Provisions charge / (reversal)	731,529	1,721,582	9,235,188	542,703	(111,737)	121,444	(324,326)	11,916,383	-	11,916,383
Profit / (loss) before tax	35,005,619	(1,559,313)	(2,712,958)	28,537,475	(1,168,373)	1,502,387	(6,744,428)	52,860,408	-	52,860,408
Statement of financial position										
Cash and Bank balances	91,792,092	8,185,926	248,408	131,293,182	58,290,758	6,603,670	90	296,414,126	-	296,414,126
Investments	-	-	26,543,698	1,803,150,092	55,804,559	49,548,759	3,123,533	1,938,170,642	-	1,938,170,642
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	566,367,602	-	80,731,709	42,316,269	9,359,703	1,107,238,569	-	1,107,238,569
Advances - non-performing	4,180,477	21,115,711	61,624,712	-	46,293,148	712,762	64,011,419	197,938,229	-	197,938,229
Provision against advances	(9,024,982)	(18,226,471)	(56,033,619)	-	(44,988,510)	(712,762)	(62,796,969)	(191,784,313)	-	(191,784,313)
Advances - net	179,315,317	227,192,705	571,958,695	-	82,035,347	42,316,269	10,574,153	1,113,392,485	-	1,113,392,485
Others	25,276,052	2,297,783	18,315,585	3,581,004	4,964,806	2,302,955	106,502,357	163,240,541	-	163,240,541
Total assets	2,618,231,182	237,676,414	617,066,386	2,271,085,309	201,095,470	100,771,653	395,115,987	6,441,042,400	(2,594,357,931)	3,846,684,469
Borrowings	-	4,148,727	63,733,341	207,857,704	37,185,334	-	-	312,925,106	-	312,925,106
Deposits and other accounts	2,563,644,125	-	286,586,523	-	75,485,252	84,849,519	8,589,626	3,019,155,045	-	3,019,155,045
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)	-
Others	54,587,057	4,840,374	17,044,690	11,549,538	2,536,069	1,543,475	136,300,550	228,401,753	-	228,401,753
Total liabilities	2,618,231,182	237,676,414	616,730,450	2,236,091,302	201,042,663	100,177,648	144,890,176	6,154,839,835	(2,594,357,931)	3,560,481,904
Equity	-	-	335,936	34,994,007	52,807	594,005	250,225,811	286,202,565	-	286,202,565
Total equity and liabilities	2,618,231,182	237,676,414	617,066,386	2,271,085,309	201,095,470	100,771,653	395,115,987	6,441,042,400	(2,594,357,931)	3,846,684,469
Contingencies and commitments	-	81,061,634	1,740,040,766	609,367,294	22,910,804	-	37,123,935	2,490,504,435	-	2,490,504,435

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

2020 (Restated)										
(Rupees in '000)										
	Retail Banking Group	Inclusive Development Group	Corporate & Investment Banking	Treasury	International, Financial Institution and Remittance	Aitemaad & Islamic Banking	Head Office / Others	Sub total	Eliminations	Total
Profit and loss account										
Net mark-up / return / profit	(82,278,559)	19,374,543	45,786,341	113,674,589	2,944,549	5,033,803	(380,160)	104,155,107	-	104,155,107
Inter segment revenue - net	132,329,062	(15,264,205)	(40,287,855)	(86,111,719)	-	(409,849)	9,744,567	-	-	-
Non mark-up / return / interest income	13,606,432	1,333,608	2,934,104	11,968,002	1,933,019	425,941	3,875,801	36,076,908	-	36,076,908
Total income	63,656,935	5,443,946	8,432,590	39,530,872	4,877,568	5,049,895	13,240,209	140,232,015	-	140,232,015
Segment direct expenses	27,928,850	2,851,051	906,172	366,426	6,337,022	2,542,000	405,695	41,337,217	-	41,337,217
Inter segment expense allocation	-	-	-	-	-	-	21,774,714	21,774,714	-	21,774,714
Total expenses	27,928,850	2,851,051	906,172	366,426	6,337,022	2,542,000	22,180,409	63,111,930	-	63,111,930
Provisions charge / (reversal)	670,506	3,818,845	26,216,211	(202,726)	(484,011)	398,979	478,134	30,895,938	-	30,895,938
Profit / (loss) before tax	35,057,580	(1,225,950)	(18,688,793)	39,367,172	(975,444)	2,108,916	(9,418,335)	46,224,147	-	46,224,147
Statement of financial position										
Cash and Bank balances	146,249,864	13,560,025	281,210	49,710,033	47,960,766	5,724,957	89	263,486,945	-	263,486,945
Investments	-	-	31,393,587	1,340,556,530	46,098,046	42,109,641	3,240,273	1,463,398,076	-	1,463,398,076
Net inter segment lending	1,784,038,348	-	-	-	-	-	187,176,073	1,971,214,420	(1,971,214,420)	-
Lendings to financial institutions	-	-	-	126,802,025	-	-	2,650	126,804,675	-	126,804,675
Advances - performing	167,205,416	185,345,489	541,263,835	-	43,633,881	37,546,863	13,584,130	988,579,614	-	988,579,614
Advances - non-performing	4,007,870	22,497,098	47,548,441	-	42,345,094	602,913	54,292,716	171,294,133	-	171,294,133
Provision against advances	(8,383,514)	(19,538,451)	(52,114,538)	-	(41,266,079)	(602,913)	(54,713,725)	(176,619,220)	-	(176,619,220)
Advances - net	162,829,772	188,304,136	536,697,739	-	44,712,896	37,546,863	13,163,121	983,254,527	-	983,254,527
Others	23,840,339	2,248,427	22,588,501	366,297	3,972,925	3,580,119	114,986,149	171,582,758	-	171,582,758
Total assets	2,116,958,323	204,112,588	590,961,037	1,517,434,885	142,744,633	88,961,580	318,568,356	4,979,741,401	(1,971,214,420)	3,008,526,981
Borrowings	-	3,511,852	46,688,596	86,290,983	2,047,575	-	-	138,539,005	-	138,539,005
Deposits and other accounts	2,070,445,603	-	200,011,969	-	73,225,543	75,268,262	15,102	2,418,966,479	-	2,418,966,479
Net inter segment borrowing	-	196,293,623	326,190,341	1,375,268,749	63,868,561	9,593,146	-	1,971,214,420	(1,971,214,420)	-
Others	46,512,720	4,307,113	17,857,441	12,387,953	3,138,352	3,440,604	95,818,572	183,462,755	-	183,462,755
Total liabilities	2,116,958,323	204,112,588	590,748,347	1,473,947,685	142,280,030	88,302,012	95,833,674	4,712,182,659	(1,971,214,420)	2,740,968,239
Equity	-	-	212,690	43,487,200	464,603	659,569	222,734,682	267,558,742	-	267,558,742
Total equity and liabilities	2,116,958,323	204,112,588	590,961,037	1,517,434,885	142,744,633	88,961,580	318,568,356	4,979,741,401	(1,971,214,420)	3,008,526,981
Contingencies and commitments	-	46,316,642	1,271,383,035	446,953,075	20,577,429	-	35,553,685	1,820,783,867	-	1,820,783,867

Notes to and forming part of the Unconsolidated Financial Statements

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43.2 Segment details with respect to geographical locations

	2021					
	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	Total
----- (Rupees in '000) -----						
Profit and loss account						
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
Statement of financial position						
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
Total assets	3,731,425,006	77,907,472	13,067,733	36,918,149	73,202,117	3,932,520,476
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
Total liabilities	3,445,275,249	78,019,173	13,067,733	36,936,047	73,019,710	3,646,317,911
Equity	286,149,758	(111,701)	-	(17,897)	182,406	286,202,565
Total equity and liabilities	3,731,425,006	77,907,472	13,067,733	36,918,149	73,202,117	3,932,520,476
Contingencies and commitments	2,467,593,629	2,554,088	3,073,302	8,003,060	9,280,355	2,490,504,435

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

	2020 (Restated)					
	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	Total
----- (Rupees in '000) -----						
Profit and loss account						
Net mark-up / return / profit	101,210,557	535,456	59,526	421,629	1,927,939	104,155,107
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	34,143,889	509,898	316,191	747,936	358,994	36,076,908
Total Income	135,354,446	1,045,354	375,717	1,169,565	2,286,933	140,232,015
Segment direct expenses	35,000,194	1,598,976	793,919	3,173,426	770,701	41,337,216
Inter segment expense allocation	21,774,714	-	-	-	-	21,774,714
Total expenses	56,774,908	1,598,976	793,919	3,173,426	770,701	63,111,930
Provisions	31,379,949	(308,070)	(117,586)	(32,798)	(25,557)	30,895,938
Profit / (loss) before tax	47,199,589	(245,552)	(300,616)	(1,971,063)	1,541,789	46,224,147
Statement of financial position						
Cash and bank balances	215,526,179	17,402,929	10,399,385	19,076,487	1,081,965	263,486,945
Investments	1,417,300,030	29,778,074	-	2,927,816	13,392,156	1,463,398,076
Net inter segment lendings	63,868,561	-	-	-	63,868,561	-
Lendings to financial institutions	126,804,675	-	-	-	-	126,804,675
Advances - performing	944,945,732	1,891,261	574,741	1,680,370	39,487,510	988,579,614
Advances - non-performing	128,949,039	35,574,078	1,205,975	-	5,565,041	171,294,133
Provision against Advances	(135,353,141)	(35,648,345)	(1,205,975)	(2,306)	(4,409,453)	(176,619,220)
Advances - net	938,541,630	1,816,994	574,741	1,678,064	40,643,098	983,254,527
Others	167,609,833	2,773,901	139,572	183,851	875,601	171,582,758
Total assets	2,929,650,909	51,771,898	11,113,698	23,866,218	55,992,820	3,072,395,542
Borrowings	136,491,430	1,240,487	-	-	807,088	138,539,005
Deposits and other accounts	2,345,740,936	35,384,936	7,278,305	9,204,947	21,357,355	2,418,966,479
Net inter segment borrowing	-	14,344,870	3,643,594	13,051,137	32,828,959	63,868,561
Others	180,324,403	801,605	191,798	1,556,773	588,176	183,462,755
Total liabilities	2,662,556,770	51,771,898	11,113,698	23,812,857	55,581,578	2,804,836,799
Equity	267,094,139	-	-	53,361	411,242	267,558,742
Total equity and liabilities	2,929,650,909	51,771,898	11,113,698	23,866,218	55,992,820	3,072,395,542
Contingencies and commitments	1,800,206,438	3,380,468	3,105,342	7,173,633	6,917,986	1,820,783,867

44. TRUST ACTIVITIES

44.1 Endowment Fund

Students Loan Scheme was launched by Government of Pakistan in collaboration with the major commercial banks with a view to extend financial help by way of mark-up free loans 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 IHSME 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. 835.770 million as at December 31, 2021 (2020: Rs. 785 million).

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

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, 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
Total	1,134	154,842,575	580,540,397	27,417,400	762,800,372

As at December 31, 2020					
	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	23	-	-	-	-
Charitable institutions	5	-	-	-	-
Companies	17	34,121,235	92,187,200	-	126,308,435
Employee Funds	62	9,640,385	102,960,700	-	112,601,085
Individuals	853	148,315	70,900	-	219,215
Insurance Companies	7	11,211,270	145,209,700	-	156,420,970
Others	58	66,930,535	143,722,542	-	210,653,077
Total	1,025	122,051,740	484,151,042	-	606,202,782

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, 2021

2021																			2020																				
(Rupees in '000)																			(Rupees in '000)																				
Directors		Key management personnel		Subsidiaries		Associates		Joint venture		Pension fund (current)		Pension fund (fixed deposit)		Pension fund (N.I.D.A.A/c)		Provident fund		Other related parties		Directors		Key management personnel		Subsidiaries		Associates		Joint venture		Pension fund (current)		Pension fund (fixed deposit)		Pension fund (N.I.D.A.A/c)		Provident fund		Other related parties	
</																																							

* 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, 2021

	2021						2020									
	Directors	Key manage- ment personnel	Subsidiaries	Associates	Joint venture	Pension fund	Provident fund	Funds / others	Directors	Key manage- ment personnel	Subsidiaries	Associates	Joint venture	Pension fund	Provident fund	Funds/ others
	(Rupees in '000)															
Income																
Mark-up / return / interest earned	-	-	2,731	9,857	-	-	-	-	-	-	1,948	16,822	9	-	-	-
Debits due by Companies in which Directors of the Bank is interested as Directors	-	-	-	-	-	-	-	8,137	-	-	-	-	-	-	-	15,755
Fee and commission income	-	-	297	-	-	-	-	-	-	-	683	-	-	-	-	-
Dividend income	-	-	82,895	7,009	-	-	-	-	-	-	77,368	-	-	-	-	-
Rent income / Lighting & Power and Bank charges	-	-	22,916	5,109	-	-	-	-	-	-	29,379	4,637	-	-	-	19,447
Expense																
Mark-up / return / interest paid	88	3,873	6,887	-	41	55,888	1,417,701	1,625,178	309	5,087	33,124	-	303	108,346	1,441,640	4,012
Expenses paid to company in which Director of the bank is interested as CEO and director	-	-	-	-	-	-	-	23,387	-	-	-	-	-	-	-	10,712
Commission paid to subsidiaries	-	-	5,323	-	-	-	-	-	-	-	4,661	-	-	-	-	-
Remuneration to key management executives including charge for defined benefit plan	-	637,103	-	-	-	-	-	-	-	546,300	-	-	-	-	-	-
Directors fee & other allowances	25,431	-	-	-	-	-	-	-	36,160	-	-	-	-	-	-	-
Post Retirement Benefit paid to Director cum Ex-employee	-	-	-	-	-	-	-	2,087	-	-	-	-	-	-	-	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. 8,408 million (2020: 9,653 million) for the year ended December 31, 2021. As at the statement of financial position date the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs. 405,294 million (2020: 337,572 million), Rs. 1,247,457 million (2020: 932,317 million) and Rs. 1,540,238 million (2020: 1,057,896 million) respectively and income earned on advances and investment and profit paid on deposits amounted to Rs. 31,846 million (2020: 40,908 million) and Rs. 51,110 million (2020: 64,149 million) respectively.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

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. Currently, the required CAR for banks is 11.50% (plus 2.0% 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 has started from December 31, 2015. The Bank has a leverage ratio of 3.47% in the year December 31, 2021 (2020: 4.06%) and Tier-1 capital of Rs. 199,752 million (2020: Rs. 172,896 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 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 requires 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 and reflect an estimate of credit, market and other risks associated with each asset and counterparty, 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 determines 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, 2021

The paid-up capital of the Bank for the year ended December 31, 2021 stood at Rs. 21,275 million (2020: 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 20.39% (2020: 19.78%).

There have been no material changes in the Bank's management of capital during the year.

	2021	2020
	------(Rupees in '000)-----	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	21,275,131	21,275,131
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	199,752,308	172,896,361
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	199,752,308	172,896,361
Eligible Tier 2 Capital	64,343,019	55,224,098
Total Eligible Capital (Tier 1 + Tier 2)	264,095,327	228,120,459
Risk Weighted Assets (RWAs):		
Credit Risk	983,659,218	858,263,350
Market Risk	82,342,372	87,765,828
Operational Risk	229,114,480	207,071,580
Total	1,295,116,070	1,153,100,759
Common Equity Tier 1 Capital Adequacy ratio	15.42%	14.99%
Tier 1 Capital Adequacy Ratio	15.42%	14.99%
Total Capital Adequacy Ratio	20.39%	19.78%
Leverage Ratio (LR):		
Eligible Tier-1 Capital	199,752,308	172,896,361
Total Exposures	5,758,095,315	4,256,253,296
Leverage Ratio	3.47%	4.06%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	1,362,545,096	1,200,257,790
Total Net Cash Outflow	828,459,514	666,722,922
Liquidity Coverage Ratio	164%	180%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	2,753,443,506	2,309,310,465
Total Required Stable Funding	990,042,101	901,126,786
Net Stable Funding Ratio	278%	256%

- 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/>

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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 of the NBP's risk management framework and capital strategy. The Bank 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 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, the strong data management mechanism is also in place to collect and consolidate exposure wise information various risk related analysis and reviews. The mechanism also helps in identification of e-CIB related information, performing periodic review, generates reports and highlights inconsistencies and errors, and issuing instructions to the relevant data entry points for rectification.

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 a dotted line reporting to the Board Risk & Compliance Committee (BRCC). The group is responsible to perform the functions pertaining to development and oversight of the risk 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 recognise 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.

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 defence 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 defence. The risk management is further strengthened by the third line of defence, 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 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

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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 frameworks for assessment / measurement, review and reporting of credit risk under supervision of Board Risk and Compliance Committee.

The Bank has in place Risk Appetite Framework and Credit Risk Concentration Management Framework to ascertain 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. Persistent focus on maintaining a robust risk management framework encompassing 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.

The Risk Management function of the Bank is regularly conducting assessments, on perpetual basis, of the credit portfolio to identify borrowers and sectors most likely to get affected due to changes in the business and economic environment locally as well as globally. The Bank is cognizant of the fact that COVID-19 situation is posing challenges for the industry in general, and for the risk management function in particular. Bank is proactively keeping an eye on the delinquency in the accounts, financial position of the counterparty 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 a statistically validated rating model, which further enhances the credit risk analysis. This creates an integral contribution in decision making by senior management of the Bank. Concentration of exposure / risk in any of counterparty, economic group, or industry is assessed frequently and accordingly limit setting is tailored.

The Bank has also engaged itself towards 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 Country Credit Officer (CCO) & Senior Credit Officer (SCO). This has vastly improved the turnaround time (TAT) for credit approvals besides a focused approach to asset / loan monitoring. The SCOs have been assigned loan portfolios per their expertise i.e. IDG, CIBG, IFRG & Special Assets (Remedial). Furthermore, the risk team has also started making joint visits with the business teams to customers site which has proved to be very helpful in understanding the ground realities and also supports in making an informed decision.

Retail & Program Lending Group has recently been established within Risk Management umbrella. This Group will strengthen focus on products that are managed on program lending basis and will add controls, governance and risk culture around it. Group has been organized on a Credit Cycle approach, with an end to end credit view. It is engaged in areas of Policy & Portfolio Management, Credit Approvals, Collection & Recovery Oversight, Automation & Risk Technology, MIS & Project Management, Quality & Compliance, etc. To ensure that the group plays a key role, its Group Head has been added to Management Credit Committee as a voting member. Given the overall focus on this area, Retail & Program Lending Risk will play a significant role within larger scheme of Risk Management Group in 2022.

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 analysed as follows:

47.2.1.1 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2021	2020	2021	2020	2021	2020
	(Rupees in '000)					
Public / Government	-	-	-	-	-	-
Private	335,640,825	126,980,825	174,150	176,150	174,150	176,150
	335,640,825	126,980,825	174,150	176,150	174,150	176,150

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47.2.1.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2021	2020	2021	2020	2021	2020
	(Rupees in '000)					
Cement	470,168	470,168	20,168	20,168	20,168	20,168
Chemical	2,076,742	2,073,812	326,742	323,812	326,742	323,812
Construction	3,380,824	3,885,490	1,633,739	1,633,739	1,633,739	1,633,738
Engineering	4,842	4,842	4,842	4,842	4,842	4,842
Fertilizer	655,109	1,040,960	655,109	656,831	655,109	656,831
Sugar	709,719	766,719	709,719	766,719	709,719	766,719
Textile	1,079,625	1,151,054	651,053	651,054	651,053	651,054
Transport	-	-	-	-	-	-
Financial	9,734,656	9,658,543	201,252	210,020	201,252	141,691
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 Tenneries	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	34,545,470	37,903,094	-	-	-	-
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	500,000	500,000	-	-	-	-
Services	867,239	890,258	-	-	-	-
Miscellaneous	467,203	891,092	25,996	25,992	25,996	25,991
	55,870,291	60,614,725	5,607,314	5,671,871	5,607,314	5,603,540

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2021	2020	2021	2020	2021	2020
	(Rupees in '000)					
Public / Government	29,853,090	31,810,714	7,620	7,620	7,620	7,620
Private	26,017,201	28,804,011	5,599,694	5,664,251	5,599,694	5,595,920
	55,870,291	60,614,725	5,607,314	5,671,871	5,607,314	5,603,540

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47.2.1.3 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2021	2020	2021	2020	2021	2020
(Rupees in '000)						
Agriculture, Forestry, Hunting & Fishing	71,243,087	63,054,331	7,208,158	6,204,022	5,192,290	4,514,299
Mining & Quarrying	88,334	282,368	11,336	117,449	11,336	117,449
Textile	160,048,253	132,701,566	36,876,601	37,427,234	36,828,216	35,611,823
Chemical & Pharmaceuticals	5,284,057	4,033,024	2,731,312	2,645,492	2,661,064	2,634,249
Cement	32,057,795	33,124,120	6,317,887	6,311,377	4,094,267	4,093,767
Sugar	36,639,278	35,237,473	15,354,821	15,335,077	15,354,821	14,335,087
Footwear and Leather garments	2,016,893	2,461,054	892,779	840,449	887,472	840,114
Automobile & Transportation Equipment	8,567,080	6,607,421	940,147	971,267	937,466	966,887
Electronics & Electrical Appliances	9,684,327	10,036,223	2,380,885	2,232,278	2,370,272	2,223,278
Construction	20,193,083	12,258,203	9,643,454	4,484,629	6,754,352	4,481,950
Oil & Gas	102,762,247	82,061,196	20,216,650	5,413,208	20,074,535	4,526,641
Power (electricity), Gas, Water, Sanitary	198,946,668	201,168,044	13,209,849	7,789,326	9,311,105	6,745,325
Wholesale and Retail Trade	42,441,006	36,564,735	10,731,332	13,444,060	10,675,368	12,012,696
Exports / Imports	1,501,450	1,687,703	-	-	-	-
Transport, Storage and Communication	55,054,905	55,176,592	12,774,422	11,249,115	10,353,432	9,169,761
Financial	32,198,215	6,093,650	309,394	308,375	309,394	308,375
Services	38,096,872	32,839,062	4,228,462	4,452,760	2,540,822	2,606,881
Individuals	198,138,761	184,020,751	6,150,291	5,900,196	4,300,297	4,088,882
Fertilizer	11,602,568	15,733,123	2,988,462	2,947,639	2,947,541	2,888,738
Metal Products	71,007,705	67,313,392	25,680,256	25,111,134	25,511,029	24,557,341
Telecommunication	22,011,036	17,064,247	1,136,813	1,159,350	1,136,813	1,159,350
Public Sector Commodity Operations	77,346,473	62,413,440	74,198	74,198	74,198	74,198
Rice Trading & Processing	37,707,929	30,685,877	4,780,678	4,665,312	4,555,487	4,537,360
Food and Tobacco	16,080,605	13,995,035	6,959,780	5,224,085	6,338,654	5,200,684
Glass and Ceramics	8,070,726	6,859,290	389,447	396,911	389,447	396,911
Paper & Board	2,726,772	1,601,970	1,193,719	1,187,897	1,193,719	1,187,897
Engineering	32,121,933	33,444,437	1,422,820	1,416,959	1,415,349	1,410,274
Plastic Products	2,662,060	2,627,648	672,095	651,199	670,607	648,950
Media	1,529,488	2,189,495	381,881	718,124	208,971	293,124
Flour Mills	2,663,913	2,713,759	649,015	638,998	585,705	624,012
Sports Goods	1,280,713	978,994	93,818	93,818	93,818	93,818
Surgical equipments	824,409	827,764	12,151	64,674	8,558	64,674
Others	2,578,157	2,017,760	1,525,315	1,817,521	1,525,315	1,730,678
	1,305,176,798	1,159,873,747	197,938,229	171,294,133	179,311,722	154,145,472

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2021	2020	2021	2020	2021	2020
(Rupees in '000)						
Public / Government	420,736,532	337,572,330	-	2,672,432	-	2,522,432
Private	884,440,266	822,301,417	197,938,229	168,621,701	179,311,722	151,623,040
	1,305,176,798	1,159,873,747	197,938,229	171,294,133	179,311,722	154,145,472

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	2021	2020
	----- (Rupees in '000) -----	
47.2.1.4 Contingencies and Commitments		
Credit risk by industry sector		
Agriculture, Forestry, Hunting and Fishing	100,504	170,777
Mining and Quarrying	1,418,487	2,605,392
Textile	25,421,310	18,571,105
Chemical and Pharmaceuticals	6,001,560	9,558,756
Cement	9,718,289	4,269,235
Sugar	592,840	303,184
Footwear and Leather garments	182	162
Automobile and Transportation Equipment	4,435,897	11,886,834
Electronics and Electrical Appliances	2,843,195	2,959,697
Construction	9,718,062	9,036,763
Oil & Gas	104,645,267	39,173,307
Power (electricity), Water, Sanitary	61,808,701	83,646,557
Wholesale and Retail Trade	2,346,916	1,624,388
Exports / Imports	272,733	317,066
Transport, Storage and Communication	47,721,546	28,020,866
Financial	719,655,625	544,516,361
Services	1,355,079,802	950,517,287
Individuals	77,114	394,092
Fertilizer	3,652,239	1,394,690
Metal Products	15,961,141	9,828,654
Telecommunication	25,141,952	14,070,734
Public Sector Commodity Operations	8,249,178	12,565,661
Rice processing and Trading	20,825	39,174
Food and Tobacco	448,128	376,730
Glass and Ceramics	1,484,463	1,007,344
Paper and Board	2,046,783	551,469
Engineering	77,952,489	43,596,296
Plastic Products	258,541	27,432,671
Surgical equipments	19,459	750
Others	3,411,207	2,347,864
	2,490,504,435	1,820,783,867

* 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.

	2021	2020
	----- (Rupees in '000) -----	
Credit risk by public / private sector		
Public / Government	1,402,649,361	948,334,918
Private	1,087,855,074	872,448,949
	2,490,504,435	1,820,783,867

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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. 1,474,941 million (2020: Rs. 1,093,518 million) are as following:

	2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
Funded	244,605,208	250,314,704
Non Funded	1,230,335,750	843,203,477
Total Exposure	1,474,940,958	1,093,518,181

The sanctioned limits against these top 10 exposures aggregated to Rs. 1,563,667 million (2020: Rs. 1,280,786 million).

Total funded classified therein	2021		2020	
	Amount	Provision held (Rupees in '000)	Amount	Provision held
Loss	-	-	2,522,432	2,522,432
Total	-	-	2,522,432	2,522,432

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	2021						
	Disbursements		Utilization				
	Punjab	Sindh	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

Province / Region	2020						
	Disbursements		Utilization				
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan	
	------(Rupees in '000)-----						
Punjab	210,145,408	207,931,532	1,625,942	-	-	-	587,934
Sindh	390,658,220	4,704,206	377,454,014	-	-	8,500,000	-
KPK including FATA	6,176,977	-	-	6,176,977	-	-	-
Balochistan	3,855,924	-	-	-	3,332,924	-	523,000
Islamabad	49,991,187	8,853,922	12,271,029	1,712,540	-	27,153,696	-
AJK including Gilgit-Baltistan	2,798,820	-	-	-	-	-	2,798,820
Total	663,626,536	221,489,660	391,350,985	7,889,517	3,332,924	35,653,696	3,909,754

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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 scorecards / criteria for various market risk limits. 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. Whereas, 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.

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 Ratio, Balance Sheet Duration Gap, Government Securities PVBP and Duration have also been developed.

47.2.2.1 Statement of Financial position split by trading and banking books

	2021			2020		
	Banking book	Trading book	Total	Banking book	Trading book	Total
(Rupees in '000)						
Cash and balances with treasury banks	278,747,059	-	278,747,059	249,259,590	-	249,259,590
Balances with other banks	17,667,067	-	17,667,067	14,227,355	-	14,227,355
Lendings to financial institutions	335,466,675	-	335,466,675	126,804,675	-	126,804,675
Investments	1,818,433,016	119,737,626	1,938,170,642	1,366,741,891	96,656,185	1,463,398,076
Advances	1,113,392,485	-	1,113,392,485	983,254,527	-	983,254,527
Fixed assets	54,251,555	-	54,251,555	54,413,493	-	54,413,493
Intangible assets	502,791	-	502,791	303,813	-	303,813
Right of use assets	6,605,400	-	6,605,400	6,669,684	-	6,669,684
Deferred tax asset	1,625,647	-	1,625,647	-	-	-
Other assets	100,255,148	-	100,255,148	110,195,768	-	110,195,768
	3,726,946,843	119,737,626	3,846,684,469	2,911,870,796	96,656,185	3,008,526,981

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 currencies cash in hand, balances with Banks abroad, foreign placements with the SBP and foreign currencies 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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	2021				2020			
	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	230,359,433	321,577,638	87,452,155	(3,766,050)	157,851,413	249,296,809	115,299,103	23,853,707
Great Britain Pound	5,010,104	5,950,831	4,303,047	3,362,320	4,236,309	5,613,790	3,235,840	1,858,360
Japanese Yen	3,938,966	3,283,911	2,315,294	2,970,349	4,077,289	1,123,760	168,624	3,122,153
Euro	13,402,801	19,043,837	7,628,249	1,987,213	8,364,855	10,043,967	3,462,911	1,783,798
Other currencies	72,736,519	18,379,635	3,130,155	57,487,039	65,494,170	20,499,909	2,996,887	47,991,148
	325,447,823	368,235,852	104,828,900	62,040,871	240,024,036	286,578,235	125,163,365	78,609,166

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates				
- Profit and loss account	-	-	-	-
- Other comprehensive income	-	620,409	-	786,092

47.2.2.3 Equity position Risk

The 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 limits and/ or through diversification within the structure of overall equity position portfolio.

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 5% change in equity prices				
- Profit and loss account	-	-	-	-
- Other comprehensive income	2,671,767	-	3,065,915	-

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 of underlying asset which is being monitored by ALCO with an objective to possibly limiting the potential impact over the profitability of the Bank which may result in instability of market based interest rates and mismatching 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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

	2021	2020
Banking book	Trading book	Banking book
	Trading book	Trading book
	(Rupees in '000)	

Impact of 1% change in interest rates

-	368,677	-	131,186
8,629,166	-	12,965,285	-

47.2.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

2021									
		Exposed to Yield / Interest risk							
Effective Yield / Interest rate	Total	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	Non-interest bearing financial instruments
		Upto 1 Month							
On-balance sheet financial instruments									
(Rupees in '000)									

On-balance sheet financial instruments

Assets												
Cash and balances with treasury banks	0.1%	278,747,059	25,788,429	-	1,230,888	-	-	-	-	-	-	251,727,762
Balances with other banks	0.6%	17,667,067	3,649,152	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%	60,619,889	-	-	-	-	-	-	-	-	-	60,619,889
		3,744,083,827	617,931,050	948,621,268	416,634,187	233,577,857	428,247,519	133,653,895	230,522,591	283,797,182	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	4,538,165	588,979	-	1,079,941,642
Lease liability against right of use assets	10.0%	7,893,980	-	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	12,766,712	18,998,466	1,480,992	1,297,904,618
On-balance sheet gap												
		186,126,739	(1,022,301,656)	726,348,932	270,788,597	130,659,500	396,211,341	50,192,764	217,735,879	264,798,716	28,014,110	(876,321,441)

Off-balance sheet financial instruments

[illegible]

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

2020												
Effective Yield / Interest rate	Exposed to Yield / Interest risk										Non-interest bearing financial instruments	
	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		
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	1.5%	249,259,590	23,854,603	-	-	3,574,948	-	-	-	-	-	221,830,039
Balances with other banks	2.3%	14,227,355	4,379,959	364,979	455,390	690,430	-	-	-	-	-	8,336,597
Lendings to financial institutions	6.6%	126,804,675	126,804,675	-	-	-	-	-	-	-	-	-
Investments	11.3%	1,463,398,076	165,436,764	466,849,351	45,910,296	104,002,599	93,381,635	139,693,515	124,152,454	237,876,474	10,399,389	75,695,599
Advances	9.0%	983,254,527	228,581,952	354,851,351	140,299,770	66,105,848	16,909,414	48,488,652	72,419,084	28,992,849	25,391,405	1,214,202
Other assets	0.0%	59,030,243	-	-	-	-	-	-	-	-	-	59,030,243
		2,895,974,466	549,057,953	822,065,682	186,685,456	174,373,825	110,291,049	188,182,166	196,571,537	266,869,322	35,790,794	366,106,680
Liabilities												
Bills payable	0.0%	16,795,186	-	-	-	-	-	-	-	-	-	16,795,186
Borrowings	6.6%	138,539,005	10,688,517	10,993,747	56,908,784	42,516,430	2,392,766	3,509,557	6,420,414	5,108,790	-	-
Deposits and other accounts	5.2%	2,419,966,479	1,295,641,079	88,051,369	32,233,664	52,812,308	12,050,442	3,913,846	13,040,142	652,508	-	920,571,121
Lease liability against right of use assets	10.0%	7,533,691	41	21,491	57,673	96,726	804,940	662,691	1,762,735	2,838,255	1,289,139	-
Other liabilities	0.0%	153,918,896	-	-	-	-	-	-	-	-	-	153,918,895
		2,735,753,257	1,306,329,636	99,066,607	89,200,120	95,425,464	15,248,148	8,086,094	21,223,292	8,599,553	1,289,139	1,091,286,202
On-balance sheet gap												
		160,221,209	(757,271,683)	722,999,075	97,465,336	78,948,361	95,042,901	180,096,072	175,348,246	258,269,769	34,501,655	(725,178,521)
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions		1,096,347,086	-	-	-	-	-	-	-	-	-	1,096,347,086
Commitments in respect of:												
- forward foreign exchange contracts		125,163,364	30,923,782	86,543,418	6,097,820	1,596,344	-	-	-	-	-	-
- forward government securities transactions		(26,632,678)	(26,632,678)	-	-	-	-	-	-	-	-	-
Commitments for acquisition of:												
- fixed assets		632,619	414,641	92,492	32,492	92,994	-	-	-	-	-	-
- other commitments		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap												
		1,195,510,391	4,705,745	86,635,910	6,130,312	1,691,338	-	-	-	-	-	1,096,347,086
Total Yield / Interest Risk Sensitivity Gap												
		(752,565,938)	809,634,985	103,595,648	80,639,699	95,042,901	180,096,072	175,348,246	258,269,769	34,501,655	371,168,565	
Cumulative Yield / Interest Risk Sensitivity Gap												
		(752,565,938)	57,069,047	160,664,695	241,304,394	336,347,295	516,443,367	691,791,613	950,061,382	984,563,037	1,355,731,601	
47.2.2.6 Reconciliation of Financial Assets & Liabilities with Total Assets & Liabilities												
----- (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												
Deferred Tax Liabilities												
Other Liabilities												
Total liabilities as per statement of financial position												

2020		2020	
		(Rupees in '000)	
3,744,063,827	2,895,974,466	54,251,555	54,413,493
502,791	303,813	502,791	303,813
6,605,400	6,669,684	6,605,400	6,669,684
1,625,647	-	1,625,647	-
39,635,249	51,165,525	39,635,249	51,165,525
102,620,642	112,552,515	102,620,642	112,552,515
3,846,684,469	3,008,526,981	3,846,684,469	3,008,526,981
3,557,937,087	2,735,753,257	3,557,937,087	2,735,753,257
-	2,978,364	-	2,978,364
2,544,817	2,236,620	2,544,817	2,236,620
2,544,817	5,214,984	2,544,817	5,214,984
3,560,481,904	2,740,968,239	3,560,481,904	2,740,968,239

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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. To mitigate, operational risk a Operational Risk Management (ORM) Framework has been developed to align the Bank's operations with sound practices of operational risk by Basel framework. ORM Framework provides guidance for setting the 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 realises 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 a comprehensive Operational Risk Management Strategy and Operational Risk Tolerance limits approved by the Board in-line with Basel framework. Furthermore, the 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 policy of the bank.

The Bank has also conducted analysis of major Operational Risk Incidents covering key control lapses and accordingly suggested 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 the situation and undertaken required actions to ensure the safety and security of Bank staff and maintenance of service to its customers. The Senior Management of the Bank including the Covid Crises Management Team closely monitored the situation, and took timely decisions to resolve any concerns.

The Bank continued to take measures to ensure the maintenance of their service levels, 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 the pandemic 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 counter-measures need to be assessed and implemented. The Bank has devised a governance mechanism to manage related risks through development of Policies and Framework, and deployed security tools to ensure adequate implementation of internal controls and monitoring of security threats within technology infrastructure.

Our staff is first line of defence against any cyber attacks therefore the Bank regularly assesses the information security controls and undertake employees' awareness and trainings. The Bank works with its key technology partners to ensure that potential vulnerable systems are identified and appropriate controls, updates and patches 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.

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In the late hours of October 29, 2021 and early morning of October 30, 2021, the Bank's IT Infrastructure came under a cyberattack. As a result, NBP's business-critical servers along with several workstations went down which disrupted the business operations. The services primarily running on the Windows operating system were impacted. A committee was formed to keep track of the systems affected and their restorations. The status of the systems that were affected as a result of cyberattack and their restorations was also reported to the State Bank of Pakistan. The management has also taken on board various vendors to assist the Bank in carrying out analysis of the potential lapses that led to the attack and also to take initiatives and develop processes for dealing with such events in future. The systems of the Bank are up and running and as per management's assessment, there is no impact on the Bank's IT infrastructure as a result of cyberattack. 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 Board approved Internal Capital Adequacy and Assessment Process (ICAAP), which commensurate risks over and above those which directly occurs 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 behaviour of country's market and economic conditions, whether in isolation or in combinations are covered under the Bank-wide Recovery Plan. These risks are monitored on certain frequency and corrective 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 encompasses simplest to sophisticated stress testing methods to capture the abnormal movement of market and economy based indicators and to translate such scenarios into projections of Bank's profitability 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 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 growth in 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.

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47.2.6.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank

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
(Rupees in '000)													
Assets													
Cash and balances with treasury banks	275,826,353	-	-	1,688,838	-	-	1,230,888	766,147	-	-	-	-	-
Balances with other banks	17,667,067	717,364	564,725	533,576	322,284	192,407	728,951	-	-	-	-	-	-
Lending to financial institutions	335,466,675	274,914,137	28,146,895	-	-	-	30,000,000	-	-	-	-	-	-
Investments	1,893,170,442	4,515,392	40,215,196	4,603,040	115,845,226	484,786,384	163,339,043	79,413,300	105,916,554	417,430,271	142,824,222	134,858,789	243,811,976
Advances	1,113,392,485	319,220,013	2,934,122	49,916,626	68,472,193	32,145,072	99,428,026	44,682,449	56,204,507	56,918,407	90,680,852	127,063,315	182,253,800
Fixed assets	54,251,555	-	-	-	-	-	-	-	851,344	2,401,684	851,344	1,407,464	48,739,719
Intangible assets	502,791	-	-	-	-	-	-	-	167,597	167,597	167,597	-	-
Right of Use Assets	6,605,400	-	-	-	17,682	-	53,920	72,810	111,487	588,608	457,559	1,417,863	3,885,007
Deferred tax assets	1,625,847	-	-	-	-	-	-	-	-	-	-	1,625,847	-
Other assets	100,255,148	225,894	289,736	316,477	16,646,615	16,984,106	12,596,172	1,388,113	1,369,446	29,022,877	725,138	1,087,707	1,450,276
Liabilities													
Bills payable	3,946,684,469	633,981,626	279,948,646	72,130,673	57,052,557	201,304,080	534,106,434	307,376,980	126,322,820	506,529,444	235,706,713	267,480,768	460,140,779
Borrowings	21,848,270	21,848,270	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	312,925,106	60,004	2,886,366	3,311,907	108,642,330	20,753,395	81,758,922	26,987,971	2,828,760	13,099,389	3,634,279	6,463,258	15,362,877
Liabilities against assets subject to right of use assets	3,019,155,045	2,845,449,917	26,574,946	92,050,654	76,537,717	17,074,721	83,328,141	32,764,725	27,549,127	12,326,386	85,151,041	7,080,714	1,315,732
Other liabilities	7,893,960	-	-	-	20,497	463	69,732	92,367	269,533	643,301	505,176	1,765,289	4,527,602
Net assets	198,659,523	86,095,496	25,335	30,742	6,118,268	6,119,966	29,279,479	1,826,346	1,826,252	25,961,943	8,538,736	16,576,941	16,224,912
	3,960,481,304	2,853,453,687	29,486,647	38,337,122	95,398,056	191,318,613	43,947,545	194,436,275	61,673,408	520,931,720	97,829,233	31,866,201	37,431,124
	286,202,565	(2,019,477,061)	250,461,998	32,793,551	(38,345,499)	9,985,267	490,160,889	112,940,705	64,648,412	454,499,324	137,877,480	235,594,587	422,709,655
Share capital													
Reserves	21,275,131	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	60,371,485	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	140,073,817	-	-	-	-	-	-	-	-	-	-	-	-
	64,482,122	-	-	-	-	-	-	-	-	-	-	-	-
2020													
(Rupees in '000)													
Assets													
Cash and balances with treasury banks	249,299,580	244,470,420	724,224	488,987	-	-	-	-	3,574,949	-	-	-	-
Balances with other banks	14,227,355	9,074,765	1,988,152	1,643,639	205,127	159,852	455,390	308,490	381,940	-	-	-	-
Lending to financial institutions	126,804,675	-	122,804,675	1,700,000	-	-	-	-	-	-	-	-	-
Investments	1,463,398,076	6,348,903	602,861	30,179,598	230,232,181	236,617,171	45,910,297	113,118,951	39,082,357	97,645,814	157,346,233	125,301,464	252,706,784
Advances	983,254,327	334,192,443	1,329,530	3,454,238	59,593,625	16,337,194	60,035,942	30,309,223	30,130,411	41,688,865	78,281,159	157,289,258	137,732,079
Fixed assets	54,413,493	-	-	-	-	-	-	-	724,254	2,878,438	724,254	1,322,411	48,764,136
Intangible assets	303,813	-	-	-	-	-	-	-	101,271	101,271	101,271	-	-
Right of Use Assets	6,669,884	-	-	201	14,649	5,276	50,071	29,405	66,557	625,524	593,369	1,528,327	3,766,303
Other assets	110,195,768	16,963,066	-	-	17,994,892	18,136,013	10,887,402	1,204,142	1,204,142	38,014,815	3,351,081	2,500,415	-
	3,008,526,981	611,049,597	128,059,442	66,314,175	307,980,474	271,255,506	117,393,102	144,970,211	75,265,881	180,934,347	240,387,427	287,941,875	442,969,302
Liabilities													
Bills payable	16,735,186	16,735,186	-	-	-	-	-	-	-	-	-	-	-
Borrowings	138,539,005	1,966,540	-	3,455,970	4,727,114	6,268,632	58,908,784	41,474,224	1,042,206	2,392,766	3,509,557	6,420,414	5,108,791
Deposits and other accounts	2,418,996,479	2,068,191,047	23,189,505	103,011,653	51,070,286	13,467,529	66,056,859	20,877,326	18,463,104	12,454,175	8,477,921	21,086,963	1,471,174
Liabilities against assets subject to right of use assets	7,533,891	-	-	41	15,141	6,349	57,673	25,319	71,406	804,940	662,691	1,762,736	4,127,395
Deferred tax liabilities	2,978,364	-	-	-	-	-	-	-	-	-	-	2,978,364	-
Other liabilities	156,155,514	61,589,642	389,647	420,804	9,300,464	24,852,920	15,226,657	1,210,882	1,141,620	15,947,785	5,339,632	10,377,940	10,076,617
	2,740,968,238	2,148,542,415	23,579,152	106,888,468	65,113,007	44,593,431	138,249,973	63,587,751	20,738,336	31,599,666	17,999,801	42,626,417	20,783,978
Net assets	267,558,742	(1,537,492,818)	104,480,290	117,383,195	(40,574,293)	242,867,467	226,662,076	81,382,460	54,327,545	149,334,881	222,387,626	245,315,458	422,185,325
Share capital													
Reserves	21,275,131	-	-	-	-	-	-	-	-	-	-	-	-
Unappropriated profit	56,562,833	-	-	-	-	-	-	-	-	-	-	-	-
Surplus on revaluation of assets	116,021,334	-	-	-	-	-	-	-	-	-	-	-	-
	73,659,344	-	-	-	-	-	-	-	-	-	-	-	-
	267,558,742	-	-	-	-	-	-	-	-	-	-	-	-

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

47.2.6.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank 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
Assets										
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	142,327,662	134,189,408	231,088,253	12,239,061
Advances	1,113,392,485	308,315,926	184,233,364	91,285,138	92,642,485	56,918,407	90,680,852	127,062,513	89,148,053	73,105,747
Fixed assets	54,251,555	-	-	-	851,344	2,401,684	851,344	1,407,464	-	48,739,719
Intangible assets	502,791	-	-	-	167,597	167,597	167,597	-	-	-
Right of Use Assets	6,605,400	-	18,146	53,920	184,297	588,608	457,559	1,417,863	2,657,819	1,227,188
Deferred tax assets	1,625,647	-	-	-	-	-	-	1,625,647	-	-
Other assets	100,255,148	41,482,788	14,111,487	9,617,316	2,757,559	29,022,877	725,138	1,087,707	1,450,276	-
Liabilities										
Bills payable	3,846,684,469	907,130,076	847,948,261	318,922,346	300,441,306	510,585,611	235,210,152	266,790,603	324,344,401	135,311,714
Borrowings	21,848,270	11,785,882	526,963	6,702,452	361,471	2,471,502	-	-	-	-
Deposits and other accounts	312,925,106	33,593,924	129,395,726	81,758,922	29,616,731	13,093,389	3,634,279	6,463,258	15,362,877	-
Liabilities against assets subject to right of use assets	3,019,155,045	763,888,028	185,078,506	296,787,793	462,965,150	413,860,284	486,684,939	408,594,611	1,315,732	-
Other liabilities	7,893,960	20,960	69,732	69,732	361,900	643,301	505,176	1,765,289	3,046,610	1,480,992
	198,659,523	78,524,701	18,508,262	30,670,330	3,654,598	25,961,043	8,538,736	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	499,363,131	433,400,099	27,837,675	9,593,448
Net assets										
	286,202,565	19,357,541	514,417,844	(97,066,883)	(196,518,543)	54,550,091	(284,152,979)	(166,609,496)	296,506,726	125,718,266
Share capital	21,275,131	-	-	-	-	-	-	-	-	-
Reserves	60,371,495	-	-	-	-	-	-	-	-	-
Unappropriated profit	140,073,817	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) on revaluation of assets	64,482,122	-	-	-	-	-	-	-	-	-
	286,202,565	-	-	-	-	-	-	-	-	-
Assets										
Cash and balances with treasury banks	249,259,590	149,866,293	1,763,659	45,629,218	49,204,166	2,796,254	-	-	-	-
Balances with other banks	14,227,355	12,716,556	364,979	455,390	690,430	-	-	-	-	-
Lending to financial institutions	126,804,675	126,804,675	-	-	-	-	-	-	-	-
Investments	1,463,398,076	165,436,765	466,849,352	45,910,297	152,201,308	97,645,814	157,346,293	125,301,464	237,876,475	14,830,309
Advances	983,254,527	303,934,725	149,304,778	55,843,636	59,201,007	41,668,685	78,281,159	157,288,456	86,006,957	51,725,124
Fixed assets	54,413,493	-	-	-	724,254	2,878,438	724,254	1,322,411	-	48,764,136
Intangible assets	303,813	-	-	-	101,271	101,271	101,271	-	-	-
Right of Use Assets	6,669,684	201	19,924	50,071	95,963	625,524	583,369	1,528,327	2,628,348	1,137,957
Other assets	110,195,768	37,069,234	17,542,509	9,309,630	2,408,285	38,014,615	3,351,081	2,500,414	-	-
	3,008,526,981	795,828,449	635,845,201	157,198,242	264,626,684	183,730,601	240,387,427	287,941,072	326,511,780	116,457,526
Liabilities										
Bills payable	16,795,186	8,784,880	499,727	6,439,082	194,485	877,012	-	-	-	-
Borrowings	138,539,005	10,688,517	10,993,746	56,908,784	42,516,430	2,392,767	3,509,557	6,420,414	5,108,790	-
Deposits and other accounts	2,418,966,479	691,675,247	118,540,644	338,032,867	336,495,938	309,364,692	305,388,438	317,997,480	1,471,173	-
Liabilities against assets subject to right of use assets	7,533,691	41	21,491	57,673	96,726	804,940	662,691	1,762,736	2,838,255	1,289,138
Deferred tax liabilities	2,978,364	-	-	-	-	-	-	2,978,364	-	-
Other liabilities	156,155,514	57,220,072	38,310,849	15,603,234	3,279,386	15,947,785	5,339,632	10,377,940	5,038,308	5,038,308
	2,740,968,238	768,368,757	168,366,457	417,041,640	382,582,965	329,387,196	314,900,318	339,536,934	14,456,526	6,327,446
Net assets										
	267,558,742	27,459,692	467,478,744	(259,843,398)	(117,956,281)	(145,656,595)	(74,512,891)	(51,595,862)	312,055,253	110,130,080
Share capital	21,275,131	-	-	-	-	-	-	-	-	-
Reserves	56,562,933	-	-	-	-	-	-	-	-	-
Unappropriated profit	116,021,334	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) on revaluation of assets	73,699,344	-	-	-	-	-	-	-	-	-
	267,558,742	-	-	-	-	-	-	-	-	-

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2021

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, foreign currency and interest rate 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) licence to perform derivative contracts. Once acquired, the Bank will carry out the transactions which are permitted under the Financial Derivatives Business Regulations issued by the SBP, which may include Interest rate swaps, forward rate agreements, foreign currency options etc.

Moreover, the Bank may also offer other derivative products to satisfy customer requirements, specific approval of which will be sought from the SBP on a transaction by transaction basis.

48. EVENTS AFTER THE REPORTING DATE

The Board of Directors has proposed a cash dividend of Rs. 1 per share (2020: Rs. Nil per share) amounting to Rs. 2,127.513 million (2020: Rs. Nil) at its meeting held on March 08, 2022 for approval of the members at the annual general meeting to be held on March 30, 2022. These unconsolidated financial statements do not reflect this appropriation as explained in note 5.20.

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 AUTHORIZATION FOR ISSUE

The unconsolidated financial statements were authorized for issue on March 08, 2022 by the Board of Directors of the Bank.

Zubyr Soomro
 Chairman

Arif Usmani
 President & CEO

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, 2021

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	M/S. Qureshi Brothers, Bahawalpur. 5-A, Heavy Industrial Area, Model Town 'B', Bahawalpur	Muhammad Ayub Qureshi 31202-2263837-3 Abdul Samad 31202-1515844-9 Abdul Qayyum 31202-7537115-9 Abdul Rauf 34402-1710024-7 Mst. Sultana Begum 31202-9609925-0 Mst. Anjum Shakoor 37405-3577028-0 Mst. Shazia Erum 34402-1635588-2	Abdul Shakoor Abdul Shakoor Abdul Shakoor Abdul Shakoor Abdul Shakoor Abdul Shakoor Abdul Shakoor	1,500	1,418	22	2,940	-	-	500	500
2	Khuda Bukhsh H.No.70, Gali No.1, Chaudhry Town, Liaquatpur	Khuda Bukhsh 31302-5411764-9	Faqir Bukhsh	634	-	-	634	634	-	-	634
3	Syed Waqar Shafaq Mohallah Mahakma Zarat, Liaquatpur, Tehsil Rahimyar Khan	Syed Waqar Shafaq 31302-8345377-9	Syed Abdullah Ashtaq Ahmed Shafaq	653	-	-	653	653	-	-	653
4	Saifullah Khan Bast Badar Munir, Chehleen wali, Dakhana Khas, Tehsil Ahmedpur	Saifullah Khan 31201-5382470-9	Hasoor Bukhsh	587	-	-	587	587	-	-	587
5	Shah Zaman Khan Ghan Chatter, Dakhana Muzaffarabad, Tehsil Muzaffarabad	Shah Zaman Khan 82203-4459614-3	Faqeer Muhammad	600	-	-	600	600	-	-	600
6	Saifdar Hussain Nigder PO Karin Tehsil: Athmuqum, Distt, Neelum AK	Saifdar Hussain 82202-920727-5	Muhammad Hussain	563	-	-	563	563	-	-	563
7	Muhammad Aslam(Late) House No. 10-9/381 Mohala Kili Deba Arbab Ali Road Quetta	Muhammad Aslam (Late) 54400-0468311-7	Muhammad Akbar	542	-	-	542	541	-	-	541
8	Anneer Ali Magsi Goth Bujarani Tehsil Jal Magsi.	Anneer Ali Magsi 53302-2093074-5	Sher Muhammad	673	143	-	816	673	-	-	673

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				
9	Late Rab Rakhio S/o Dur Muhammad Mughari Village Pandhi Khan Mughari Taluka Kamber District Kamber - Shahdadkot	Late Rab Rakhio 43202-7530861-9	Dur Muhammad Mughari	511	-	-	511	511	-	-	511
10	Late Ashraf Ali S/o Wahid Behleem Village Garhi Suto P.O. Jean Abro Taluka Kamber Ali Khan District Kamber - Shahdadkot	Late Ashraf Ali 43202-0732537-5	Wahid Behleem	795	-	-	795	795	-	-	795
11	Late Ameer Ali S/o Muhammad Patoojo Village Mahi Makol P.O. Mahi Makol Merhoon Taluka Kamber Ali Khan District Kamber - Shahdadkot	Late Ameer Ali 43202-6449204-5	Muhammad Patoojo	818	-	-	818	818	-	-	818
12	Late Ghulam Mustafa S/o Mir Bakhtshah Khan Muhall Drib P.O. Shahdadkot District Kamber - Shahdadkot	Late Ghulam Mustafa 43201-1458511-1	Mir Bakhtshah Khan	973	-	-	973	973	-	-	973
13	Late Muhammad Younis S/o Ahmed Lashari Village Albar Khan Chandio P.O. Shahdadkot District Kamber - Shahdadkot	Late Muhammad Younis 43206-6395654-1	Ahmed Lashari	862	-	-	862	862	-	-	862
14	Late Rehmatullah S/o Bagh Ali Alias Biju Residence of Khanpur road House No.394/41 Muhalla Sanjirani Shikarpur	Late Rehmatullah 43304-649922-7	Bagh Ali Alias Biju	809	-	-	809	809	-	-	809
15	Late Ashique Ali S/o Muhammad Nawaz Juj New Nazar Muhalla Larkana	Late Ashique Ali 43203-5561356-7	Muhammad Nawaz Juj	618	-	-	618	618	-	-	618
16	Late Wazir Ahmed S/o Rasool Bux Panthwar Village Pechoha Dist: Dadu	Late Wazir Ahmed 41201-3227942-5	Rasool Bux Panthwar	814	-	-	814	814	-	-	814
17	Late Abdul Razaq S/o Abdul Qadir Thahem First Fami Line Jacobabad	Late Abdul Razaq 43102-2477711-3	Abdul Qadir Thahem	588	-	-	588	588	-	-	588
18	Late Imdad Hussain S/o Datar Dino Abbasi Near Al Hussani Masjid Muhalla Kalhora Abad Dist Larkana	Late Imdad Hussain 43203-9719026-1	Datar Dino Abbasi	710	-	-	710	710	-	-	710
19	Late Ali Akbar S/o Muhram Khan Sodhar Village Faiz Muhammad Sodhar P.O. Warrah	Late Ali Akbar 43207-0172083-9	Muhram Khan Sodhar	835	-	-	835	835	-	-	835
20	Late Zulfiqar Ali S/o Poshan Burro Village Khamiso Kalhora Warrah Distt: Kamber Shahdadkot	Late Zulfiqar Ali 43207-6721647-7	Roshan Burro	652	-	-	652	652	-	-	652
21	Late: Abdul Razaque S/o Muhammad Umar Leghari Muhalla Jaffarabad Jacobabad	Late: Abdul Razaque 43102-4891098-5	Muhammad Umar Leghari	751	-	-	751	751	-	-	751
22	Late Shoukat Ali Village Rabarji Wando, Dakhana Muhammadpur Odho, Tehsil Garhi Khairo, Distt: Jacobabad	Late Shoukat Ali 43101-6275684-3	Ghous Bux	615	-	-	615	615	-	-	615
23	Late Ghulam Hyder Village Suleman Dool Taluka Thull	Late Ghulam Hyder 43105-4709049-7	Tagio Khan	523	-	-	523	523	-	-	523

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				
24	Late Assadullah Muhalla Galib Nager Taluka & Distt Larkana	Late Assadullah 43203-7645041-1	Ghous Bux Khushk	549	-	-	549	549	-	-	549
25	Late Ghulam Rasool Hamidullah Huzori Mohala Miro Khan Taluka Miro Khan Dist Kamber Ali Khan	Late Ghulam Rasool 43204-1152340-1	Bakshal Kalhoro	752	-	-	752	752	-	-	752
26	Late Aijaz Ali Village Thar Wadho Taluka Miro Khan Dist Kamber Shahdadkot	Late Aijaz Ali 43204-3217325-5	Muhammad Siddiqui Tunio	761	-	-	761	761	-	-	761
27	Mazhar Ali Village P.O Wagan Ghathar Dist Kamber Shahdadkot	Mazhar Ali 43202-9470096-9	Muham Ali Mirbahar	697	-	-	697	697	-	-	697
28	Peeral Village War Wara Mullan Kakar Taluka K.N Shah	Peeral 41203-7987437-9	Ghulam Hyder Paryo	839	-	-	839	839	-	-	839
29	M. Ibrahim Village Faqir Muhammad PO kakar Taluka K.N Shah	M. Ibrahim 41203-1643237-5	Kando Brahamani	623	-	-	623	623	-	-	623
30	Ali Hassan Shahan Jo Padar Muhalla Lahori Larkana	Ali Hassan 43203-6939277-5	Rasool Bux Memon	576	-	-	576	576	-	-	576
31	Abdul Rauf VIP Road House No.09 Stret No.04 Muhalla Police Head Quarter Larkana	Abdul Rauf 43203-8203081-9	Haji Ahmed Abbasi	594	-	-	594	594	-	-	594
32	Syed Raham Shah Village Khairo Khan Jatoi PO Wagan Dist Qambar Shahdadkot	Syed Raham Shah 43207-5448381-7	Himat Ali Shah	562	-	-	562	562	-	-	562
33	Ghulam Muhammad Village Muhalla Ali Abad Larkana	Ghulam Muhammad 43203-1357392-3	Darya Khan Khoso	545	-	-	545	545	-	-	545
34	Gul Muhammad Village Dodani Panthwar Makhdoom Bilawal Dadu	Gul Muhammad 41201-7161285-1	Ali Bux Panthwar	719	-	-	719	719	-	-	719
35	Riaz Ahmed Village Meer Karam Khan Brohi, P.O. Quboo Saeed Khan, Distt: Qambar Shahdadkot	Riaz Ahmed 43406-0339589-1	Sawan Khan Bhatti	526	-	-	526	526	-	-	526
36	Aijaz Ali Nanik Wara Muhalla Malik City Kandhkot	Aijaz Ali 43103-6689918-1	Rahim Bux Malik	654	-	-	654	654	-	-	654
37	Ghulam Sarwar Bhittal Rice Mill Qadri Muhalla Thull	Ghulam Sarwar 43105-4405674-5	Abdul Latif Burro	563	-	-	563	563	-	-	563
38	Nadir Hussain Village Shangoo Ranojo PO Madeji Taluka Garhi Yasin Dist Shikarpur	Nadir Hussain 43301-9495399-7	Ghulam Muhammad Abro	870	-	-	870	870	-	-	870
39	Muhammad Sadique Muhalla Nazar Larkana	Muhammad Sadique 43102-6489792-9	Sohrab Khan Phulpoto	864	-	-	864	864	-	-	864

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				
40	Ghulam Rasool Village Daro Napar Taluka Lakhi Ghulam Shah, Distt: Shikarpur	Ghulam Rasool 43105-4405674-5	Muhammad Anwar Abro	771	-	-	771	771	-	-	771
41	Late Muhammad Murad Village Deedar P.O Kamber	Late Muhammad Murad 43202-9836503-7	Muhammad Umar Siyal	754	-	-	754	754	-	-	754
42	Late Shabir Ali Village Wai Muhammad Gorar P.O. Thariri, Taluka Mehr Dadu	Shabir Ali 41205-3402887-1	Muhammad Panah Chandio	872	-	-	872	872	-	-	872
43	Late Qamaruddin Village Lal Bux Noonari Taluka Thull Distt Jacobabad	Qamaruddin Lashari 43103-8210721-1	Ali Muhammad Lashari	883	-	-	883	883	-	-	883
44	Late Riaz Ahmed Mohallah Gaian Pur Chowk, Near MCB Bank, Distt: Larkana	Riaz Ahmed 43203-2514340-9	Allah Dino Soomro	534	-	-	534	534	-	-	534
45	Late Asadullah Village Nau Sobho Khan Jatoi Johi Belo P.O Madeji Taluka Garhi Yasin Distt Shikarpur	Late Asadullah 43202-0732537-5	Shah Bux Jatoi	653	-	-	653	653	-	-	653
46	Late Abdul Khaliq Air Port Road Muhalla Allah Abad Larkana	Late Abdul Khaliq 43203-6543586-5	Bakhshal Khan Shaikh	581	-	-	581	581	-	-	581
47	Late Ghulam Yaseen Mohallah Village Wakro, P.O. Taluka Dokri, Distt: Larkana	Late Ghulam Yaseen 43201-4571317-9	Azizullah Soomro	986	-	-	986	986	-	-	986
48	Messrs New Mannan Medical & General Store H.No.334, Block-A, Settlite Town, Sargodha Business Address: Chowk settlita Town Fatima Jinnah Road, Sargodha	Muhammad Rafi 38403-3360023-7 Muhammad Raees 38403-5409957-1	Muhammad Shafi Muhammad Rafi	3,000	-	3,089	6,089	-	-	1,018	1,018
49	Khalid Hussain Ansari, House No.A-1408/47, KRI Quarter Old Sukkur	Khalid Hussain Ansari, 45504-9949954-1	Nisar Hussain	900	-	-	900	900	-	-	900
50	Mushtaque Hyder S/O Muhammad Malook, ward No. 04 Karim Shah Colony Kandiaro Taluka Kandiaro Distt: N. Feroze	Mushtaque Hyder 45302-8368240-1	Muhammad Malook	1,717	-	-	1,717	1,717	-	-	1,717
51	Muhammad Kawish, Mouza Arain Wahan, Tehsil Malis, Distt: Vehari	Muhammad Kawish 36302-1607593-9	Ashiq Muhammad	2,900	1,603	10	4,513	-	-	534	534
52	Atta Ullah H.No.439, Ward No.3, Near Chitti Kothi, Khanewal	Atta Ullah 36302-1607593-9	Iman Bukhsh	638	-	-	638	638	-	-	638
53	Qazi Naveed Akhtar H # CD-148, Muhallah Ghaziabad, Droke Syedan, Rawalpindi	Qazi Naveed Akhtar 37405-6372365-3	Qazi Walaat Hussain	509	-	-	509	509	-	-	509

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				
54	Ghulam Mustafa Nadeem H.No. CB-316, Street # 9D, Aslam Market, Rawalpindi Cantt.	Ghulam Mustafa Nadeem 35303-2058532-7	Aashiq Hussain	596	-	-	596	596	-	-	596
55	Muhammad Akram Leghari S/o Manzoor Ahmed Khan Leghari House no 477-C, Street no 178 G-7/3-1, Islamabad	Muhammad Akram Leghari 61101-7386959-3	Manzoor Ahmed Khan	1,445	95	-	1,540	1,445	-	-	1,445
56	Israr Hussain Shah S/o Sakbar Ali Shah PO Jahala, Lehtar Bala, Tehsil Kahuta, District Rawalpindi	Israr Hussain Shah 37402-2172503-5	Sakbar Ali Shah	535	-	-	535	535	-	-	535
57	Sheikh Anwar Jamal Hous No. 72, Ward No. 6-M, Street No. 02, Mohalla Chah Bohar Wala Multan	Sheikh Anwar Jamal 36302-0386241-9	Sheikh Jamal ud din	602	23	-	625	602	-	-	602
58	Ejaz Hussain P.O. Khas, Mauza Salar Mahan Nau, Kabinwala	Ejaz Hussain 36102-55882240-3	Muhammad Buksh	723	40	-	763	723	-	-	723
59	Riaz Hussain QTR # 3, Ratan Preedy Police, Karachi	Riaz Hussain 42301-0421147-1	Syed Nisar Hussain	677	-	-	677	677	-	-	677
60	Raja Tariq Nawaz House No. 267/5 Street #21 Sector I-9 Islamabad	Raja Tariq Nawaz 61101-2000580-9	Raja Rabnawaz Khan	1,298	55	-	1,353	545	-	-	545
61	United Agro Engineers Address: Opposite Telephone Exchange, Circular Road Daska	Mr. Mirza Yasir 34601-1140979-3	Muhammad Younis	-	75	6	81	-	-	603	603
		Mr. Muhammad Nasir 34601-5833439-9	Muhammad Younis								
		Mr. Muhammad Amir 34601-6478093-9	Muhammad Younis								
		Mr. Muhammad Tayyab Ali 34601-5997769-1	Muhammad Younis								
62	Muhammad Nawaz S/o Muhammad Sharif House # P-223, St - 1, Mohalla Eid gah Jaranwala	Muhammad Nawaz 33104-2248318-5	Muhammad Sharif	878	18	-	896	878	-	-	878
63	Syed Sibet Ul Hassan Botala Sharan Singh Tehsil & District Gujranwala	Syed Sibet Ul Hassan 34101-1167496-3	Syed Akbar Shah	678	-	-	678	678	-	-	678
64	Agha Dilshad Hussain Amin pur Syedan P/O Doburjee Baga Tehsil & District Gujranwala	Agha Dilshad Hussain 34101-0984183-9	Syed Asghar Ali Shah	564	-	-	564	564	-	-	564
65	Sajjad Ahmed Moh. Khandaq, Kot Najeab Ullah, Thesil & Distt: Heripur	Sajjad Ahmed 13302-3230010-1	Muhammad Aslam	551	-	-	551	551	-	-	551
66	Saeed Muhammad S/o Muttal Mohallah Mashraqui, VPO, Mong Tehsil & Distt: M.B.Din	Saeed Muhammad 34402-4507559-3	Muttal	549	-	-	549	549	-	-	549

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				
67	Ghulam Rasool Khan S/o Abdul Qadir Khan H.No.805, MuhallahDamdama, Eminabad, Gujranwala	Ghulam Rasool Khan 34101-2211426-9	Abdul Qadir Khan	576	-	-	576	576	-	-	576
68	Pace Corporation House#69, Road#19, Rupnagar, Mirpur- 01	Mir Salaudhin NID No: 3612676893391	Mir Mozzamel Haque	119,468	26,295	253,348	399,112	81,364	-	253,348	334,712
69	Fortuna Fried Chicken 95/A Road #7, SEC # 4 Uttara, Dhaka	Md Fazle Taher NID No: 258779982969	Md. Abu Taher	31,731	34,634	99,150	165,516	-	-	99,150	99,150
70	Propel International Ltd. House-53,55 Road # 03, Block # B, Niketan, Gulshan-1, Dhaka	Md Shawquat Azim NID No: 2650898233300	Late Najir Ahmed	93,885	20,114	11,343	125,342	-	-	11,343	11,343
				297,774	84,513	366,969	749,257	125,900	-	366,497	492,397

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 189 (2020: 191) Islamic banking branches and no Islamic banking windows at the year ended December 31, 2021.

	Note	2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
ASSETS			
Cash and balances with treasury banks		6,591,139	5,713,009
Balances with other banks		12,531	11,948
Investments	1	49,548,760	42,109,641
Islamic financing and related assets - net	2	42,316,209	37,546,704
Fixed assets		100,620	148,884
Right of use assets (ROUA)		641,973	755,116
Other assets		1,686,568	2,676,118
Total Assets		100,897,800	88,961,420
LIABILITIES			
Bills payable		388,351	339,103
Deposits and other accounts	3	84,849,520	75,268,262
Due to Head Office		7,635,926	4,124,758
Lease liability against right of use assets		826,081	903,196
Other liabilities		455,249	2,198,144
		94,155,127	82,833,463
NET ASSETS		6,742,673	6,127,957
REPRESENTED BY			
Islamic Banking Fund		4,646,000	3,360,000
Surplus on revaluation of assets		594,005	659,569
Unappropriated / unremitted profit	5	1,502,668	2,108,388
		6,742,673	6,127,957

The profit and loss account of the Bank's Islamic banking branches for the year ended December 31, 2021 is as follows:

	Note	2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
Profit / return earned	6	7,212,495	7,994,894
Profit / return expensed	7	(3,180,849)	(3,456,533)
Net Profit / return		4,031,646	4,538,361
Other income			
Fee and Commission Income		285,694	367,852
Foreign Exchange Income		37,404	56,745
Other Income		13,218	1,344
Total other income		336,316	425,941
Total Income		4,367,962	4,964,302
Other expenses			
Operating expenses		(2,742,428)	(2,453,894)
Other charges		(1,516)	(2,512)
Total other expenses		(2,743,944)	(2,456,406)
Profit before provisions		1,624,018	2,507,896
Provisions and write offs - net		(121,350)	(399,508)
Profit before taxation		1,502,668	2,108,388
Taxation		-	-
Profit after taxation		1,502,668	2,108,388

Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Unconsolidated Financial Statements

1

		Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	Investments by segments:								
		----- (Rupees in '000) -----							
	Federal Government Securities:								
	-Ijarah Sukuks	14,000,979	-	(31,279)	13,969,700	6,000,000	-	15,600	6,015,600
	-Others (Bai Muajjal with GOP @ 13.30%)	10,914,185	-	-	10,914,185	11,641,133	-	-	11,641,133
		24,915,164	-	(31,279)	24,883,885	17,641,133	-	15,600	17,656,733
	Non Government Debt Securities								
	-Listed	8,200,000	-	340,000	8,540,000	8,400,000	-	311,741	8,711,741
	-Unlisted	15,970,398	(130,807)	285,284	16,124,875	15,539,747	(130,807)	332,228	15,741,168
		24,170,398	(130,807)	625,284	24,664,875	23,939,747	(130,807)	643,969	24,452,909
	Total Investments	49,085,562	(130,807)	594,005	49,548,760	41,580,879	(130,807)	659,569	42,109,641

2	Islamic financing and related assets	Note	2021	2020
			(Rupees in '000)	
	Ijarah	2.1	95,075	168,788
	Murabaha	2.2	903,901	3,464,401
	Diminishing Musharaka		21,834,074	17,614,309
	Istisna		-	50,000
	Other Islamic Modes (Wakala tul Istismar)		8,500,000	8,500,000
	Advances against Islamic assets (Murbaha, DM, Istisna)		11,226,981	8,076,678
	Inventory related to Islamic financing (Istisna)		469,000	275,600
	Gross Islamic financing and related assets		43,029,031	38,149,776
	Less: Provision against Islamic financings			
	- Specific		(712,763)	(602,913)
	- General		(59)	(159)
			(712,822)	(603,072)
	Islamic financing and related assets - net of provision		42,316,209	37,546,704

2.1	Ijarah	2021					
		Cost			Depreciation		Book Value as at December 31, 2021
		At January 1, 2021	Additions / (deletions)	As at December 31, 2021	At January 1, 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)	

Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Unconsolidated Financial Statements

2020						
Cost			Accumulated Depreciation			Book Value as at December 31, 2020
As at January 01, 2020	Additions / (deletions)	As at December 31, 2020	As at January 01, 2020	Charge/ Adjustment for the year	As at December 31, 2020	
----- (Rupees in '000) -----						
255,075	-	249,123	137,966	42,760	175,050	74,073
	(5,952)			(5,676)		
277,812	-	239,219	139,282	42,832	144,504	94,715
	(38,593)			(37,610)		
532,887	-	488,342	277,248	85,592	319,554	168,788
	(44,545)			(43,286)		

Future Ijarah payments receivable

2021				2020			
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	71,589	54,398	-	125,987	85,318	91,290	-

	Note	2021	2020
		(Rupees in '000)	(Rupees in '000)
2.2 Murabaha			
Murabaha financing	2.2.1	903,901	3,464,401
Advances for Murabaha		1,285,000	1,199,500
		2,188,901	4,663,901
2.2.1 Murabaha receivable - gross	2.2.2	982,249	3,629,825
Less: Deferred murabaha income	2.2.4	25,980	47,306
Less: Profit receivable shown in other assets		52,368	118,118
		903,901	3,464,401
2.2.2 The movement in Murabaha financing during the year is as follows:			
Opening balance		3,629,825	1,835,295
Sales during the year		7,905,588	10,600,101
Adjusted during the year		10,553,164	8,805,571
Closing balance		982,249	3,629,825

Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Unconsolidated Financial Statements

	2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
2.2.3 Murabaha sale price	7,905,588	10,600,101
Murabaha purchase price	7,739,500	9,901,022
	166,088	699,079
2.2.4 Deferred murabaha income		
Opening balance	47,306	71,105
Arising during the year	184,383	287,727
Less: Recognised during the year	(205,709)	(311,526)
Closing balance	25,980	47,306

3 Deposits	2021			2020		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	------(Rupees in '000)-----					
Customers						
Current deposits	21,520,192	264,535	21,784,727	26,363,269	111,710	26,474,979
Savings deposits	42,730,234	-	42,730,234	33,051,442	-	33,051,442
Term deposits	8,148,745	-	8,148,745	10,129,005	-	10,129,005
	72,399,171	264,535	72,663,706	69,543,716	111,710	69,655,426
Financial Institutions						
Current deposits	700,103	-	700,103	778,039	-	778,039
Savings deposits	6,064,983	-	6,064,983	3,633,797	-	3,633,797
Term deposits	5,420,728	-	5,420,728	1,201,000	-	1,201,000
	12,185,814	-	12,185,814	5,612,836	-	5,612,836
	84,584,985	264,535	84,849,520	75,156,552	111,710	75,268,262

	2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
3.1 Composition of deposits		
- Individuals	41,007,219	36,485,509
- Government / Public Sector Entities	21,697,189	23,406,681
- Banking Companies	6,873,275	2,698,853
- Non-Banking Financial Institutions	5,312,539	2,913,983
- Private Sector	9,959,298	9,763,236
	84,849,520	75,268,262

3.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 43,701 million (2020: Rs. 39,137 million).

Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Unconsolidated Financial Statements

	2021 ------(Rupees in '000)-----	2020
4 Charity Fund		
Opening Balance	621	10,911
Additions during the period		
Received from customers on account of delayed payment	79	710
Profit on charity saving account	14	-
	<u>714</u>	<u>11,621</u>
Payments / utilization during the period		
Education	-	1,500
Health	650	9,500
Others	650	11,000
Closing Balance	<u>64</u>	<u>621</u>
Charity amount exceeding Rs. 0.5 million paid to the following organizations.		
The Indus Hospital	-	3,000
The Prime Minister's Covid-19 Pandemic Relief Fund -2020	-	5,000
Shaukat Khanum Memorial Trust	-	1,000
Institute of Business Administration (IBA)	-	1,500
	<u>-</u>	<u>10,500</u>
5 Islamic Banking Business Unappropriated / Unremitted Profit		
Opening Balance	2,108,388	2,039,140
Add: Islamic Banking profit for the year	1,502,668	2,108,388
Less: Transferred / Remitted to Head Office	(2,108,388)	(2,039,140)
Closing Balance	<u>1,502,668</u>	<u>2,108,388</u>
6 Profit / Return Earned of Financing, Investments and Placement		
Profit earned on:		
Financing	3,157,329	3,991,541
Investments	2,819,221	2,714,544
Placements	560	30,245
Others (Bai Muajjal)	1,235,385	1,258,564
	<u>7,212,495</u>	<u>7,994,894</u>

Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Unconsolidated Financial Statements

	2021 ------(Rupees in '000)-----	2020
7 Profit on Deposits and other Dues Expensed		
Deposits and other accounts	2,520,353	2,956,946
Amortisation of lease liability against - ROUA	82,908	89,738
Others (General Account)	577,588	409,849
	3,180,849	3,456,533

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) accepts deposits on the basis of Mudaraba from depositors (Rab ul Maal). 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 78 during the year and 44 as at December 31, 2021)

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.

Sector	2021 ----- (Percentage) -----	2020 -----
Fertilizer	1.12%	1.54%
Textile	4.60%	3.21%
Fuel & energy	40.71%	48.01%
Leasing/Modarbas	0.34%	0.21%
Sugar	7.94%	6.51%
Cement	7.43%	9.00%
Gas	0.91%	1.58%
Financial	1.59%	2.00%
Federal Government	24.61%	19.68%
Real Estate	2.98%	2.20%
Agriculture	0.34%	0.00%
Others	7.43%	6.06%
Total	100.00%	100.00%

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-21 (Rupees in '000)
Mudarib Share	
Gross Distributable Income	4,749,885
Mudarib (Bank) share of profit before Hiba	1,899,055
Mudarib Share in percentage	40%
Hiba from Mudarib Share	
Mudarib (Bank) share of profit before Hiba	1,899,055
Hiba from bank's share to depositors	230,892
Hiba from bank's share to depositors in percentage	12%

Profit rates

During the year ended December 31, 2021 the average profit rate earned by NBP Islamic Banking Group is 8.98% and the profit rate distributed to the depositors is 4.93%.



Greater Good...

COLLECTIVE GROWTH

5

Consolidated Financial Statements

Consolidated
Financial Statements
of the Group along
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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 "the Bank" and its Group Companies for the year ended December 31, 2021.

Consolidated after-tax profit for the year ended December 31, 2021 amounted to PKR 28.76 Bn, being 6.0% lower than PKR 30.59 Bn earned for the corresponding year 2020. During the year, the Bank's subsidiaries contributed a net profit of PKR 388.95 Mn (2020: PKR 328.06 Mn) towards the Group's profitability, and the share of profits from associates was PKR 23.06 Mn (2020: PKR 42.81 Mn). A share of profit of PKR 217.51 Mn (2020: loss of PKR 219.39 Mn) was however recorded on account of UNBL, a UK based Joint Venture in which NBP has 45% shareholding. Accordingly, consolidated EPS for the year 2021 stood at PKR 13.44 as compared to PKR 14.33 for the corresponding year. As of December 31, 2021, consolidated assets of the Bank amounted to PKR 3,857.03 Bn i.e. 27.8% higher than December 31, 2020 level of PKR 3,017.21 Bn.

Profit for the year ended December 31, 2021 after carry forward of accumulated profit of 2020 is proposed to be appropriated as follows:

	(PKR 'Mn)
After-tax profit for the year ended December 31, 2021	28,760.38
Unappropriated profit brought forward	120,631.78
Other comprehensive income - net of tax	(1,326.99)
Non-controlling interest	(159.92)
Transfer from surplus on revaluation of fixed assets	208.09
Profit available for appropriations	119,352.96
	148,113.35
Appropriation:	
Transfer to statutory reserve	(2,800.80)
Unappropriated profit carried forward	145,312.55

For and on behalf of the Board of Directors

Arif Usmani
President & CEO

Zubyr Soomro
Chairman

Karachi
Date: March 08, 2022

ڈائریکٹرز کا جائزہ

مجموعی مالیاتی گوشوارے

محترم حصص داران

بورڈ آف ڈائریکٹرز کی جانب سے، ہمیں 31 دسمبر 2021 کو ختم ہونے والے سال کے لیے نیشنل بینک آف پاکستان "دی بینک" اور اس کی گروپ کمپنیوں کے آڈٹ شدہ مجتمع مالیاتی گوشوارے کے ساتھ ڈائریکٹرز کا جائزہ پیش کرتے ہوئے خوشی ہو رہی ہے۔

31 دسمبر 2021 کو ختم ہونے والے سال کے لیے مجتمع بعد از ٹیکس منافع 28.76 ارب روپے رہا، جو 31 دسمبر 2020 کو ختم ہونے والے سال کے لیے کمائے گئے 30.59 ارب روپے سے 6.0% کم ہے۔

اس مدت کے دوران ہمارے گروپ کی ذیلی کمپنیوں کی طرف سے گروپ کے منافع میں 388.95 ملین روپے (2020: 328.06 ملین روپے)، جبکہ منسلکہ کمپنیوں کی طرف سے حصہ 23.06 ملین روپے (2020: 42.81 ملین روپے) رہا۔

تاہم برطانیہ میں واقع مشترکہ منصوبے، UNBL جس میں بینک کا 45% حصص ہے، کی وجہ سے 217.51 ملین روپے کا منافع (2020: 219.39 ملین روپے کا نقصان) ریکارڈ کیا گیا اس طرح 31 دسمبر 2021 کو ختم ہونے والے سال کے لیے مجموعی فی حصص آمدنی (EPS) گزشتہ سال کے 14.33 روپے فی حصص کے مقابلے میں 13.44 روپے فی حصص ہو گئی۔

31 دسمبر 2021 کو بینک کے مجموعی اثاثوں کی مالیت 3,857.03 ملین روپے تھی جو کہ 31 دسمبر 2020 کے بینک کے مجموعی اثاثوں کی مالیت 3,017.21 ملین روپے سے 27.8% زیادہ ہے۔

2020 کے جمع شدہ منافع کو آگے بڑھانے کے بعد 31 دسمبر 2021 کو ختم ہونے والے منافع کو اس طرح مختص کرنے کی تجویز ہے:

31 دسمبر 2021 کو ختم ہونے والے سال کے لیے بعد از ٹیکس منافع

(ملین روپے)
28,760.38
120,631.78
(1,326.99)
(159.92)
208.09
119,352.96
148,113.35
(2,800.80)
145,312.25

31 دسمبر 2021 کو ختم ہونے والے سال کے لیے بعد از ٹیکس منافع

غیر تصرف شدہ آگے لایا جانے والا منافع

دیگر جامع آمدنی۔ بعد از ٹیکس

نان کنٹرولنگ انٹر سٹ

جامد اثاثوں کی نظر ثانی شدہ قدر کی وجہ سے ذخائر سے منتقلی

تصرف کے لیے دستیاب منافع

تصرف:

قانونی ذخائر میں منتقلی

غیر تصرف شدہ منافع۔ آگے بڑھانے کے لیے:

بورڈ آف ڈائریکٹرز کے لیے اور انکی جانب سے

زبیر سومرو
چیئر مین

عارف عثمانی

صدر وی ای او

کراچی

تاریخ: 08 مارچ، 2022

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 Auditor's 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, 2021, 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, 2021 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 *Auditor's 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 26.3.3.1 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 qualified 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.

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>Provision against advances:</p> <p>(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 branches is made as per the requirements of the respective regulatory regimes.</p> <p>The Group has recognised a net provision against advances amounting to Rs. 11,003 million in the consolidated profit and loss account in the current year. As at December 31, 2021, the Group holds a provision of Rs 192,127 million against advances. Moreover, the Group has recognised 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"> • Obtained an understanding of the management process to record provision and ensure that it is consistent with the requirement of PRs; and • 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. <p>We selected a sample of loan accounts and performed the following substantive procedures to evaluate the appropriateness of specific and general provision:</p> <ul style="list-style-type: none"> • Checked credit documentation, repayments of loan / mark-up instalments, tested classification of non-performing advances based on the number of days overdue; • 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; • 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; • We also reviewed minutes of the meeting of credit and audit committee to identify risky exposures; and • We had discussions with management to challenge assumptions and judgements used in recording provisions. <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>Valuation of listed equity shares, units of mutual funds and term finance certificates classified as available-for-sale</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"> each investment's cost was compared to its market value wherever available to determine decline / surplus in valuation; 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 5.26(c); and For TFCs, checked that listed TFCs were valued as per the quoted prices and for unlisted TFCs, we checked that these were valued at cost less provision. Further, on sample basis, TFCs were also evaluated based on evidence of deterioration in the financial health of the investee and repayment pattern.
3	<p>Regulatory Matters in respect of New York Branch</p> <p>(Refer note 26.5 to the consolidated financial statements)</p>	
	<p>The Group operates a branch in New York which is licensed by the New York State Department of Financial Services (NYDFS) and is also subject to supervision by the Federal Reserve Bank of New York (FRBNY).</p> <p>In February 2022, the Group has reached agreements with FRBNY and NYDFS, the US Regulators of NBP's New York Branch. The agreements include fines totaling US \$ 55.4 million equivalent to Rs. 9,778 million and focused on historical compliance program weaknesses and delays in making compliance related enhancements.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> Discussed with the senior management and the Board Audit Committee to obtain their views on the status of the regulatory matters; Reviewed relevant regulatory correspondence with State Bank of Pakistan on the compliance matters raised with respect to New York Branch; Reviewed the orders issued by the US Regulators in which fines were imposed on the Group;

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Chartered Accountants

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S.No.	Key Audit Matter	How the matter was addressed in our audit
	<p>Under the agreements, the Group is required to submit status and progress reports at defined frequencies to the Regulators with respect to the remedial measures being taken.</p> <p>The above action taken by the US Regulators, including the amount of penalties imposed is a significant event and has been considered as a key audit matter.</p>	<ul style="list-style-type: none"> Reviewed the minutes of meetings of the Board of Directors in which deliberations relevant to compliance matters raised by the US Regulators with respect to New York Branch took place; and <p>Evaluated the adequacy of disclosure in accordance with the applicable financial reporting framework.</p>

Information Other than the Consolidated and Unconsolidated Financial Statements and Auditor's 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.

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 and Companies Act, 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.

Auditor's 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 auditor's 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 a 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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A.F. Ferguson & Co.
Chartered Accountants

- 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 auditor's 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 auditor's 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 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 matter 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 consolidated 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.

Other Matter

The consolidated financial statements of the Group as at and for the year ended December 31, 2020 were audited by Yousuf Adil, Chartered Accountants and Grant Thornton Anjum Rahman, Chartered Accountants, who had expressed an unmodified opinion on those statements vide their report dated February 25, 2021.

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 8, 2022
UDIN: AR202110091ts8EUqLVc

A. F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: March 8, 2022
UDIN: AR202110068odhSaWepV

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Member firm of PwC network

Consolidated Statement of Financial Position

As at December 31, 2021

2020 ----- (US Dollars in '000) -----	2021		Note	2021 ----- (Rupees in '000) -----	2020
ASSETS					
1,416,150	1,579,872	Cash and balances with treasury banks	7	278,868,736	249,969,566
85,066	108,837	Balances with other banks	8	19,211,237	15,015,366
718,385	1,900,516	Lendings to financial institutions	9	335,466,675	126,804,675
8,307,610	11,006,190	Investments	10	1,942,741,191	1,466,405,373
5,573,916	6,307,246	Advances	11	1,113,314,128	983,871,421
312,083	310,649	Fixed assets	12	54,833,801	55,086,809
5,791	6,637	Intangible assets	13	1,171,446	1,022,143
39,753	40,172	Right of use assets	14	7,090,980	7,017,020
-	10,780	Deferred tax assets	15	1,902,811	-
634,612	580,318	Other assets	16	102,433,942	112,017,619
17,093,366	21,851,217			3,857,034,947	3,017,209,992
LIABILITIES					
95,150	123,777	Bills payable	17	21,848,270	16,795,186
784,864	1,772,811	Borrowings	18	312,925,106	138,539,005
13,703,929	17,098,679	Deposits and other accounts	19	3,018,147,709	2,418,928,469
1,117	757	Liabilities against assets subject to finance lease	20	133,598	197,224
44,582	47,366	Lease liability against right of use assets	21	8,360,755	7,869,355
16,617	-	Deferred tax liabilities	15	-	2,933,124
892,540	1,136,435	Other liabilities	22	200,596,128	157,545,347
15,538,799	20,179,825			3,562,011,566	2,742,807,710
1,554,567	1,671,392	NET ASSETS		295,023,381	274,402,282
REPRESENTED BY					
120,530	120,530	Share capital	23	21,275,131	21,275,131
326,272	353,668	Reserves	24	62,427,269	57,591,417
419,162	368,215	Surplus on revaluation of assets	25	64,994,980	73,987,802
683,414	823,237	Unappropriated profit		145,312,547	120,631,784
1,549,378	1,665,650	Total Equity attributable to the equity holders of the Bank		294,009,927	273,486,134
5,189	5,742	Non-controlling interest		1,013,454	916,148
1,554,567	1,671,392			295,023,381	274,402,282

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.

Zubyr Soomro
Chairman

Arif Usmani
President & CEO

Abdul Wahid Sethi
Chief Financial Officer

Asif Jooma
Director

Ahsan Ali Chughtai
Director

Consolidated Profit and Loss Account

For the year ended December 31, 2021

2020 ----- (US Dollars in '000) -----	2021 ----- (Rupees in '000) -----	Note	2021 ----- (Rupees in '000) -----	2020 ----- (Rupees) -----	
1,461,822	1,314,643	Mark-up / return / interest earned	27	232,052,245	258,031,378
870,483	760,761	Mark-up / return / interest expensed	28	134,284,644	153,651,948
591,339	553,882	Net mark-up / interest income		97,767,601	104,379,430
		NON MARK-UP / INTEREST INCOME			
110,362	108,776	Fee and commission income	29	19,200,385	19,480,452
10,397	25,582	Dividend income		4,515,634	1,835,129
24,600	38,827	Foreign exchange income		6,853,433	4,342,201
44,828	35,139	Gain on securities - net	30	6,202,525	7,912,766
(1,243)	1,232	Share of profit / (loss) from joint venture - net of tax	10.4	217,507	(219,389)
243	131	Share of profit from associates - net of tax	10.4	23,057	42,813
22,466	10,516	Other income	31	1,856,263	3,965,483
211,653	220,203	Total non-markup / interest income		38,868,804	37,359,455
802,992	774,085	Total income		136,636,405	141,738,885
		NON MARK-UP / INTEREST EXPENSES			
363,293	345,918	Operating expenses	32	61,059,172	64,126,064
1,793	1,966	Other charges	33	346,979	316,439
365,086	347,884	Total non-markup / interest expenses		61,406,151	64,442,503
437,906	426,201	Profit before provisions		75,230,254	77,296,382
175,125	66,053	Provisions and write offs - net	34	11,659,325	30,911,976
-	55,400	Extra ordinary item	26.5	9,778,848	-
262,781	304,748	PROFIT BEFORE TAXATION		53,792,081	46,384,406
89,503	141,812	Taxation	35	25,031,700	15,798,487
173,278	162,936	PROFIT AFTER TAXATION		28,760,381	30,585,919
		Attributable to:			
172,733	162,030	Equity holders of the Bank		28,600,461	30,489,753
545	906	Non-controlling interest		159,920	96,166
173,278	162,936			28,760,381	30,585,919
----- (US Dollars) -----				----- (Rupees) -----	
0.08	0.08	Basic earnings per share	36	13.44	14.33
0.08	0.08	Diluted earnings per share	37	13.44	14.33

The annexed notes 1 to 52 and annexures I and II form an integral part of these consolidated financial statements.

Zubyr Soomro
Chairman

Arif Usmani
President & CEO

Abdul Wahid Sethi
Chief Financial Officer

Asif Jooma
Director

Ahsan Ali Chughtai
Director

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2021

2020 ----- (US Dollars in '000) -----	2021		2021 ----- (Rupees in '000) -----	2020
173,278	162,936	Profit after taxation for the year	28,760,381	30,585,919
		Other comprehensive income		
		Items that may be reclassified to profit and loss account in subsequent periods:		
7,222	11,529	Exchange gain on translation of net assets of foreign branches, subsidiaries and joint venture	2,035,053	1,274,736
16,981	(49,278)	Movement in surplus on revaluation of investments - net of tax	(8,698,153)	2,997,432
24,203	(37,749)		(6,663,100)	4,272,168
		Items that will not be reclassified to profit and loss account in subsequent periods:		
(2,821)	(7,721)	Remeasurement loss on defined benefit obligations - net of tax	(1,362,794)	(497,972)
3,671	(1,049)	Movement in surplus on revaluation of operating fixed assets - net of tax	(185,241)	647,924
1,214	559	Movement in surplus on revaluation of non-banking assets - net of tax	98,660	214,238
-	203	Share of remeasurement gain on defined benefit obligations of joint venture - net of tax	35,807	-
2,064	(8,008)		(1,413,568)	364,190
199,545	117,179	Total comprehensive income	20,683,713	35,222,277
		Total comprehensive income attributable to:		
199,000	116,273	Equity holders of the Bank	20,523,793	35,126,111
545	906	Non-controlling interest	159,920	96,166
199,545	117,179		20,683,713	35,222,277

The annexed notes 1 to 52 and annexures I and II form an integral part of these consolidated financial statements.

Zubyr Soomro
Chairman

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President & CEO

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Asif Jooma
Director

Ahsan Ali Chughtai
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2021

	Share capital	Reserves				Surplus 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				
Balances as at December 31, 2019	21,275,131	11,570,596	33,168,855	8,000,000	521,338	53,260,789	25,253,452	45,105,135	70,358,587	238,360,023	862,532	239,222,555
Profit after taxation for the year ended December 31, 2020	-	-	-	-	-	-	-	-	-	30,489,753	96,166	30,585,919
Other comprehensive income - net of tax	-	1,274,736	-	-	-	1,274,736	2,997,432	862,162	3,859,594	4,636,358	-	4,636,358
Transfer to statutory reserve	-	-	3,055,892	-	-	3,055,892	-	-	-	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(230,379)	(230,379)	230,379	-	-
Transactions with owners, recorded directly in equity	-	-	-	-	-	-	-	-	-	-	(42,550)	(42,550)
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2020	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	273,486,134	916,148	274,402,282
Profit after taxation for the year ended December 31, 2021	-	-	-	-	-	-	-	-	-	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)	(8,076,668)	-	(8,076,668)
Transfer to statutory reserve	-	-	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	-	-	-	-	-	-	-	-	-	-	(62,614)	(62,614)
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2021	21,275,131	14,880,385	39,025,546	8,000,000	521,338	62,427,269	19,552,731	45,442,249	64,994,980	294,005,927	1,013,454	295,023,381

The annexed notes 1 to 52 and annexures I and II form an integral part of these consolidated financial statements.

Zubyr Soomro
Chairman

Arif Usmani
President & CEO

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Asif Jooma
Director

Ahsan Ali Chughtai
Director

Consolidated Cash Flow Statement

For the year ended December 31, 2021

2020 ---- (US Dollars in '000) ----	2021		Note	2021 ----- (Rupees in '000)-----	2020
CASH FLOW FROM OPERATING ACTIVITIES					
262,781	304,748	Profit before taxation		53,792,081	46,384,406
(10,397)	(25,582)	Less: Dividend income		(4,515,634)	(1,835,129)
252,384	279,166			49,276,447	44,549,277
Adjustments:					
26,370	26,750	Depreciation		4,721,808	4,654,608
1,354	2,429	Amortization		428,807	238,932
175,125	66,053	Provision and write-offs	34	11,659,325	30,911,976
(131)	(406)	Gain on sale of fixed assets - net		(71,702)	(23,053)
4,644	4,791	Finance charges on leased assets		845,616	819,777
(60)	690	Unrealized loss / (gain) on revaluation of investments classified as held-for-trading		121,834	(10,556)
42,191	42,274	Charge for defined benefit plans - net		7,461,902	7,447,274
1,243	(1,232)	Share of (profit) / loss from joint venture - net of tax		(217,507)	219,389
(243)	(131)	Share of profit from associates - net of tax		(23,057)	(42,813)
250,493	141,218			24,927,026	44,215,534
502,877	420,384			74,203,473	88,764,811
(Increase) / Decrease in operating assets					
53,681	(1,074,655)	Lendings to financial institutions		(189,691,077)	9,475,335
(342,783)	(133,088)	Held-for-trading securities		(23,491,840)	(60,505,845)
(35,124)	(820,280)	Advances		(144,790,548)	(6,199,885)
279,356	35,534	Others assets (excluding advance taxation)		6,272,244	49,310,051
(44,870)	(1,992,489)			(351,701,221)	(7,920,344)
Increase / (Decrease) in operating liabilities					
(17,405)	28,627	Bills payable		5,053,084	(3,072,238)
(1,665,491)	745,737	Borrowings from financial institutions		131,632,640	(293,981,639)
1,251,711	3,394,750	Deposits		599,219,240	220,943,896
(182,491)	221,388	Other liabilities		39,077,967	(32,212,081)
(613,676)	4,390,502			774,982,931	(108,322,062)
(4,644)	(4,791)	Financial charges paid		(845,616)	(819,777)
(121,221)	(126,878)	Income tax adjusted / paid	16.6	(22,395,757)	(21,397,144)
(10,297)	(17,178)	Benefits paid		(3,032,126)	(1,817,492)
(291,831)	2,669,550	Net cash flow generated from / (used in) operating activities		471,211,684	(51,512,008)
CASH FLOW FROM INVESTING ACTIVITIES					
(449,783)	(1,736,575)	Net investments in available-for-sale securities		(306,529,009)	(79,392,691)
742,147	(889,382)	Net investments in held-to-maturity securities		(156,987,867)	130,999,035
10,397	25,582	Dividends received		4,515,634	1,835,129
(11,902)	(13,121)	Investments in operating fixed assets		(2,316,063)	(2,100,884)
546	781	Proceeds from sale of operating fixed assets		137,839	96,316
7,222	11,529	Effect of translation of net investment in foreign branches		2,035,053	1,274,736
298,627	(2,601,186)	Net cash flow (used in) / generated from investing activities		(459,144,413)	52,711,641
CASH FLOW FROM FINANCING ACTIVITIES					
(493)	(493)	Payments of finance lease obligations		(86,992)	(86,992)
(12,386)	(15,105)	Payments of lease liability against right of use assets		(2,666,257)	(2,186,264)
(7)	(20)	Dividend paid		(3,519)	(1,152)
(12,886)	(15,618)	Net cash flow used in financing activities	38.1	(2,756,768)	(2,274,408)
(6,090)	52,746	Increase / (Decrease) in cash and cash equivalents		9,310,503	(1,074,775)
1,500,262	1,494,173	Cash and cash equivalents at beginning of the year		263,741,704	264,816,479
1,494,172	1,546,919	Cash and cash equivalents at end of the year	38	273,052,207	263,741,704

The annexed notes 1 to 52 and annexures I and II form an integral part of these consolidated financial statements.

Zubyr Soomro
Chairman

Arif Usmani
President & CEO

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, 2021

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" consists of:

Holding Company

- National Bank of Pakistan (the Bank)

Subsidiary Companies

- CJSC Subsidiary Bank of NBP in Kazakhstan
- CJSC Subsidiary Bank of NBP in Tajikistan
- NBP Exchange Company Limited, Pakistan
- National Bank Modaraba Management Company Limited, Pakistan
- First National Bank Modaraba, Pakistan
- Taurus Securities Limited, Pakistan
- NBP Fund Management Limited, Pakistan
- Cast-N-Link Products Limited (Note 10.17.1)

Percentage Holding	
2021	2020
%	%

100.00	100.00
100.00	100.00
100.00	100.00
100.00	100.00
30.00	30.00
58.32	58.32
54.00	54.00
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 Pakistan Stock Exchange (PSX). Its registered and head office is situated at I.I. Chundrigar Road, Karachi. The Bank is engaged in providing commercial banking and related services in Pakistan and overseas. The Bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The Bank operates 1,513 (2020: 1,514) branches in Pakistan including 189 (2020: 191) Islamic Banking branches and 19 (2020: 21) overseas branches (including the Export Processing Zone branch, Karachi). The Bank also provides services in respect of Endowment Fund for students loan scheme.

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.

CJSC Subsidiary Bank of NBP in Tajikistan

CJSC Subsidiary Bank of NBP in Tajikistan (JSCT) is a joint-stock bank, which was incorporated in the Republic of Tajikistan in 2012. JSCT obtained its license on March 20, 2012 and is engaged in providing commercial banking services. The registered office of JSCT is located at 48 Ayni Street, Dushanbe, Republic of Tajikistan.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

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. Kiryani Road, Karachi. NBPECL is engaged in foreign currency remittances and exchange transactions. NBPECL has 21 branches (2020: 21 branches) and 1 booth (2020: 1).

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, 2021 NBP Funds is managing the following funds and discretionary portfolio:

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

	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
- 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
- NBP Islamic Regular Income 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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

2. BASIS OF PRESENTATION

- 2.1 In accordance with the directives of the Federal Government of Pakistan regarding shifting of banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible form 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 of these consolidated financial statements.

- 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. 176.5135 to 1 US Dollar has been used for 2021 and 2020 as it was the prevalent rate as on December 31, 2021.

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 Acts, 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. 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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

3.4 Application of new and revised International Financial Reporting Standards (IFRSs)

3.4.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended December 31, 2021

The following standards, amendments and interpretations are effective for the year ended December 31, 2021. 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. Effective from accounting period beginning on or after June 01, 2020.
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16). Effective from accounting period beginning on or after January 01, 2021.

Certain annual improvements have also been made to a number of IFRSs

3.4.2 New accounting standards, amendments and IFRS interpretations 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 IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022
International Financial Reporting Standard - 9 "Financial Instruments"	January 01, 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)	January 01, 2022
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
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 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 Consolidated Financial Statements

For the year ended December 31, 2021

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** As per SBP's BPRD Circular Letter no. 24 of 2021, IFRS 9 'Financial Instruments' is applicable to banks in Pakistan effective January 1, 2022. The aforementioned circular letter required banks to submit IFRS 9 compatible pro forma financial statements for the year ended December 31, 2021 and perform parallel run of IFRS 9 on quarterly basis. Further, it was stated that final instructions will be issued subsequently based on the results of parallel reporting of banks.

The Banks in Pakistan through the Pakistan Banks Association (PBA) have submitted their comments on instructions issued for parallel reporting and requested that those are addressed in the final instructions to be issued. The matters raised include retaining some relaxations given presently in the Prudential Regulations, prescription of macro-economic variables, retaining local regulatory requirements pertaining to IFRS 9 related areas on overseas branches, impact on Capital Adequacy Ratio (CAR), guidance on Significant Increase in Credit Risk (SICR) criteria, future tax impacts of any reversals, recording of Expected Credit Loss (ECL) on Government securities denominated in local currency, including further clarifications required in certain areas.

Due to the fact that final instructions have not yet been issued and there are a large number of reservations on the draft instructions, the banks are collectively of the opinion that impact on initial application of IFRS 9 cannot be determined as at December 31, 2021.

- 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.

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 present value.

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 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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

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 related unrealized gain / (loss) on revaluation being taken to profit and loss account.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

- 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) 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, 2021

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 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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

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.

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 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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

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.

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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

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.

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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

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.

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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

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 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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

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, 2021.

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 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.

During the year the Group changes its organizational structure in a manner that causes the composition of its reportable segments to change, and accordingly the prior year disclosure is restated to reflect the current reportable segments in note 44.

Business segments

The Group's primary segment reporting is based on 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** segment 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** segment includes the results of all international branches, correspondent banking business and global remittances. This represents Group's operations in 14 countries including Pakistan and 19 branches including one branch in export processing zone in Pakistan.
- VI. **Aitemaad and Islamic Banking** 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.

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Geographical segments

The Group is operating following geographic lines for monitoring and reporting purpose:

- I. Pakistan
- II. Asia Pacific (including South Asia)
- III. Europe
- IV. United States of America
- V. Middle East

5.26 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 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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

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.

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

The Board of Directors (BoD) of the Bank, in their meeting held on January 20 and 21, 2020, have decided for closure of their two overseas Subsidiaries in Almaty (Kazakhstan) and Dushanbe (Tajikistan) along with three overseas branches in Baku (Azerbaijan), Bishkek (Kyrgyzstan) and Asghabat (Turkmenistan) so their carrying amount will be recovered principally through continuing use. With regards to regulatory approval, the Bank applied to ministry of finance and State Bank of Pakistan for their endorsements and accordingly received their approval, with respect to the BoD decision, on April 07, 2020 and April 24, 2020 respectively.

Further, it has been decided by BoD to restrict their country operations in Afghanistan (Jalalabad) and Bangladesh (Sylhet, Chittagong and Gulshan) to one branch in each country located in Kabul and Dhaka respectively.

As of December 31, 2021, Bank has closed down its operations in Tashkent (Uzbekistan), Jalalabad (Afghanistan) and Sylhet (Bangladesh). The licenses of Ashgabat (Turkmenistan), Dushanbe (Tajikistan) and Almaty (Kazakhstan) have been cancelled and these locations are under closure process. Further, as of January 17, 2022, the BoD has approved the closure of its operation of Paris branch.

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Particulars	As at December 31, 2021						Total
	CJSC	CJSC					
	Subsidiary	Subsidiary	Baku	Bishkek	Ashgabat	Paris	
	Bank of NBP in	Bank of NBP in	(Azerbaijan)	(Kyrgyzstan)	(Turkmenistan)	(France)	
	Kazakhstan	Tajikistan					
	(Almaty)	(Dushanbe)					
	----- (Subsidiaries) -----		----- (Branches) -----				
	----- (Rupees in '000) -----						
Total Assets	1,700,218	796,668	981,309	1,714,063	352,392	3,329,382	8,874,032
Total Liabilities	1,566	908	60,027	4,101	-	2,776,326	2,842,928
Profit / (loss) for the year	(57,131)	(30,082)	(34,466)	12,527	(21,624)	(408,935)	(539,711)

7. CASH AND BALANCES WITH TREASURY BANKS

In hand:

	Note	2021 ----- (Rupees in '000) -----	2020 ----- (Rupees in '000) -----
Local currency		56,039,638	48,499,942
Foreign currency		6,924,389	6,925,688
		62,964,027	55,425,630

With State Bank of Pakistan in:

Local currency current accounts	7.1	133,688,708	125,017,412
Foreign currency current accounts	7.2	11,738,428	10,209,399
Foreign currency deposit accounts	7.2	24,098,591	21,022,297
Foreign currency collection accounts		1,226,824	1,618,084
		170,752,551	157,867,192

With other central banks in:

Foreign currency current accounts	7.3	40,265,103	29,581,326
Foreign currency deposit accounts	7.3	2,920,706	4,789,170
		43,185,809	34,370,496
Prize bonds		1,966,349	2,306,248
		278,868,736	249,969,566

- 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 6.30% per annum (2020: 0% to 3.50% per annum).

Notes to and forming part of the Consolidated Financial Statements

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8. BALANCES WITH OTHER BANKS	Note	2021	2020
		------(Rupees in '000)-----	-----
In Pakistan:			
In current accounts		171,930	33,502
In deposit accounts	8.1	595,236	394,071
		767,166	427,573
Outside Pakistan:			
In current accounts		12,797,681	8,708,983
In deposit accounts	8.2	5,646,390	5,878,810
		18,444,071	14,587,793
		19,211,237	15,015,366

8.1 These include various deposits with banks and carry interest at rates ranging from 2.5% to 8% per annum (2020: 2% to 8% per annum).

8.2 These include various deposits with correspondent banks outside Pakistan and carry interest at rates ranging from 0% to 1.5% per annum (2020: 0% to 2.5% per annum).

9. LENDINGS TO FINANCIAL INSTITUTIONS	Note	2021	2020
		------(Rupees in '000)-----	-----
Call / clean money lendings	9.1	21,009,723	2,040,800
Repurchase agreement lendings (Reverse Repo)	9.2 & 9.8	282,051,308	124,763,875
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	176,150
	9.6	335,640,825	126,980,825
Less: provision held against lendings to financial institutions	9.7 & 9.9	(174,150)	(176,150)
Lendings to financial institutions - net of provision		335,466,675	126,804,675

9.1 This includes zero rate lendings to a financial institution Rs. 9.7 million (2020: Rs. 40.8 million) which is guaranteed by the SBP.

9.2 These carry mark-up at rates ranging from 8.75% to 10.7% per annum (2020: 6% to 7.29% per annum) with maturities ranging from January 4, 2022 to January 14, 2022.

9.3 This represents Musharaka agreements entered into with Meezan Bank Limited and carrying profit at the rate of 10.65% (2020: nil) 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". These placements are for a period of six months to one year and carry no mark-up.

9.5 These are overdue placements and full provision has been made against these placements as at December 31, 2021.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

		2021	2020
		----- (Rupees in '000) -----	
9.6	Particulars of lending		
	In local currency	335,640,825	126,980,825
	In foreign currencies	-	-
		<u>335,640,825</u>	<u>126,980,825</u>
9.7	Movement in provision held against lendings is as follows:		
	Opening balance	176,150	176,150
	Reversal for the year	(2,000)	-
	Closing balance	<u>174,150</u>	<u>176,150</u>

9.8 Securities held as collateral against lendings to financial institutions

	2021			2020		
	Held by Group	Further given as collateral	Total	Held by Group	Further given as collateral	Total
----- (Rupees in '000) -----						
Market Treasury Bills	163,594,180	-	163,594,180	91,230,121	-	91,230,121
Pakistan Investment Bonds	118,457,128	-	118,457,128	33,533,754	-	33,533,754
Total	<u>282,051,308</u>	<u>-</u>	<u>282,051,308</u>	<u>124,763,875</u>	<u>-</u>	<u>124,763,875</u>

9.8.1 Market value of the securities under repurchase agreement lendings amounts to Rs. 279,633 million (2020: Rs. 125,094 million).

9.9 Category of classification

	2021		2020	
	Classified Lending	Provision held	Classified Lending	Provision held
----- (Rupees in '000) -----				
Domestic				
Loss	174,150	174,150	176,150	176,150
Total	<u>174,150</u>	<u>174,150</u>	<u>176,150</u>	<u>176,150</u>

Notes to and forming part of the Consolidated Financial Statements

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10. INVESTMENTS	Investments by type:	2021				2020			
		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		Note							
Market Treasury Bills		90,744,281	-	(55,659)	90,688,622	96,157,306	-	3,529	96,160,835
Pakistan Investment Bonds		29,114,020	-	(65,016)	29,049,004	496,805	-	(1,455)	495,350
Ordinary shares of listed companies		139,329	-	-	139,329	157,217	-	-	157,217
Investment in mutual funds		451,492	-	(1,160)	450,332	282,361	-	8,482	290,843
Foreign Government Securities		1,374,638	-	-	1,374,638	1,105,840	-	-	1,105,840
Available-for-sale securities		121,823,760	-	(121,834)	121,701,925	98,199,529	-	10,556	98,210,085
Market Treasury Bills		721,736,763	-	(430,492)	721,306,271	529,397,138	-	690,817	530,087,955
Pakistan Investment Bonds		571,528,321	-	(8,147,316)	563,381,005	470,136,168	-	2,776,564	472,912,732
Ijarah Sukuks		14,000,979	-	(31,279)	13,969,700	6,000,000	-	15,600	6,015,600
Ordinary shares of listed companies		34,150,987	(6,110,939)	11,765,469	39,805,517	33,242,726	(5,568,236)	20,257,485	47,931,975
Ordinary shares of unlisted companies		1,882,198	(410,893)	-	1,471,305	1,865,982	(410,893)	-	1,455,089
Preference shares		1,706,823	(539,708)	98,614	1,265,729	1,445,308	(539,708)	194,250	1,099,850
Term Finance Certificates / Musharika and Sukuk Bonds		55,505,182	(5,200,180)	959,516	51,264,518	60,250,294	(5,196,406)	856,659	55,910,547
GoP Foreign Currency Bonds		20,778,528	-	26,435	20,804,963	10,429,632	-	411,243	10,840,875
Foreign Government Securities		880,932	-	26,372	907,304	2,795,017	-	52,159	2,847,176
Foreign Currency Debt Securities		-	-	-	-	79,438	-	1,202	80,640
Investments in mutual funds		619,646	(41,167)	1,289,705	1,868,184	619,646	(41,167)	1,421,691	2,000,170
Ordinary shares of a bank outside Pakistan		463,294	-	27,060,912	27,524,206	463,295	-	17,189,483	17,652,778
		1,423,253,653	(12,302,887)	32,617,936	1,443,568,702	1,116,724,644	(11,756,410)	43,867,153	1,148,835,387
Held-to-maturity securities		10.6.1							
Market Treasury Bills		-	-	-	-	-	-	-	-
Pakistan Investment Bonds		324,726,185	-	-	324,726,185	168,676,415	-	-	168,676,415
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates		407,164	(407,134)	-	30	414,972	(407,134)	-	7,838
Bai Muajjal with Government of Pakistan		10,914,185	-	-	10,914,185	11,641,133	-	-	11,641,133
Foreign Government Securities		34,091,600	-	-	34,091,600	32,418,809	-	-	32,418,809
Foreign Currency Debt Securities		680	-	-	680	618	-	-	618
		370,139,814	(407,134)	-	369,732,680	213,151,947	(407,134)	-	212,744,813
Associates		1,271,766	(674,785)	-	596,981	1,259,067	(697,984)	-	561,083
Joint Venture		7,140,903	-	-	7,140,903	6,054,005	-	-	6,054,005
Subsidiaries		1,245	(1,245)	-	-	1,245	(1,245)	-	-
Total Investments		1,923,631,141	(13,386,051)	32,496,101	1,942,741,191	1,435,390,437	(12,862,773)	43,877,709	1,466,405,373

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

	2021			2020				
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution		Surplus / (deficit)
Investments by segments:	(Rupees in '000)							
Federal Government Securities:								
Market Treasury Bills	812,481,044	-	(486,151)	811,994,893	625,554,444	-	694,346	626,248,790
Pakistan Investment Bonds	925,368,526	-	(8,212,332)	917,156,194	639,309,388	-	2,775,109	642,084,497
Bai Muajjal Government of Pakistan	10,914,185	-	-	10,914,185	11,641,133	-	-	11,641,133
Ijarah Sukuks	14,000,979	-	(31,279)	13,969,700	6,000,000	-	15,600	6,015,600
	1,762,764,734	-	(8,729,762)	1,754,034,972	1,282,504,965	-	3,485,055	1,285,990,020
Shares								
Listed Companies	34,290,316	(6,110,939)	11,765,469	39,944,846	33,399,943	(5,568,236)	20,257,485	48,089,192
Unlisted Companies	1,882,198	(410,893)	-	1,471,305	1,865,982	(410,893)	-	1,455,089
	36,172,514	(6,521,832)	11,765,469	41,416,151	35,265,925	(5,979,129)	20,257,485	49,544,281
Non Government Debt Securities								
Term Finance Certificates/Musharka/Bonds/ Debentures and Sukuk Bonds								
Listed	17,232,822	(1,092,251)	405,860	16,546,431	20,713,777	(1,031,475)	405,860	20,088,162
Unlisted	38,679,524	(4,515,063)	553,656	34,718,117	39,951,489	(4,572,065)	450,799	35,830,223
	55,912,346	(5,607,314)	959,516	51,264,548	60,665,266	(5,603,540)	856,659	55,918,385
Foreign Securities								
GoP Foreign Currency Bonds	20,778,528	-	26,435	20,804,963	10,429,632	-	411,243	10,840,875
Foreign Government Securities	36,347,170	-	26,372	36,373,542	36,319,666	-	52,159	36,371,825
Foreign Currency Debt Securities	680	-	-	680	80,056	-	1,202	81,258
	57,126,378	-	52,807	57,179,185	46,829,354	-	464,604	47,293,958
Preference shares	1,706,823	(539,708)	98,614	1,265,729	1,445,308	(539,708)	194,250	1,099,850
Investments in mutual funds	1,071,138	(41,167)	1,288,545	2,318,516	902,007	(41,167)	1,430,173	2,291,013
Ordinary shares of a bank outside Pakistan	463,294	-	27,060,912	27,524,206	463,295	-	17,189,483	17,652,778
Associates								
- Listed								
First Credit and Investment Bank Limited	211,537	(17,229)	-	194,308	210,505	(28,830)	-	181,675
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)	-	-
AgriTech Limited	-	-	-	-	-	-	-	-
NBP Stock Fund	512,401	(109,728)	-	402,673	500,734	(121,326)	-	379,408
	1,031,242	(434,261)	-	596,981	1,018,543	(457,460)	-	561,083
10.9								
10.7								
10.10								
10.16								
10.8								
Note								

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

	2021			2020				
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
- Unlisted	----- (Rupees in '000) -----							
Note								
10.11	50,565	(50,565)	-	-	50,565	(50,565)	-	-
Pakistan Emerging Venture Limited	6,500	(6,500)	-	-	6,500	(6,500)	-	-
National Fructose Company Limited	44,815	(44,815)	-	-	44,815	(44,815)	-	-
National Assets Insurance Company Limited	32,105	(32,105)	-	-	32,105	(32,105)	-	-
Dadabhoj Energy Supply Company Limited	106,539	(106,539)	-	-	106,539	(106,539)	-	-
Pakistan Mercantile Exchange Limited	240,524	(240,524)	-	-	240,524	(240,524)	-	-
10.12	1,271,766	(674,785)	-	596,981	1,259,067	(697,984)	-	561,083
Joint Venture								
United National Bank Limited	7,140,903	-	-	7,140,903	6,054,005	-	-	6,054,005
Subsidiaries								
Cast-N-Link Products Limited	1,245	(1,245)	-	-	1,245	(1,245)	-	-
10.17	1,923,631,141	(13,386,051)	32,496,101	1,942,741,191	1,435,390,437	(12,862,773)	43,877,709	1,466,405,373
Total Investments								
10.2.1								
Investments given as collateral	----- (Rupees in '000) -----							
Pakistan Investment Bonds				30,682,290				2,300,000
Market Treasury Bills				96,128,050				3,000,000
				126,810,340				5,300,000

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

	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
(Rupees in '000)									
10.2.2 Associates									
Listed									
First Credit and Investment Bank Limited	20,000,000	30.77	Pakistan	June 30, 2021	2,272,038	1,522,087	145,063	20,535	11,620
National Fibres Limited	17,030,231	20.19	Pakistan	-	-	-	-	-	-
Land Mark Spinning Mills Limited	3,970,859	32.79	Pakistan	June 30, 2020	174,448	252,160	-	(16,925)	(16,925)
SG Allied Businesses Limited	3,754,900	25.03	Pakistan	June 30, 2021	1,166,565	475,775	16,903	(11,922)	(11,907)
Nina Industries Limited	4,906,000	20.27	Pakistan	-	-	-	-	-	-
AgriTech Limited	106,014,565	27.01	Pakistan	December 31, 2020	67,176,554	60,735,890	5,699,723	(4,296,900)	(4,295,428)
NBP Stock Fund	31,347,444	2.69	Pakistan	June 30, 2021	21,132,632	438,759	5,805,098	4,980,935	4,980,935
Unlisted									
Pakistan Emerging Venture Limited	12,500,000	33.33	Pakistan	June 30, 2019	1,194	345	96	(175)	(175)
National Fructose Company Limited	1,300,000	39.50	Pakistan	-	-	-	-	-	-
Venture Capital Fund Management	33,333	33.33	Pakistan	-	-	-	-	-	-
Kamal Enterprises Limited	11,000	20.37	Pakistan	-	-	-	-	-	-
Mehran Industries Limited	37,500	32.05	Pakistan	-	-	-	-	-	-
National Assets Insurance Company Limited	4,481,500	8.96	Pakistan	December 31, 2020	689,888	7,813	64,505	22,828	22,427
Tharparkar Sugar Mills Limited	2,500,000	21.52	Pakistan	-	-	-	-	-	-
Youth Investment Promotion Society	644,508	25.00	Pakistan	-	-	-	-	-	-
Dadabhai Energy Supply Company Limited	9,900,000	23.11	Pakistan	-	-	-	-	-	-
K-Agricole Limited	5,000	20.00	Pakistan	-	-	-	-	-	-
New Pak Limited	200,000	20.00	Pakistan	-	-	-	-	-	-
Pakistan Mercantile Exchange Limited	10,653,860	33.98	Pakistan	June 30, 2021	2,663,957	2,614,291	301,213	8,674	8,674
Prudential Fund Management Limited	150,000	20.00	Pakistan	-	-	-	-	-	-
10.2.3 Joint Venture									
United National Bank Limited	20,250,000	45.00	United Kingdom	December 31, 2020	132,418,446	115,791,392	2,564,653	(459,068)	(351,298)
10.2.4 Subsidiaries									
Cast-N-Link Products Limited	1,245,000	76.51	Pakistan	N/A*	-	-	-	-	-

* Not available

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

	2021 ----- (Rupees in '000) -----	2020
10.3 Provision for diminution in value of investments		
Opening balance	12,862,773	12,895,866
Charge / (reversals)		
Charge for the year	1,242,251	1,258,140
Reversals for the year	(718,973)	(1,291,233)
	523,278	(33,093)
Closing Balance	13,386,051	12,862,773

10.3.1 Particulars of provision against debt securities

Category of classification

Domestic

Doubtful

Loss

Total

2021		2020	
NPI	Provision	NPI	Provision
----- (Rupees in '000) -----			
-	-	119,133	59,567
5,607,314	5,607,314	5,552,738	5,543,973
5,607,314	5,607,314	5,671,871	5,603,540

10.4 Movement Schedule for Associates and Joint Venture

	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
Joint Venture	----- (Rupees in '000) -----									
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
Associates										
Unlisted										
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
Listed										
First Credit and Investment Bank Limited	210,505	-	-	-	4,381	-	-	(3,349)	-	211,537
Land Mark Spining 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, 2021

2020									
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	5,827,985	-	-	-	(219,389)	303,896	18,516	122,997	- 6,054,005
	5,827,985	-	-	-	(219,389)	303,896	18,516	122,997	- 6,054,005
Associates									
Unlisted									
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
Listed									
First Credit and Investment Bank Limited	208,089	-	-	-	9,242	-	-	(6,826)	- 210,505
Land Mark Spining 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	467,163	-	-	-	33,571	-	-	-	500,734
	1,223,080	-	-	-	42,813	-	-	(6,826)	- 1,259,067

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

	2021	2020
	----- (Rupees in '000) -----	
10.5 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	721,736,763	529,397,138
Pakistan Investment Bonds	571,528,321	470,136,168
Ijarah Sukuks	14,000,979	6,000,000
Cost	1,307,266,063	1,005,533,306
Shares		
Listed companies sector-wise		
Automobile Assembler	614,233	536,303
Automobile Parts and Accessories	1,113,967	843,923
Cable and Electrical Goods	269,669	211,166
Cement	2,919,974	1,882,741
Chemical	788,003	753,684
Commercial Banks	3,648,181	3,896,815
Engineering	1,096,335	855,646
Fertilizer	1,929,148	2,457,103
Food and Personal Care	1,218,036	1,393,503
Glass and Ceramics	72,522	203,855
Insurance	1,642,720	1,713,756
Investment Banks / Investment companies / Securities companies	513,566	513,840
Leasing Companies	13,738	21,890
Leather and Tanneries	297,568	189,470
Modarabas	-	120
Oil and Gas Exploration Companies	2,702,776	2,408,733
Oil and Gas Marketing Companies	6,117,686	5,954,784
Paper and Board	675,319	402,039
Pharmaceuticals	995,798	512,974
Power Generation and Distribution	3,000,787	2,988,617
Real Estate Investment Trust	305,972	586,526
Refinery	447,422	900,998
Sugar and Allied Industries	260,476	288,528
Synthetic and Rayon	32,622	91,980
Technology and Communication	754,027	960,033
Textile Composite	1,552,549	1,890,534
Textile Spinning	655,364	638,440
Textile Weaving	25,854	25,854
Transport	32,068	32,385
Miscellaneous	454,607	86,486
Cost	34,150,987	33,242,726

	2021		2020	
Unlisted companies	Cost	Breakup value	Cost	Breakup value
	----- (Rupees in '000) -----			
Digri Sugar Mills Limited	4,063	135,585	4,063	135,585
JDM Textile Mills Limited	-	-	4,784	324,651
Gelcaps Pakistan Limited	4,665	8,842	4,665	8,842
Pakistan Agriculture Storage Service Corporation	5,500	1,623	5,500	1,623

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

Unlisted companies	2021		2020	
	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	(6,810)	6,500	(6,640)
Atlas Power Limited	375,000	1,544,905	375,000	1,328,000
Attock Textile Mills Limited	200	N/A	200	N/A
Pakistan Mortgage Refinance Company Limited	600,000	1,006,700	600,000	770,195
F.T.C. Management Company Private Limited	250	40,094	250	46,998
Fauji Akbar Portia Marines Terminal Limited	321,076	570,681	321,076	570,680
Fauji Oil Terminals and Distribution Limited	10,886	119,741	10,886	99,059
First Women Bank Limited	21,100	79,733	21,100	71,946
Fortune Securities Limited	5,000	11,411	5,000	7,574
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	50,902	30,346	46,890
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	35,899	1,526	74,484
National Investment Trust Limited	100	1,003,283	100	830,782
National Woolen Mills Limited	183	N/A	183	N/A
Natover Lease and Refinance	2,602	N/A	2,602	N/A
Newshehra 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	82	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	1,503,561	132,888	1,322,458
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

* Not available

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

Unlisted companies	2021		2020	
	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 (Guarantee) Limited	50,000	267,895	50,000	139,362
Pakistan Corporate Restructuring Company Limited	96,000	N/A	96,000	N/A
Pakvitae (Private) Limited	21,000	N/A	-	-
	1,882,198		1,865,982	

* Not available

Non Government Debt Securities	2021	2020
	(Rupees in '000)	
Listed		
- AAA	42,055	1,597,751
- AA+, AA, AA-	9,265,030	11,049,399
- A+, A, A-	833,334	966,667
- Unrated	7,073,222	7,072,012
Cost	17,213,641	20,685,829
Unlisted		
- AAA	22,132,940	19,792,681
- AA+, AA, AA-	4,010,113	5,212,557
- A+, A, A-	2,745,811	2,850,000
- BBB+, BBB, BBB-	299,760	299,820
- Unrated	9,102,917	11,409,407
Cost	38,291,541	39,564,465

Foreign Securities

Government Securities	2021		2020	
	Cost	Rating	Cost	Rating
(Rupees in '000)			(Rupees in '000)	

USA	880,932	AA+	2,795,017	AA+
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Non Government Debt Securities - Cost	2021	2020
	(Rupees in '000)	

Listed

- A+	-	79,438
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Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

		2021	2020
		----- (Rupees in '000) -----	
10.6	Particulars relating to Held to Maturity securities are as follows:		
	Federal Government Securities - Government guaranteed		
	Pakistan Investment Bonds	324,726,185	168,676,415
	Bai Muajjal with Government of Pakistan	10,914,185	11,641,133
		335,640,370	180,317,548
	Non Government Debt securities		
	Listed		
	- Unrated	19,181	27,948
		19,181	27,948
	Unlisted		
	- Unrated	387,983	387,025
		387,983	387,025
	Foreign Securities		
		2021	2020
		Cost Rating	Cost Rating
		(Rupees in '000)	(Rupees in '000)
	Government Securities		
	Azerbaijan	204,494 BB+	646,649 BB+
	Bangladesh	29,672,064 Ba3	27,277,984 BB-
	Kyrgyzstan	841,944 B2	1,118,290 B2
	Kingdom of Saudi Arabia	2,631,097 A	2,551,243 A+
	Korea	742,001 AA	734,572 AA
		34,091,600	32,418,809
	Non Government Debt Securities		
	Listed		
	- Unrated - Cost	680	618

10.6.1 The market value of securities classified as held-to-maturity as at December 31, 2021 amounted to Rs. 366,869 million (2020: Rs. 218,678 million).

10.7 Investment in shares of a bank incorporated outside Pakistan - Bank Al-Jazira

The Bank holds 30,333,333 (2020: 30,333,333) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 3.7% (2020: 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 F2 with short term and long term IDR at BBB+ by Fitch Rating Agency.

10.8 The 94,273,510 (2020: 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 these shares at December 31, 2021 amounted to Rs. 3.79 per share resulting in an impairment of Rs. 3,264 million (2020: Rs. 3,124 million) which has been fully recorded in these consolidated financial statements.

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There is a put option available to Azgard Nine Limited, under which Azgard Nine Limited has the right to sell 58.29 million preference shares of Agritech Limited to the Bank at a price of Rs. 5.25 per share subject to the occurrence of certain events under the agreement.

- 10.9** Aggregate market value of investment in associates (quoted) on the basis of quoted prices amounts to Rs. 1,880 million (2020: Rs. 1,456 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)
National Assets Insurance Limited	December 31, 2020	61,114
Pakistan Emerging Venture Limited	June 30, 2019	283
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, 2021	16,876

	Note	2021 ------(Rupees in '000)-----	2020
10.12 Investment in joint venture			
United National Bank Limited (UNBL) (Incorporated in United Kingdom)	10.1 / 10.2 / 10.12.1	<u>7,140,903</u>	<u>6,054,005</u>

- 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 in shares include shares of Pakistan State Oil Company Limited, Sui Northern Gas Pipeline Limited and Pakistan Engineering Company with cost of Rs. 4,603 million (2020: Rs. 4,603 million) that have been frozen by the Government of Pakistan for sale in the equity market due to their proposed privatization.

- 10.14** 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). The cost of these shares amounts to Rs. 4,603 million and market value as at December 31, 2021 amounts to Rs. 7,606 million. These shares can not be sold without concurrence of privatization commission.

- 10.15** The investments also include 10,555,000 shares of Pakistan Reinsurance. The cost of these shares amounts to Rs. 220 million and market value as at December 31, 2021 amounts to Rs. 236 million. These shares can not be sold without concurrence of privatization commission.

- 10.16** The investment also include 20,000,000 shares of First Credit and Investment Bank. The cost of these shares amounts to Rs. 157 million. These shares can not be disinvested without prior consultation with Ministry of Finance.

Notes to and forming part of the Consolidated Financial Statements

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	2021	2020
	----- (Rupees in '000) -----	
10.17 Investments in subsidiaries		
Cast-N-Link Products Limited	1,245	1,245
Less: provision for diminution in value of investments	(1,245)	(1,245)
	-	-

10.17.1 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 0.000032% 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	
	2021	2020	2021	2020	2021	2020
Note ----- (Rupees in '000) -----						
Loans, cash credits, running finances, etc.	1,045,532,093	932,517,097	183,456,102	160,534,747	1,228,988,195	1,093,051,844
Islamic financing and related assets	42,316,269	37,546,863	712,762	602,913	43,029,031	38,149,776
Net Investment in finance lease	47,548	58,239	28,944	28,944	76,492	87,183
Bills discounted and purchased	19,199,730	18,998,127	14,147,881	10,646,008	33,347,611	29,644,135
Advances - gross	1,107,095,640	989,120,326	198,345,689	171,812,612	1,305,441,329	1,160,932,938
Provision against advances						
- Specific	-	-	179,654,610	154,587,769	179,654,610	154,587,769
- General	12,472,591	22,473,748	-	-	12,472,591	22,473,748
	12,472,591	22,473,748	179,654,610	154,587,769	192,127,201	177,061,517
Advances - net of provision	1,094,623,049	966,646,578	18,691,079	17,224,843	1,113,314,128	983,871,421

11.1 Net Investment in Finance Lease	2021				2020			
	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	51,796	64	-	51,860	61,751	556	-	62,307
Residual value	48,804	185	-	48,989	48,804	815	-	49,619
Minimum lease payments	100,600	249	-	100,849	110,555	1,371	-	111,926
Less: Financial charges for future periods	24,356	1	-	24,357	24,710	32	-	24,742
Present value of minimum lease payments	76,244	248	-	76,492	85,845	1,339	-	87,183

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% (2020: 10.19% to 17.30%) per annum.

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	2021 ------(Rupees in '000)-----	2020
11.2 Particulars of advances (Gross)		
In local currency	1,178,144,911	1,071,981,593
In foreign currencies	127,296,418	88,951,345
	<u>1,305,441,329</u>	<u>1,160,932,938</u>

11.3 Advances include Rs. 198,346 million (2020: Rs. 171,813 million) which have been placed under non-performing status as detailed below:

Category of Classification

	2021		2020	
	Non Performing Loans	Provision	Non Performing Loans	Provision
	------(Rupees in '000)-----			
Domestic				
Other Assets Especially Mentioned	1,950,183	94,550	1,626,950	45,392
Substandard	5,245,094	1,230,458	5,418,693	1,336,002
Doubtful	17,048,217	8,455,999	15,816,861	7,881,223
Loss	127,537,486	124,864,376	106,261,071	103,917,273
	<u>151,780,980</u>	<u>134,645,383</u>	<u>129,123,575</u>	<u>113,179,889</u>
Overseas				
Not past due but impaired	-	-	-	-
Overdue by:				
Upto 90 days	-	-	11,666	9,183
91 to 180 days	-	-	-	-
181 to 365 days	286,746	143,373	-	-
>365 days	46,277,963	44,865,854	42,677,371	41,398,697
	<u>46,564,709</u>	<u>45,009,227</u>	<u>42,689,037</u>	<u>41,407,880</u>
Total	<u>198,345,689</u>	<u>179,654,610</u>	<u>171,812,612</u>	<u>154,587,769</u>

11.4 Particulars of provision against advances

		2021			2020		
		Specific	General	Total	Specific	General	Total
		------(Rupees in '000)-----					
Note							
Opening balance		154,587,769	22,473,748	177,061,517	134,688,966	9,005,951	143,694,917
Exchange adjustments		4,293,544	50,984	4,344,528	1,462,567	15,535	1,478,102
Charge for the year		15,680,535	513,602	16,194,137	19,001,917	13,707,207	32,709,124
Reversals		(4,238,039)	(952,785)	(5,190,824)	(3,138,355)	(321,795)	(3,460,150)
		<u>11,442,496</u>	<u>(439,183)</u>	<u>11,003,313</u>	<u>15,863,562</u>	<u>13,385,412</u>	<u>29,248,974</u>
Amounts written off	11.5.1	(171,425)	-	(171,425)	(89,494)	-	(89,494)
Amounts charged off- agriculture financing	11.4.1.3	(110,733)	-	(110,733)	(193,807)	-	(193,807)
Transfer from general to specific provision		9,612,958	(9,612,958)	-	-	-	-
Transfer from other assets		-	-	-	2,855,975	66,850	2,922,825
Closing balance		<u>179,654,610</u>	<u>12,472,591</u>	<u>192,127,201</u>	<u>154,587,769</u>	<u>22,473,748</u>	<u>177,061,517</u>

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11.4.1 Particulars of provision against advances

	2021			2020		
	Specific	General	Total	Specific	General	Total
	(Rupees in '000)					
In local currency	134,645,382	12,220,748	146,866,131	113,179,889	22,274,089	135,453,978
In foreign currencies	45,009,228	251,843	45,261,071	41,407,880	199,659	41,607,539
	179,654,610	12,472,591	192,127,201	154,587,769	22,473,748	177,061,517

11.4.1.1 General provision includes provision amounting to Rs. 5,618 million (2020: Rs. 5,196 million) against consumer & SME finance portfolio as required by the Prudential Regulations issued by the SBP. General provision also includes Rs. 252 million (2020: Rs. 200 million) pertaining to overseas advances to meet the requirements of regulatory authorities of the respective countries in which the Group operates.

The Group has also maintained general provision of Rs. 6,603 million (2020: Rs. 17,078 million) in respect of its underperforming portfolio on prudent basis.

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, 2021. 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.

11.5 Particulars of write-offs	Note	2021	2020
		(Rupees in '000)	(Rupees in '000)
11.5.1 Against provisions	11.5.2	171,425	89,494
11.5.2 Write-offs of Rs. 500,000 and above			
- Domestic		44,536	40,260
- Overseas		81,364	-
	11.6	125,900	40,260
Write-offs of below Rs. 500,000		45,525	49,234
		171,425	89,494

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, 2021 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.

12. FIXED ASSETS	Note	2021	2020
		(Rupees in '000)	(Rupees in '000)
Capital work-in-progress	12.1	1,628,810	2,232,001
Property and equipment	12.2	53,204,991	52,854,808
		54,833,801	55,086,809

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	2021	2020
	(Rupees in '000)	(Rupees in '000)
Capital work-in-progress	1,335,603	2,040,456
Civil works	10,825	10,825
Equipment	58,985	59,000
Advances to suppliers and contractors	223,397	121,720
Software implementation in progress	1,628,810	2,232,001

	2021	2020
	(Rupees in '000)	(Rupees in '000)
Property and equipment		
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, 2021	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
Cost / revalued amount	-	-	(1,242,781)	(911,172)	(4,734,748)	(4,343,448)	(5,220,437)	(923,581)	(244,651)	(2,415)	(42,808)	(277,297)	(17,943,338)
Accumulated depreciation	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
Net book value													
Year ended December 2021	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
Opening net book value	-	-	26,900	71,046	545,315	527,110	532,614	865,250	46,007	-	-	-	2,614,242
Additions	-	-	-	712,882	42,560	-	841,822	-	-	-	-	-	1,597,264
Cost - Adjustments	-	-	-	(132,235)	(64,048)	-	(885,383)	-	-	-	-	-	(851,677)
Accumulated Depreciation - Adjustments	-	(193,330)	-	-	-	-	-	-	-	-	-	-	(193,330)
Movement in surplus on assets revalued	-	-	-	-	(25,841)	(24,670)	(10,397)	(167,874)	(41,286)	-	(988)	(6,612)	(277,688)
Disposals	-	-	(280,579)	(196,061)	(643,298)	(366,707)	(653,389)	(338,800)	(63,393)	(962)	(233)	(13)	(2,543,715)
Depreciation charge	-	-	-	-	19,883	19,154	7,848	134,976	23,300	-	988	5,383	211,532
Depreciation adjustment - disposal	-	-	-	-	46,337	26,726	2,726	1,977	-	-	-	-	58,866
Exchange rate adjustments	-	(14,086)	-	-	(18,900)	-	(34)	(47)	-	-	96,511	(278,439)	(407,191)
Other adjustments / transfers - cost	-	-	-	-	(278,791)	67,695	786	(157)	-	-	(130,289)	270,768	141,861
Other adjustments / transfers - depreciation	-	-	2	12	6	733	786	(157)	-	-	(130,289)	270,768	141,861
Closing 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

At December 31, 2021	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
Cost / revalued amount	-	-	(1,523,658)	(1,239,456)	(6,392,205)	(4,690,268)	(6,550,565)	(1,127,562)	(284,744)	(3,377)	(172,342)	(1,159)	(20,985,337)
Accumulated depreciation	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
Net book value													
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	

12.1 Capital work-in-progress

Civil works
 Equipment
 Advances to suppliers and contractors
 Software implementation in progress

12.2 Property and equipment

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2020												
Free hold land	Lease hold land	Building on Free hold land	Building on Lease hold land	Furniture and fixture	Computer 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
(Rupees in '000)												
At January 1, 2020												

12.2.1 Revaluation of Properties

Desktop revaluation of the Group's properties was last carried out in a phase manner in 2019 and 2020. 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, 2021, amounts to Rs. 44,320 million. Had there been no revaluation, the carrying amount of the revalued assets at December 31, 2021, would have been follows :

(Rupees in '000)

Freehold land	1,132,637
Leasehold land	890,025
Building on freehold land	820,613
Building on leasehold land	1,575,994
	4,419,269
	4,795,454
	280,030
	1,067,019
	662,467
	1,093,896
	3,103,412

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

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12.3 Details of disposals of fixed assets to related parties

The particulars of disposal of fixed assets to related parties 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	1,858	186	186	-	As per Entitlement	Ex-Employee	Dr. Qadir Baksh
Vehicles	1,673	335	335	-	As per Entitlement	Employee	Muhammad Zaheer Abbas
Vehicles	1,673	335	335	-	As per Entitlement	Employee	Syed Khurram Hussain
Vehicles	1,893	379	379	-	As per Entitlement	Employee	Syed Muhammad Ali Zamin
Vehicles	1,673	335	335	-	As per Entitlement	Ex-Employee	Syed Shakeel Raza Abidi
Vehicles	1,673	335	335	-	As per Entitlement	Employee	Wasimullah
Vehicles	5,257	964	1,051	87	As per Entitlement	Employee	Abdul Wahid Sethi
Vehicles	1,858	-	186	186	As per Entitlement	Employee	Sardar Azmat Babar Chohan
Vehicles	1,673	307	335	28	As per Entitlement	Employee	Umeed Ayaz Mahmood
Vehicles	1,858	186	186	-	As per Entitlement	Ex-Employee	Tariq Latif Ansari
Vehicles	1,673	335	335	-	As per Entitlement	Employee	Hammad Sarwar
Vehicles	1,673	307	335	28	As per Entitlement	Employee	Nazneen Zaka
Vehicles	1,673	307	335	28	As per Entitlement	Employee	Inaam Mallick
Vehicles	1,673	307	335	28	As per Entitlement	Ex-Employee	Sohail Ahmed
Vehicles	1,824	791	791	-	As per Entitlement	Ex-Employee	Riffat Sultana Mughal
Vehicles	1,824	851	851	-	As per Entitlement	Employee	Safdar Ali
Vehicles	5,106	-	511	511	As per Entitlement	Ex-Employee	Sultana Naheed
Vehicles	2,380	1,864	1,864	-	As per Entitlement	Ex-Employee	Aziz Ur Rehman
Vehicles	1,664	333	333	-	As per Entitlement	Employee	Rehman Nazir
Vehicles	1,664	333	333	-	As per Entitlement	Ex-Employee	Haseeb Arshad
Vehicles	1,664	333	333	-	As per Entitlement	Employee	Muhammad Faud Mohsin
Vehicles	1,664	305	333	28	As per Entitlement	Employee	Kaleemullah Shaikh
Vehicles	1,664	333	333	-	As per Entitlement	Employee	Mujahid Abbas Khan
Vehicles	2,875	2,252	2,252	-	As per Entitlement	Ex-Employee	Muhammad Atlas
Vehicles	1,664	388	388	-	As per Entitlement	Ex-Employee	Nadir Khan
Vehicles	2,380	1,745	1,745	-	As per Entitlement	Ex-Employee	Ahmed Sohail Warrich
Vehicles	1,664	361	361	-	As per Entitlement	Ex-Employee	Abdul Hamid Asim
Vehicles	2,380	1,666	1,666	-	As per Entitlement	Ex-Employee	Tahir Shahbaz Anjum
Vehicles	5,857	2,050	2,050	-	As per Entitlement	Ex-Employee	Usman Shahid
Vehicles	2,875	2,156	2,156	-	As per Entitlement	Ex-Employee	S H Irtiza Kazmi
Vehicles	1,864	404	404	-	As per Entitlement	Ex-Employee	Muhammad Farooq
Vehicles	1,899	855	855	-	As per Entitlement	Ex-Employee	Kazi Imtiaz Ahmed
Vehicles	1,864	342	342	-	As per Entitlement	Ex-Employee	Khurram Saeed Naik
Vehicles	1,673	-	167	167	As per Entitlement	Employee	Shahla Ghulam Hussain
Vehicles	1,658	-	166	166	As per Entitlement	Ex-Employee	Saleem Ahmed
Vehicles	1,664	333	333	-	As per Entitlement	Employee	Imtiaz Ahmed
Vehicles	1,664	333	333	-	As per Entitlement	Employee	Manzoor Ahmed
Vehicles	1,734	347	347	-	As per Entitlement	Employee	Dilbur Hussain Khan
Vehicles	1,664	333	333	-	As per Entitlement	Ex-Employee	Syed Akhtar Ali Shah
Vehicles	1,664	333	333	-	As per Entitlement	Employee	Aamer Manzoor
Vehicles	1,864	373	373	-	As per Entitlement	Employee	Tahir Abbas
Vehicles	5,257	1,051	1,051	-	As per Entitlement	Employee	Rehmat Ali Hasnie
Vehicles	1,664	333	333	-	As per Entitlement	Employee	Syed Azhar Ali
Vehicles	1,664	333	333	-	As per Entitlement	Employee	Sumaira Mazhar
Vehicles	1,764	353	353	-	As per Entitlement	Employee	Muhammad Younas
Vehicles	1,664	333	333	-	As per Entitlement	Employee	Javed Ashraf
Vehicles	1,708	342	342	-	As per Entitlement	Employee	Shakeel Hayat Mir
Vehicles	1,673	251	335	84	As per Entitlement	Employee	Kashif Khan
Vehicles	1,824	699	699	-	As per Entitlement	Ex-Employee	Mukhtar Ahmed
Vehicles	1,873	312	375	63	As per Entitlement	Ex-Employee	Adnan Adil
	105,223	28,029	29,433	1,404			

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

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 and peripheral equipment	99	-	10	10	As per Entitlement	Employee	Farhan Javaid Durrani
Computer and peripheral equipment	99	-	10	10	As per Entitlement	Employee	Nabeel Aslam
Computer and peripheral equipment	99	-	10	10	As per Entitlement	Ex-Employee	Sajjad Ahmed Rana
Computer and peripheral equipment	64	-	6	6	As per Entitlement	Employee	Muhammad Nasim
Computer and peripheral equipment	114	-	11	11	As per Entitlement	Ex-Employee	Abdul Qadir
Computer and peripheral equipment	114	-	11	11	As per Entitlement	Ex-Employee	Abdul Qadir
Computer and peripheral equipment	106	-	11	11	As per Entitlement	Ex-Employee	Abdul Qadir
Computer and peripheral equipment	106	-	11	11	As per Entitlement	Ex-Employee	Riffat Sultana Mughal
Computer and peripheral equipment	64	-	6	6	As per Entitlement	Employee	Waqar Ahmed
Computer and peripheral equipment	106	-	11	11	As per Entitlement	Employee	Fouad Farrukh
Computer and peripheral equipment	204	-	20	20	As per Entitlement	Ex-Employee	Usman Shahid
Computer and peripheral equipment	93	-	9	9	As per Entitlement	Ex-Employee	S H Irtiza Kazmi
Computer and peripheral equipment	99	-	10	10	As per Entitlement	Employee	Hisham Jan Kiani
Computer and peripheral equipment	99	-	10	10	As per Entitlement	Employee	Rashid Ata
Computer and peripheral equipment	123	-	12	12	As per Entitlement	Employee	Iqbal Ali
Computer and peripheral equipment	99	-	10	10	As per Entitlement	Employee	Abdul Rehman Shaikh
Computer and peripheral equipment	64	-	6	6	As per Entitlement	Employee	Nadia Ahmer
Computer and peripheral equipment	110	-	11	11	As per Entitlement	Employee	Moin Uddin Khan
Computer and peripheral equipment	135	-	14	13	As per Entitlement	Employee	Kaiser Alam
Computer and peripheral equipment	100	-	10	10	As per Entitlement	Employee	Aqib Malik
Computer and peripheral equipment	105	-	11	10	As per Entitlement	Employee	Muhammad Adil Usmani
	2,202	-	220	220			
Electrical, office equipment	50	-	-	-	As per Entitlement	Ex-Employee	Abdul Qadir
Electrical, office equipment	148	-	-	-	As per Entitlement	Ex-Employee	S H Irtiza Kazmi
Electrical, office equipment	115	-	-	-	As per Entitlement	Ex-Employee	S H Irtiza Kazmi
Electrical, office equipment	114	-	-	-	As per Entitlement	Ex-Employee	Dr. Qadir Baksh
Electrical, office equipment	71	-	-	-	As per Entitlement	Ex-Employee	Dr. Qadir Baksh
Electrical, office equipment	115	-	-	-	As per Entitlement	Ex-Employee	Dr. Qadir Baksh
Electrical, office equipment	167	-	-	-	As per Entitlement	Ex-Employee	Usman Shahid
Electrical, office equipment	161	-	-	-	As per Entitlement	Ex-Employee	Usman Shahid
Electrical, office equipment	34	-	-	-	As per Entitlement	Ex-Employee	Adnan Adil
Electrical, office equipment	50	-	-	-	As per Entitlement	Ex-Employee	Syed Shakeel Raza Abidi
Electrical, office equipment	35	9	9	-	As per Entitlement	Ex-Employee	Muhammad Anwar
Electrical, office equipment	50	29	29	-	As per Entitlement	Ex-Employee	Tahir Shahbaz Anjum
Electrical, office equipment	115	48	48	-	As per Entitlement	Ex-Employee	Muhammad Farooq
	1,225	86	86	-			
Furniture and fixture	160	51	51	-	As per Entitlement	Ex-Employee	Muhammad Hanif
Furniture and fixture	200	-	-	-	As per Entitlement	Ex-Employee	Aziz Ur Rehman
Furniture and fixture	190	15	15	-	As per Entitlement	Ex-Employee	Ejaz Muneer
Furniture and fixture	200	16	16	-	As per Entitlement	Ex-Employee	Abdul Hamid Asim
Furniture and fixture	200	12	12	-	As per Entitlement	Ex-Employee	Ghulam Hyder Channa
Furniture and fixture	160	11	11	-	As per Entitlement	Ex-Employee	Muhammad Ismail
Furniture and fixture	200	41	41	-	As per Entitlement	Ex-Employee	Ahmed Sohail Warrich
Furniture and fixture	190	62	62	-	As per Entitlement	Ex-Employee	Waseem Zehra
Furniture and fixture	160	6	6	-	As per Entitlement	Ex-Employee	Ghulam Nabi Bhatti
Furniture and fixture	200	72	72	-	As per Entitlement	Ex-Employee	Tahir Shahbaz Anjum
Furniture and fixture	160	39	39	-	As per Entitlement	Ex-Employee	Sees Raj
Furniture and fixture	190	62	62	-	As per Entitlement	Ex-Employee	Muhammad Usman
Furniture and fixture	200	46	46	-	As per Entitlement	Ex-Employee	Muhammad Yousuf
Furniture and fixture	200	82	82	-	As per Entitlement	Ex-Employee	Manzur Ahmed

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

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	36	36	-	As per Entitlement	Ex-Employee	Laiquat Ali Shaikh
Furniture and fixture	200	51	51	-	As per Entitlement	Ex-Employee	Muhammad Shahbaz
Furniture and fixture	200	62	62	-	As per Entitlement	Ex-Employee	Safdar Ali
Furniture and fixture	190	45	45	-	As per Entitlement	Ex-Employee	Kaiser Sattar
Furniture and fixture	190	38	38	-	As per Entitlement	Ex-Employee	Muhammad Sarwar
Furniture and fixture	190	71	71	-	As per Entitlement	Ex-Employee	Gulzar Ahmed
Furniture and fixture	190	63	63	-	As per Entitlement	Ex-Employee	Asif Mehmood Khan
Furniture and fixture	190	57	57	-	As per Entitlement	Ex-Employee	Muhammad Razzaq
Furniture and fixture	190	18	18	-	As per Entitlement	Ex-Employee	Huma Naz
Furniture and fixture	500	23	23	-	As per Entitlement	Ex-Employee	Sultana Naheed
Furniture and fixture	190	59	59	-	As per Entitlement	Ex-Employee	Samina Zia
Furniture and fixture	160	51	51	-	As per Entitlement	Ex-Employee	Muhammad Anwar Khan
Furniture and fixture	190	7	7	-	As per Entitlement	Ex-Employee	Shahzad Ahmed
Furniture and fixture	160	18	18	-	As per Entitlement	Ex-Employee	Irshad Ghani
Furniture and fixture	190	6	6	-	As per Entitlement	Ex-Employee	Shahid Hussain
Furniture and fixture	190	-	-	-	As per Entitlement	Ex-Employee	Manzoor Sultan
Furniture and fixture	300	101	101	-	As per Entitlement	Ex-Employee	Muhammad Atlas
Furniture and fixture	160	64	64	-	As per Entitlement	Ex-Employee	Muhammad Qasim
Furniture and fixture	160	45	45	-	As per Entitlement	Ex-Employee	Muhammad Hussain Zar
Furniture and fixture	160	63	63	-	As per Entitlement	Ex-Employee	Pervez Ahmed
Furniture and fixture	160	29	29	-	As per Entitlement	Ex-Employee	Nayab Ahmed
Furniture and fixture	160	26	26	-	As per Entitlement	Ex-Employee	Abduil Rasheed
Furniture and fixture	190	12	12	-	As per Entitlement	Ex-Employee	Saleem Abbas Bangash
Furniture and fixture	160	39	39	-	As per Entitlement	Ex-Employee	Jawaid Akhtar
Furniture and fixture	300	98	98	-	As per Entitlement	Ex-Employee	Muhammad Farooq
Furniture and fixture	200	23	23	-	As per Entitlement	Ex-Employee	Mr.muhammad Zulfiqar Ali
Furniture and fixture	200	26	26	-	As per Entitlement	Ex-Employee	Mukhtar Ahmed
Furniture and fixture	160	39	39	-	As per Entitlement	Ex-Employee	Ghulam Abbas Sangi
Furniture and fixture	160	40	40	-	As per Entitlement	Ex-Employee	Muhammad Idrees
Furniture and fixture	160	70	70	-	As per Entitlement	Ex-Employee	Abdul Ghafoor
Furniture and fixture	160	26	26	-	As per Entitlement	Ex-Employee	Muhammad Akhtar Malik
Furniture and fixture	190	10	10	-	As per Entitlement	Ex-Employee	Samina Parveen
Furniture and fixture	200	-	-	-	As per Entitlement	Ex-Employee	Haseeb Arshad
Furniture and fixture	200	28	28	-	As per Entitlement	Ex-Employee	Kazi Imtiaz Ahmed
Furniture and fixture	190	70	70	-	As per Entitlement	Ex-Employee	Muhammad Anwar
Furniture and fixture	300	10	10	-	As per Entitlement	Ex-Employee	Khurram Saeed Naik
Furniture and fixture	160	55	55	-	As per Entitlement	Ex-Employee	Bashir Ahmed Qazi
Furniture and fixture	160	37	37	-	As per Entitlement	Ex-Employee	Muhammad Bashir
Furniture and fixture	160	26	26	-	As per Entitlement	Ex-Employee	Niaz Hussain
Furniture and fixture	200	85	85	-	As per Entitlement	Ex-Employee	Hananeel Azhar Joseph
	10,440	2,132	2,132	-			
	119,090	30,247	31,871	1,624			

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

13. INTANGIBLE ASSETS

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
- through acquisitions / 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 - amortisation	-	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			
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2020

Core Banking Application	Computer software	Website	Goodwill on NBP Fund Acquisition	Others	Total
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(Rupees in '000)

At January 1, 2020

Cost	2,913,953	1,310,345	1,041	655,146	4,774	4,885,259
Accumulated amortisation and impairment	(2,913,953)	(804,164)	(1,041)	(92,593)	(2,742)	(3,814,493)
Net book value	-	506,181	-	562,553	2,032	1,070,766

Year ended December 2020

Opening net book value	-	506,181	-	562,553	2,032	1,070,766
Additions:						
- developed internally	-	146,646	-	-	-	146,646
- directly purchased	-	1,576	-	-	-	1,576
Adjustments - addition	-	45,756	-	-	-	45,756
Disposals	-	-	-	-	-	-
Amortisation charge	-	(238,932)	-	-	-	(238,932)
Other adjustments - cost	-	(4,853)	-	-	-	(4,853)
Other adjustments - amortization	-	1,184	-	-	-	1,184
Closing net book value	-	457,558	-	562,553	2,032	1,022,143

At December 31, 2020

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

Rate of amortisation (percentage)

33.33 % on cost	33.33 % on cost	33.33 % on cost	Nil	Nil	
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Useful life

3 years	3 years	3 years			
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Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

- 13.1 For the purpose of impairment testing of goodwill, management has considered discounted cash flow method using cost of equity of 16.3% 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, 2021, therefore, management did not identify any impairment.

- 13.2 The cost of fully amortised intangible assets that are still in use.

(Rupees in '000)

Core Banking Application	2,913,952
Computer software	430,570
Website	1,041
	<u>3,345,563</u>

14. RIGHT OF USE ASSETS

	2021	2020
	------(Rupees in '000)-----	
Balance as at January 01,	7,017,020	7,447,414
Additions during the period	2,201,551	1,622,504
Derecognition during the period	(37,767)	-
Depreciation charged for the period	(2,089,824)	(2,052,898)
Balance as at December 31,	<u>7,090,980</u>	<u>7,017,020</u>

15. DEFERRED TAX

	2021	
	At January 1, 2021	At December 31, 2021
	Recognised in profit and loss account	Recognised in other comprehensive income
	------(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
- Others

10,705	-	-	10,705
4,188,201	13,272	871,295	5,072,768
236,751	-	-	236,751
9,084,601	1,373,337	-	10,457,938
115,222	-	-	115,222
1,025,894	53,911	-	1,079,805
105,416	2,425	-	107,841
-	502,538	-	502,538
3,058	(3,058)	-	-
14,769,848	1,942,425	871,295	17,583,568

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

(2,298,739)	123,756	(271,341)	(2,446,324)
(12,680)	11,581	1,895	796
(15,346,840)	(82)	2,631,421	(12,715,501)
(44,713)	-	(8,019)	(52,732)
-	-	(466,996)	(466,996)
(17,702,972)	135,255	1,886,960	(15,680,757)
(2,933,124)	2,077,680	2,758,255	1,902,811

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

2020			
At January 1, 2020	Recognised in profit and loss account	Recognized in other comprehensive income	At December 31, 2020
------(Rupees in '000)-----			
Deductible Temporary Differences on			
- Tax losses carried forward	10,705	-	10,705
- Post retirement employee benefits	3,905,148	14,914	4,188,201
- Provision for diminution in the value of investments	236,751	-	236,751
- Provision against loans and advances	2,625,495	6,459,106	9,084,601
- Provision against off-balance sheet obligations	115,222	-	115,222
- Fixed assets	690,114	335,780	1,025,894
- Other provision	105,416	-	105,416
- Others	3,827	(329)	3,058
	7,692,678	6,809,471	14,769,848
Taxable Temporary Differences on			
- Surplus on revaluation of fixed assets	(2,385,521)	116,559	(2,298,739)
- Excess of accounting book value of leased assets over lease liabilities	(3,720)	(6,682)	(12,680)
- Surplus on revaluation of investments	(13,816,519)	-	(15,346,840)
- Surplus on revaluation of non-banking assets	(41,439)	-	(44,713)
- Others	(2,314,832)	2,314,832	-
	(18,562,031)	2,424,709	(17,702,972)
	(10,869,353)	9,234,180	(2,933,124)

16. OTHER ASSETS	Note	2021	2020
		------(Rupees in '000)-----	-----
Income / return / mark-up accrued in local currency - net of provision		41,787,103	39,649,974
Income / return / mark-up accrued in foreign currency - net of provision		2,842,699	2,353,317
Advances, deposits and other prepayments	16.1	4,047,973	3,069,977
Advance taxation (payments less provisions) and Income tax refunds receivable	16.6	12,983,211	27,392,273
Compensation for delayed tax refunds		19,221,431	17,556,551
Non-banking assets acquired in satisfaction of claims	16.4	1,195,660	1,211,122
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)		208,423	208,423
Unrealized gain on forward foreign exchange contracts		3,058,205	-
Commission receivable on Government treasury transactions		5,006,019	4,612,174
Stationery and stamps on hand		470,402	499,511
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 / purchase of shares		435,422	128,290
Receivable from Pakistan Stock Exchange		159,949	128,743
Receivable from mutual funds		896,162	892,552
Acceptances		10,311,259	15,741,754
Others		7,718,051	6,760,465
		111,279,374	121,142,531
Less: Provision held against other assets	16.5	11,709,318	11,882,119
Other assets (net of provision)		99,570,056	109,260,412
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		2,863,886	2,757,207
Other assets - total		102,433,942	112,017,619

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

- 16.1 This includes Rs. 2,800 million (2020: Rs. 800 million) advance against Pre-IPO placement of Term Finance Certificates.
- 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.

	2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
16.4 Market value of Non-banking assets acquired in satisfaction of claims	4,059,546	3,968,329

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, 2021. The valuation was carried out by Imtech (Private) Limited, registered at SBP panel of valuers on the basis of an assessment of present market values.

	2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
16.4.1 Non-banking assets acquired in satisfaction of claims		
Opening balance	3,968,329	3,762,068
Revaluation	106,679	217,404
Depreciation	(15,462)	(15,784)
Adjustment	-	4,641
Closing Balance	4,059,546	3,968,329

16.5 Provision held against other assets

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	4,164,485	4,092,280
Ex-MBL / NDFC	770,398	770,398
Assets acquired from Corporate and Industrial Restructuring Corporation asset (CIRC)	208,423	208,423
Others	4,541,509	4,786,515
	11,709,318	11,882,119

16.5.1 Movement in provision held against other assets

Opening balance	11,882,119	10,853,588
Charge for the year	70,781	1,511,502
Transfer in / (out)	-	(484,393)
Adjustment against provision	(243,582)	1,422
Closing balance	11,709,318	11,882,119

- 16.6 During the year, the Group has adjusted an amount of Rs. 11,322 million (2020: Rs. 20,950 million) its advance tax liability and demand of previous tax year against income tax refunds receivables.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

	Note	2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
17. BILLS PAYABLE			
In Pakistan		21,775,348	16,718,064
Outside Pakistan		72,922	77,122
		<u>21,848,270</u>	<u>16,795,186</u>
18. BORROWINGS			
Secured			
Borrowings from State Bank of Pakistan			
Under Export Refinance Scheme	18.2	5,057,300	2,451,874
Under Export Refinance Scheme (New Scheme)	18.2	29,193,202	28,686,149
Financing Scheme for Renewable Energy	18.3	740,493	481,261
Refinance Facility for Modernization of SMEs	18.4	130,288	177,976
Financing Facility for storage of Agriculture Produce (FFSAP)	18.5	526,479	256,184
Under Long Term Financing Facility (LTFF)	18.6	19,465,068	16,380,117
Refinance Scheme for Payment of Wages and Salaries	18.7	566,315	1,167,527
Temporary Economic Refinance Facility	18.8	12,122,947	537,912
Refinance Facility for Combating Covid-19	18.9	79,976	61,448
		<u>67,882,068</u>	<u>50,200,448</u>
Repurchase agreement borrowings	18.10	126,810,340	5,266,007
Bai Muajjal		72,195,209	79,788,522
Total secured		<u>266,887,617</u>	<u>135,254,977</u>
Unsecured			
Call borrowings	18.10	46,011,009	2,047,588
Overdrawn nostro accounts		26,480	1,236,440
Total unsecured		<u>46,037,489</u>	<u>3,284,028</u>
		<u>312,925,106</u>	<u>138,539,005</u>
18.1 Particulars of borrowings with respect to currencies			
In local currency		275,739,772	136,491,430
In foreign currencies		37,185,334	2,047,575
		<u>312,925,106</u>	<u>138,539,005</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

- 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 1.00% to 2.00% (2020: 3.00%) 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% 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 6.00% (2020: 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% 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 1.5% to 3% 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% (2020: 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% (2020: 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% (2020: 0.00%) per annum.
- 18.10 Mark-up / interest rates and other terms are as follows:
- Repurchase agreement borrowings carry mark-up ranging from 9.7% to 10.21% per annum (2020: 7% to 7.05% per annum) having maturity on Jan 4, 2022 to Feb 18, 2022.
 - Call borrowings carry interest ranging from 0.63% to 4.15% per annum (2020: 0% to 2% per annum).
- 18.11 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.
- 18.12 Pakistan Investment Bond and Market Treasury Bill having maturity of 5 years and 6 months respectively, are pledged as security under borrowing having carrying amount of Rs. 126,810 million (2020: Rs. 5,266 million).

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19. DEPOSITS AND OTHER ACCOUNTS

	2021			2020		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
(Rupees in '000)						
Customers						
Current deposits - remunerative	648,854,267	-	648,854,267	405,738,851	-	405,738,851
Current deposits - non-remunerative	476,510,388	145,931,064	622,441,452	433,284,063	116,597,781	549,881,844
Savings deposits	675,591,525	79,434,496	755,026,021	637,694,450	66,235,665	703,930,115
Term deposits	400,905,240	70,853,064	471,758,304	276,454,916	81,153,488	357,608,404
Others	-	6,463	6,463	4,683,735	316,040	4,999,775
	2,201,861,420	296,225,087	2,498,086,507	1,757,856,015	264,302,974	2,022,158,989
Financial Institutions						
Current deposits	444,904,430	1,169,235	446,073,665	360,373,331	654,758	361,028,089
Savings deposits	7,075,299	3,842,651	10,917,950	4,253,051	3,246,855	7,499,906
Term deposits	21,470,450	5,760,597	27,231,047	12,392,089	8,739,494	21,131,583
Others	35,838,540	-	35,838,540	7,109,902	-	7,109,902
	509,288,719	10,772,483	520,061,202	384,128,373	12,641,107	396,769,480
	2,711,150,139	306,997,570	3,018,147,709	2,141,984,388	276,944,081	2,418,928,469

2021 2020
----- (Rupees in '000) -----

19.1 Composition of deposits

Individuals	1,032,316,946	847,730,521
Government (Federal and Provincial)	931,199,067	674,985,259
Public Sector Entities	279,984,059	257,336,852
Banking Companies	460,090,410	368,302,117
Non-Banking Financial Institutions	59,970,790	29,051,796
Private Sector	254,586,435	241,521,924
	3,018,147,709	2,418,928,469

19.2 Foreign currencies deposits include deposit of foreign branches amounting to Rs. 75,485 million (2020: Rs. 73,145 million).

19.3 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 1,132,236 million (2020: Rs. 981,942 million) including islamic branches.

20. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2021			2020		
	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	83,418	5,302	78,116	83,677	10,197	73,480
Later than one year and upto five years	57,804	2,322	55,482	129,092	5,348	123,744
Over five years	-	-	-	-	-	-
	141,222	7,624	133,598	212,769	15,545	197,224

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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 (2020: 6M KIBOR + 1.75% per annum). At the end of lease term, the Group has option to acquire the assets, subject to adjustment of security deposits.

21. LEASE LIABILITIES AGAINST RIGHT-OF-USE ASSETS	Note	2021	2020
		(Rupees in '000)	(Rupees in '000)
Lease liabilities included in the statement of financial position As at December 31		8,360,755	7,869,355
Of which are:			
Current lease liability		1,646,939	1,517,181
Non-current lease liability		6,713,816	6,352,174
		8,360,755	7,869,355
Maturity analysis - contractual undiscounted cashflows			
Less than one year		2,379,333	2,473,379
One to five years		6,387,263	6,130,245
More than five years		6,504,031	5,843,702
Total undiscounted lease liabilities as at December 31,		15,270,627	14,447,326
22. OTHER LIABILITIES			
Mark-up / Return / Interest payable in local currency		48,801,768	37,808,884
Mark-up / Return / Interest payable in foreign currency		384,638	844,452
Unearned commission and income on bills discounted		440,231	1,593,730
Accrued expenses		21,168,039	18,315,863
Advance payments		387,576	398,682
Acceptances		10,311,259	15,741,754
Unclaimed dividends		181,997	185,516
Unrealised loss on forward foreign exchange contracts		-	2,918,017
Unrealised loss on put option		306,339	306,339
Branch adjustment account		1,342,640	917,487
Employee benefits:			
Pension fund	40.4	17,834,945	15,704,077
Post retirement medical benefits	40.4	24,516,717	22,282,747
Benevolent scheme	40.4	1,778,825	2,054,218
Gratuity scheme	40.4	3,467,939	2,956,827
Compensated absences	40.4	9,952,554	9,251,755
Staff welfare fund		371,257	371,257
Liabilities relating to barter trade agreements		3,006,122	2,142,033
Provision against off-balance sheet obligations		627,494	627,494
Provision against contingencies	22.1	3,805,376	4,180,071
Payable to brokers		155,001	65,137
Payable to customers		781,522	301,585
PIBs shortselling		34,144,415	3,237,676
Others		16,829,474	15,339,746
		200,596,128	157,545,347

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	Note	2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
22.1 Provision against contingencies			
Opening balance		4,180,071	4,629,645
Charge during the year		253,239	381,090
Transfer out		-	(830,664)
Adjustment		(627,934)	-
Closing balance	22.1.1	<u>3,805,376</u>	<u>4,180,071</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

2021 ----- (Number of shares) -----	2020 ----- (Number of shares) -----		2021 ------(Rupees in '000)-----	2020 ------(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

2021 ----- (Number of shares) -----	2020 ----- (Number of shares) -----		2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
<u>140,388,000</u>	<u>140,388,000</u>	Fully paid in cash	<u>1,403,880</u>	<u>1,403,880</u>
<u>1,987,125,026</u>	<u>1,987,125,026</u>	Issued as bonus shares	<u>19,871,251</u>	<u>19,871,251</u>
<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% (2020: 75.60%) shares of the Bank.

23.3 Shares of the Bank held by subsidiary and associate

Following shares were held by the associate of the Bank as of year end:

	2021 ----- (Number of shares) -----	2020 ----- (Number of shares) -----
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, 2021

24.3 General loan loss reserve

The Group is cognizant of the fact that a part of its credit or loan portfolio (funded and non-funded) which is not currently impaired as per the applicable Prudential Regulations is underperforming and therefore the potential for risk of credit losses on this part of portfolio is higher than the usual risk. Therefore, as a matter of abundant caution and in order to protect the equity base of the Bank from future contingencies in respect of the credit portfolio, the Board of Directors in their meeting held on April 29, 2015 decided to transfer an aggregate amount of Rs. 12 billion from the unappropriated profits to a "General loan loss reserve". This appropriation was made on the basis of the management's best estimates and judgement regarding the inherent portfolio risks. Subsequently, Board of Directors in their meeting held on 11 & 12 July, 2019 decided to transfer Rs. 4 billion from general loss reserve to unappropriated profit based on revised estimates.

25. SURPLUS ON REVALUATION OF ASSETS	Note	2021	2020
		------(Rupees in '000)-----	-----
Net surplus on revaluation of :			
- Available for sale securities	10.1	32,617,936	43,867,153
- Fixed Assets	25.1	45,168,797	45,421,244
- Non-banking assets acquired in satisfaction of claims	25.2	2,863,886	2,757,207
- On securities of associates and joint venture		(349,787)	(269,430)
		80,300,833	91,776,174
Deferred tax on surplus on revaluation of:			
- Available for sale securities		(12,715,419)	(15,346,840)
- Fixed Assets	25.1	(2,537,701)	(2,396,819)
- Non-banking assets acquired in satisfaction of claims	25.2	(52,732)	(44,713)
		(15,305,852)	(17,788,372)
		64,994,980	73,987,802
25.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1		44,882,399	44,576,547
Recognised during the year		-	660,281
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		(208,088)	(230,379)
Related deferred tax liability on incremental depreciation charged during the year		(133,040)	(124,050)
Surplus on revaluation of fixed assets as at December 31		44,320,452	44,882,399
Less: related deferred tax liability on:			
- revaluation as at January 1		(2,396,819)	(2,489,995)
- revaluation recognised during the year		-	(30,874)
- rate adjustment		(273,922)	-
- incremental depreciation charged during the year		133,040	124,050
		(2,537,701)	(2,396,819)
Share of surplus on revaluation of fixed assets of associates and joint venture		848,345	538,845
		42,631,096	43,024,425

Notes to and forming part of the Consolidated Financial Statements

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	Note	2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
25.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims			
Surplus on revaluation as at January 1		2,757,207	2,539,695
Recognised during the year		106,679	217,512
Surplus on revaluation as at December 31		2,863,886	2,757,207
Less: related deferred tax liability on:			
- revaluation as at January 1		(44,713)	(41,439)
- revaluation recognised during the year		(8,019)	(3,274)
		(52,732)	(44,713)
		2,811,154	2,712,494
26. CONTINGENCIES AND COMMITMENTS			
Guarantees	26.1	261,356,068	242,030,415
Commitments	26.2	2,192,951,563	1,543,932,780
Other contingent liabilities	26.3	36,196,804	34,820,672
		2,490,504,435	1,820,783,867
26.1 Guarantees:			
Financial guarantees		197,024,912	145,379,692
Performance guarantees		64,331,156	96,650,723
		261,356,068	242,030,415
26.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- letters of credit		1,582,757,532	1,096,347,086
Commitments in respect of:			
- forward foreign exchange contracts	26.2.1	571,111,340	419,327,735
- forward government securities transactions	26.2.2	38,255,954	27,625,340
Commitments for acquisition of:			
- operating fixed assets		826,737	632,619
		2,192,951,563	1,543,932,780
26.2.1 Commitments in respect of forward foreign exchange contracts			
Purchase		337,970,120	272,245,550
Sale		233,141,220	147,082,185
		571,111,340	419,327,735

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.

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	2021	2020
	------(Rupees in '000)-----	
26.2.2 Commitments in respect of forward government securities transactions		
Purchase	30,218,032	496,331
Sale	8,037,922	27,129,009
	<u>38,255,954</u>	<u>27,625,340</u>

Commitments for outstanding forward government securities transactions are disclosed in these consolidated financial statements at contracted rates.

	2021	2020
	------(Rupees in '000)-----	
26.3 Other contingent liabilities		
26.3.1 Claim against the Group not acknowledged as debt	<u>36,196,804</u>	<u>34,820,672</u>

Claims against the Group not acknowledged as debts including claims relating to former Mehran Bank Limited amounting to Rs. 1,597 million (2020: Rs. 1,597 million).

26.3.2 Taxation

Tax returns of the Bank have been filed up to tax year 2021 and amended by tax authorities up to tax year 2020. 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 2021.

- The Taxation Officer had issued show-cause notices under section 221 of the Income Tax Ordinance, 2001 to the Bank last year to withdraw compensation on delayed refunds already given to the Bank, and questioned issuance of refund orders already issued to the Bank in the past several years which had become past and closed transactions and thus legally fall outside the scope of rectification. The amount involved is Rs. 14,874.98 million and Rs. 26,406.58 million respectively. These notices being totally illegal were challenged by the Bank before the Honorable Sindh High Court (SHC) which instructed the taxation officer not to take adverse action. The Honorable SHC has stayed the recovery of tax demands. The Bank as a matter of abundant caution had also filed appeal before Commissioner Inland Revenue (Appeals) (CIR(A)) which has remanded the matter to the taxation officer for re-adjudication for failing to give opportunity of hearing to the Bank. Similar notices have been issued and orders were passed for tax year 2013 during the year cancelling refund compensation aggregating to Rs. 535.91 million which has been challenged before CIR(A) and appeal is pending for hearing.
- Sindh High Court had quashed the show-cause notices issued in previous round in 2013 for passing orders for tax years 2006 and 2007 under section 161 of the Ordinance on the grounds that these were time-barred in terms of section 174(3) of the Ordinance. Supreme Court on Department's appeal has subsequently allowed taxation officer to initiate proceedings through fresh notices, subject to certain directions. Orders were passed by taxation officer for tax years 2006 and 2007 last year, treating the Bank as taxpayer-in-default and raising tax demands of Rs. 1,032.18 million and Rs. 1,394.72 million respectively. Bank has filed appeals before CIR(A) primarily on the grounds that Supreme Court's instructions have been blatantly ignored as cogent reasons for late proceedings were not given and neither amount of tax default nor names of parties were disclosed in the show-cause notices or the orders. The orders are also assailed for being passed in quite arbitrary manner and various legal and factual mistakes are made therein. The appeals have been heard by CIR(A) and decision is awaited.
- Taxation officer has passed assessment order for tax year 2020 during the year. The Bank has filed appeal before CIR(A) which is pending for hearing. Stay has been granted against tax demand arising out of the assessment order. The Bank has shown the additional tax liability of Rs. 4,298.17 million arising out of the impugned order as contingency based on the tax consultants' expectation that the issues would be decided in Bank's favour.

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- d) Taxation officer has passed assessment order for tax year 2019 during the year. The Bank has filed appeal before CIR(A) which is pending for hearing. Stay has been granted against tax demand arising out of the assessment order. The Bank has shown the additional tax effect of Rs. 1,772.79 million arising out of the impugned order as contingency based on the tax consultants' expectation that the issues would be decided in Bank's favour.
- e) The Additional Commissioner, PRA has passed an order creating the Punjab sales tax liability on the non-withholding of Punjab Sales Tax on the insurance services received by the Bank for the tax periods January 2016-December 2016 and January 2017-December 2017 amounting to Rs. 254.734 million and Rs. 281.774 million respectively. The rectification application has been submitted under section 79 of the Punjab Sales Tax on Services Act, 2012 for the apparent mistake of facts. After the rectification, the net principal exposure would be Rs. 56.621 million and Rs. 50.685 million. Based on the legal and factual position, the Tax Advisor is confident that the ultimate outcome of the proceeding will be decided in the Bank's favor.
- f) The other matters under tax contingencies include allocation of common expenditure between taxable income and exempt / low tax rate income, interest credited to suspense account, reversal of bad debts expense, reversal of provisions of non-performing loans, provisions for diminution in value of investment. Surplus on revaluation of Available for Sale Securities disclosed in the Statement of Comprehensive Income in respect of tax year 2013. The aggregate effect of these contingencies as on December 31, 2021, including amount of Rs. 1,982.32 million (December 31, 2020: Rs. 645.97 million) in respect of indirect tax issues, amounts to Rs. 19,964.93 million (December 31, 2020: Rs. 21,163 million). No provision has been made against these contingencies, based on the opinion of tax consultants of the Bank, who expect favorable outcome upon decisions of pending appeals.

26.3.3 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 26.3.3.1, the financial impact of other matters is impracticable to determine with sufficient reliability.

26.3.3.1 Pensionary benefits to retired employees

In 1977 the Federal Govt. 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 @ 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.

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The Lahore High Court, Lahore, 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 @ 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.

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. 74.4 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.8.4 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.

26.3.3.2 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.

26.3.3.3 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.

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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.

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 fled 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 fled 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

The Bank operates a branch in New York which is licensed by the New York State Department of Financial Services (NYSDFS) and is also subject to supervision by the Federal Reserve Bank of New York (FRBNY).

The Bank and its New York Branch had entered into a Written Agreement with the FRBNY and NYSDFS (US regulators) in 2016 which inter-alia required the Bank to address certain compliance and risk management matters relating to anti-money laundering and the US bank secrecy law requirements and the implementation of the requisite systems and controls and allocation of adequate resources to ensure full compliance with such requirements.

In February 2022, the Bank has reached agreements with the US Regulators. The agreements include fines totaling US \$ 55.4 million equivalent to Rs. 9,778 million focused on historical compliance program weaknesses and delays in making compliance related enhancements.

Under the agreements, the Bank is required to submit status and progress reports at defined frequencies to the US Regulators with respect to the remedial measures being taken in respect of non-compliances at the New York branch. The New York branch has been under new management since May 2020 and has substantially enhanced its compliance program. Management and the Board of Directors of the Bank are committed to ensure compliance with the conditions agreed in the orders given by US Regulators. There were no findings of improper transactions or willful misconduct.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

	Note	2021 ------(Rupees in '000)-----	2020
27. MARK-UP / RETURN / INTEREST EARNED			
On:			
a) Loans and advances		87,349,028	99,797,877
b) Investments		139,163,731	154,128,269
c) Securities purchased under resale agreements		4,057,559	2,474,560
d) Balances with banks		1,481,927	1,630,672
		<u>232,052,245</u>	<u>258,031,378</u>
28. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		87,831,336	103,348,851
Borrowings		6,838,985	6,929,625
Cost of foreign currency swaps against foreign currency deposits / borrowings		8,018,491	9,175,328
Finance charge on lease liability against right of use assets		801,299	781,642
Securities sold under repurchase agreements		30,794,533	33,416,502
		<u>134,284,644</u>	<u>153,651,948</u>
29. FEE AND COMMISSION INCOME			
Branch banking customer fees		1,211,530	1,264,985
Consumer finance related fees		764,985	771,759
Card related fees (debit cards)		1,751,172	1,051,111
Credit related fees		273,464	186,655
Investment banking fees		769,417	807,481
Commission on trade		1,947,306	1,830,680
Commission on guarantees		459,515	477,465
Commission on cash management		95,276	14,855
Commission on remittances including home remittances		1,756,353	1,801,639
Commission on bancassurance		332,743	278,406
Commission on government transactions		8,408,285	9,652,545
Management Fee & Sale Load		1,239,014	1,071,266
Brokerage Income		123,673	113,828
Others		67,652	157,777
		<u>19,200,385</u>	<u>19,480,452</u>
30. GAIN ON SECURITIES - NET			
Realised	30.1	6,324,359	7,902,210
Unrealised - held for trading	10.1	(121,834)	10,556
		<u>6,202,525</u>	<u>7,912,766</u>
30.1 Realised gain on:			
Federal Government Securities		1,065,169	5,346,600
Shares and mutual funds		5,152,046	1,887,298
Ijarah Sukuks		10,809	8
Foreign Securities		96,335	668,304
		<u>6,324,359</u>	<u>7,902,210</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

		2021	2020
	Note	------(Rupees in '000)-----	-----
31. OTHER INCOME			
Rent on property		55,550	20,234
Gain on sale of fixed assets - net		71,702	23,053
Postal, SWIFT and other charges recovered		23,450	48,071
Compensation for delayed tax refunds	31.1	1,664,879	3,834,424
Claim from insurance company		4,355	-
Gain on derecognition on right of use assets		12,378	-
Tender money		2,082	5,836
Others		21,867	33,865
		1,856,263	3,965,483

31.1 This represents compensation of delayed refunds determined under Section 171 of Income Tax Ordinance 2001.

		2021	2020
	Note	------(Rupees in '000)-----	-----
32. OPERATING EXPENSES			
Total compensation expenses	32.1	37,750,321	41,266,568
Property expense			
Rent and taxes		820,046	792,913
Insurance	32.2	36,172	41,267
Utilities cost		1,383,562	1,365,253
Security (including guards)		2,914,689	2,770,744
Repair and maintenance (including janitorial charges)		913,269	981,075
Depreciation		476,940	467,444
Depreciation on non banking assets		15,462	15,784
Depreciation on Ijarah assets		72,807	85,593
Depreciation on ROUA		2,089,824	2,052,898
		8,722,771	8,572,971
Information technology expenses			
Software maintenance		1,357,334	1,368,934
Hardware maintenance		90,654	24,421
Depreciation		366,707	278,073
Amortisation		428,807	238,932
Network charges		612,209	559,235
IT Manage Services		359,054	164,897
		3,214,765	2,634,492

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

	Note	2021 ------(Rupees in '000)-----	2020
Other operating expenses			
Directors' fees and allowances		25,431	36,160
Directors' fees and allowances - subsidiaries		14,242	12,690
Fees and allowances to Shariah Board		12,563	9,407
Legal and professional charges		1,376,323	2,172,228
Outsourced services costs	32.3	641,428	829,229
Travelling and conveyance		826,568	667,989
NIFT clearing charges		177,432	189,866
Depreciation		1,700,068	1,754,815
Training and development		63,052	70,637
Postage and courier charges		222,069	222,231
Communication		372,283	363,475
Stationery and printing		1,344,782	1,138,854
Marketing, advertisement and publicity		371,405	319,675
Donations	32.4	1,000	100
Contributions for other Corporate and Social Responsibility	32.5	8,197	85,447
Auditors' remuneration	32.6	188,304	205,858
Fixed Assets / Non-banking asset deficit		18,833	-
Financial charges on leased assets		44,317	38,135
Entertainment		270,757	257,223
Clearing charges, verification and licence fee		306,104	353,324
Subscription		1,278	1,269
Brokerage		134,916	117,381
Insurance general		467,891	373,834
Vehicle expenses		173,999	149,421
Deposit premium expense		1,571,107	1,388,248
Repairs and maintenance general		710,695	677,533
Others		326,271	217,004
		11,371,315	11,652,033
Grand Total		61,059,172	64,126,064
32.1 Total compensation expense			
Managerial Remuneration			
i) Fixed		8,340,084	13,385,588
ii) Variable			
of which;			
a) Cash Bonus / Awards etc.		4,513,291	4,448,698
Charge for defined benefit plan		7,406,457	7,392,388
Charge for defined benefit plan - Subsidiaries		55,445	54,886
Rent & house maintenance		5,415,505	4,699,328
Utilities		1,988,327	1,740,373
Medical		3,466,641	3,153,828
Conveyance		3,366,477	3,199,086
Club Membership & Subscription		197,923	81,204
Education Allowance		1,455,624	1,463,449
Insurance		350,235	452,455
Honorarium to Staff and Staff Welfare		251,752	206,662
Overtime		44,249	25,196
Special Duty Allowance		139	477
Washing Allowance		16,590	15,971
Key Allowance		72,813	72,208
Unattractive Area Allowance		56,898	57,929
Leave Encashment		9,775	9,246
Teaching Allowance		10,392	9,199
Incentive on CASA deposits mobilization		20,473	6,790
Meal Allowance		125,580	126,585
Liveries		1,265	1,086
Leave Fare Assistance		17,983	18,053
EOBI		9,289	9,915
Others		557,114	635,968
		37,750,321	41,266,568
		37,750,321	41,266,568

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

32.2 This includes Rs. 3.422 million (2020: Rs. 3.550 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. 640.8 million (2020: Rs. 829 million). Out of this cost, Rs. 631.7 million (2020: Rs. 821 million) pertains to the payment to companies incorporated in Pakistan and Rs. 9.1 million (2020: Rs. 8 million) pertains to payment to companies incorporated outside Pakistan. Total Cost of outsourced activities for the year given to related parties is Rs. nil (2020: 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	2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
HTECH Solutions (Private) Limited	Call center management	94,770	97,407
		<u>94,770</u>	<u>97,407</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.

	2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
32.4 Donations include following amounts exceeding Rs. 500,000:		
Description		
The Patients' Behbud Society for AKUH	1,000	-
	<u>1,000</u>	<u>-</u>

32.5 Contributions for Corporate & Social Responsibilities include following amounts exceeding Rs. 500,000:

Description	2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
Karachi Relief Trust (KRT)	-	20,000
Rural Community Development Program	-	20,000
National Rural Support Program	-	25,000
SAFCO Support Program	-	5,000
Thardeep Mirco Finance Foundation	-	5,000
Agha Khan Rural Support Program	-	5,000
Namal Education Foundation	5,197	5,200
Pakistan Hindu Council	1,000	-
Tehzibul Akhlaq Trust	2,000	-
Total	<u>8,197</u>	<u>85,200</u>

32.5.1 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, 2021

Yousuf Adil	A.F. Ferguson & Co.	Total 2021	Total 2020
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----- (Rupees in '000) -----

32.6 Auditors' remuneration

Audit fee	6,226	6,226	12,452	12,452
Review of interim financial statements	2,178	2,178	4,356	4,356
Fee for audit of domestic branches	5,060	5,060	10,120	10,120
Special certifications and sundry advisory services	6,798	1,136	7,934	5,604
Tax services	-	-	-	20,000
Sales Tax	1,900	1,608	3,508	4,203
Out-of-pocket expenses	4,500	4,500	9,000	9,000
	26,662	20,708	47,370	65,735
Fee for audit of overseas branches including advisory services and out-of-pocket expenses	-	-	136,240	132,328
Fee for audit of subsidiaries including out-of-pocket expenses	-	-	4,694	7,795
	26,662	20,708	188,304	205,857

33. OTHER CHARGES

Penalties imposed by State Bank of Pakistan	343,698	310,588
Penalties imposed by other regulatory bodies (Central Bank of international branches)	2,765	4,719
Penalties imposed by other regulatory bodies (Regulators of subsidiaries)	516	1,132
	346,979	316,439

34. PROVISIONS & WRITE OFFS - NET

Provisions for diminution in value of investments	10.3	523,278	(33,093)
Provisions against loans and advances	11.4	11,003,313	29,248,974
Provision against other assets		132,734	1,696,095
		11,659,325	30,911,976

35. TAXATION

Current	35.1	27,109,380	25,032,667
Prior years		-	-
Deferred		(2,077,680)	(9,234,180)
		25,031,700	15,798,487

35.1 Current taxation includes Rs. Nil (2020: Nil) of overseas branches.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

35.2 Relationship between tax expense and accounting profit

	2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
Accounting profit before tax	53,792,081	46,384,406
Income tax at statutory rate @ 35% (2020: 35%)	18,827,229	16,234,542
Increase / (decrease) in taxes resulting from:		
Super tax at statutory rate @ 4% (2020: 4%)	2,114,416	1,848,966
Inadmissible items	3,948,871	122,970
Enhanced rate on Govt. Securities	832,181	65,134
Reduced rate on SME / Housing	(96,438)	(27,636)
Impact of tax order	-	(2,314,832)
Others	(594,558)	(130,657)
Tax charge for current and prior years	25,031,700	15,798,487

	2021	2020
36. BASIC EARNINGS PER SHARE		
Profit for the year (Rupees in 000's)	28,600,461	30,489,753
Weighted average number of ordinary shares (Number in 000's)	2,127,513	2,127,513
Basic earnings per share (Rupees)	13.44	14.33
37. DILUTED EARNINGS PER SHARE		
Profit for the year (Rupees in 000's)	28,600,461	30,489,753
Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares) (Number in 000's)	2,127,513	2,127,513
Diluted earnings per share (Rupees)	13.44	14.33

	Note	2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
38. CASH AND CASH EQUIVALENTS			
Cash and balance with treasury banks	7	278,868,736	249,969,566
Balance with other banks	8	19,211,237	15,015,366
Call / clean money lendings	9	21,009,723	2,040,800
Call borrowings	18	(46,011,009)	(2,047,588)
Overdrawn nostro accounts	18	(26,480)	(1,236,440)
		273,052,207	263,741,704

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

38.1 Reconciliation of movements of liabilities to cash flows arising from financing activities

	2021	
	Lease Obligations	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	-
Interest unwinding	798,284	-
Foreign exchange loss	141,213	-
Total other charges	3,181,023	-
Balance as at December 31, 2021	8,494,353	181,997

	2020	
	Lease Obligations	Unclaimed Dividend
	----- (Rupees in '000) -----	
Balance as at January 1, 2020	8,025,753	186,668
Changes from financing cashflows		
Payment of lease obligation / dividend	(2,273,256)	(1,152)
Total charges from financing activities	(2,273,256)	(1,152)
Other charges		
Renewed lease during the year	1,671,961	-
Increase in unclaimed dividend	701,144	-
Foreign exchange gain	(59,023)	-
Total other charges	2,314,082	-
Balance as at December 31, 2020	8,066,579	185,516

39. STAFF STRENGTH

	2021	2020
	----- (Numbers) -----	
Permanent	11,005	11,278
On contract	5,355	5,162
Staff strength at the end of the year	16,360	16,440

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

39.1 In addition to the above, 1,273 (2020: 1,838) 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, 1,258 employees are working domestically (2020: 1,825) and 15 (2020: 13) 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:

	2021 ----- (Numbers) -----	2020 -----
Pension fund	10,437	10,751
Post retirement medical scheme	10,437	10,751
Benevolent scheme	10,437	10,751
Gratuity scheme	4,685	3,985
Compensated absences	10,437	10,751

40.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2021 using the following significant assumptions:

	2021 ----- (Per annum) -----	2020 -----
Discount rate	11.75%	9.75%
Expected rate of return on plan assets	11.75%	9.75%
Expected rate of salary increase	11.75%	9.75%
Expected rate of increase in pension	29% for next one year, 7.25% onwards	14.00%
Expected rate of increase in medical benefit	11.75%	9.75%

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

40.4 Reconciliation of (receivable from) / payable to defined benefit plans

	2021			2020		
	Pension fund	Post retirement medical scheme	Benevolent scheme	Gratuity scheme	Compensated absences	Total
Present value of obligations	79,608,695	24,516,717	1,778,825	3,188,258	9,952,554	119,025,049
Fair value of plan assets	(61,773,750)	-	-	-	-	(61,773,750)
Holding Company	17,834,945	24,516,717	1,778,825	3,188,258	9,952,554	57,251,299
Subsidiaries	-	-	-	299,681	-	299,681
Payable / (Receivable)	17,834,945	24,516,717	1,778,825	3,487,939	9,952,554	57,550,980

40.5 Movement in defined benefit obligations

Obligations at the beginning of the year	72,742,130	22,282,747	2,054,218	2,711,914	9,251,755	109,042,764
Current service cost	1,036,822	794,194	72,381	379,017	16,194	2,298,608
Past Service due to early retirement gratuity	119,800	-	-	-	-	119,800
Adjustment against contingency reserve	245,833	70,731	2,939	-	31,950	351,453
Interest cost	6,939,689	2,118,798	189,497	258,343	887,413	10,393,740
Benefits paid by the Bank	(3,131,668)	(1,102,980)	(221,326)	(124,479)	(300,163)	(4,880,616)
Re-measurement loss / (gain) - Profit and Loss	1,656,089	353,227	(318,884)	(56,537)	65,405	65,405
Re-measurement loss / (gain) - OCI	-	-	-	-	-	-
Obligations at the end of the year	79,608,695	24,516,717	1,778,825	3,188,258	9,952,554	119,025,049

40.6 Movement in fair value of plan assets

Fair value at the beginning of the year	57,038,053	-	-	-	-	57,038,053
Interest income on plan assets	5,471,096	-	-	-	-	5,471,096
Contribution by the Bank - net	1,283,178	-	-	-	-	1,283,178
Benefits paid	(3,131,668)	-	-	-	-	(3,131,668)
Benefits paid on behalf of fund	1,713,284	-	-	-	-	1,713,284
Actuarial gain / (loss) on assets	(600,193)	-	-	-	-	(600,193)
Fair value at the end of the year	61,773,750	-	-	-	-	61,773,750

Movement in (receivable) / payable under defined benefits scheme of Holding Company

Opening balance	15,704,077	22,282,747	2,054,218	2,711,914	9,251,755	52,004,711
Charge / (reversal) for the year	2,505,415	2,912,992	261,878	637,360	969,012	7,286,657
Past Service due to early retirement gratuity	119,800	-	-	-	-	119,800
Adjustment against contingency Reserve	245,833	70,731	2,939	-	31,950	351,453
Contribution by the bank - net	(1,283,178)	-	-	-	-	(1,283,178)
Re-measurement loss / (gain) recognized in OCI during the year	2,256,282	353,227	(318,884)	(56,537)	-	2,234,088
Re-measurement loss / (gain) recognized in OCI during the year	(1,713,284)	(1,102,980)	(221,326)	(124,479)	(300,163)	(3,462,232)
Benefits paid on behalf of fund	17,834,945	24,516,717	1,778,825	3,188,258	9,952,554	57,251,299

40.7 Charge for defined benefit plans

40.7.1 Cost recognised in profit and loss

Current service cost	1,036,822	794,194	72,381	379,017	16,194	2,298,608
Past Service due to early retirement gratuity	119,800	-	-	-	-	119,800
Actuarial loss recognised - Profit and Loss	1,468,593	2,118,798	189,497	258,343	887,413	65,405
Net interest on defined benefit asset / liability	2,625,215	2,912,992	261,878	637,360	969,012	4,922,644

40.7.2 Re-measurements recognised in OCI during the year

Loss / (gain) on obligation	2,256,282	353,227	(318,884)	(56,537)	-	2,234,088
- Experience adjustment	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 Consolidated Financial Statements

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	2021	2020
	----- (Rupees in '000) -----	
40.8 Components of plan assets - Pension fund		
Pakistan Investment Bonds	19,320,490	22,127,729
Treasury Bills	1,500,000	1,655,750
Term Finance Certificates	104,000	104,000
Mutual Funds	6,697,543	6,427,374
Shares	6,969,297	7,179,354
Defence Saving Certificates	9,536,176	8,479,970
Special Saving Certificates	10,888,009	9,635,360
PLS - Term Deposit Receipts	6,625,201	-
Cash at Bank	133,034	1,428,516
	61,773,750	57,038,053

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:

	2021				
	Pension fund	Post retirement medical scheme	Benevolent scheme	Gratuity scheme	Compensated absences
	----- (Rupees in '000) -----				
1% increase in discount rate	(7,801,671)	(3,200,097)	(111,278)	(350,414)	(723,780)
1% decrease in discount rate	9,421,062	4,025,246	125,533	425,462	825,806
1 % increase in expected rate of salary increase	3,902,322	1,255,589	22,217	437,303	865,321
1 % decrease in expected rate of salary increase	(3,524,818)	(1,112,159)	(21,297)	(365,858)	(770,514)
1% increase in expected rate of pension increase	5,283,386	1,863,193	-	-	-
1% decrease in expected rate of pension increase	(4,543,855)	(1,602,549)	-	-	-
1% increase in expected rate of medical benefit increase	-	882,076	-	-	-
1% decrease in expected rate of medical benefit increase	-	(721,887)	-	-	-
40.10 Expected contributions to be paid to the funds in the next financial year					1,589,502
40.11 Expected charge for the next financial year					8,622,697

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

40.12 Maturity profile

The weighted average duration of the obligation

	Years
Pension fund	10.86
Post retirement medical scheme	14.82
Benevolent scheme	6.66
Gratuity scheme	12.33
Compensated absences	7.79

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	133,034	0.2%
Government Securities	41,244,675	66.8%
Shares	6,969,297	11.3%
Non-Government Debt Securities	104,000	0.2%
PLS - Term Deposit Receipts	6,625,201	10.7%
Mutual Funds	6,697,543	10.8%
	61,773,750	100.0%

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:

Asset volatility	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
Changes in bond yields	The risk arises when the actual return on plan assets is lower than expectation.
Inflation risk	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.
Life expectancy / Withdrawal rate	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.
Investment Risk	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

A defined contribution (DC) plan is a type of retirement plan in which the employer, employee or both make contributions on a regular basis. Individual accounts are set up for participants and benefits are based on the amounts credited to these accounts (through employee contributions and, if applicable, employer contributions) plus any investment earnings on the money in the account. In defined contribution plans, future benefits fluctuate on the basis of investment earnings.

Group currently does not have any defined contribution plan.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

42. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

42.1 Total Compensation Expense

Total Compensation Expense			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	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	8	5	1	32	144

The President and certain executives are also provided with free use of Bank's cars, household equipment, mobile phones and free membership of clubs.

42.1.1 The total amount of deferred bonus as at December 31, 2021 for the Key Management Personnel and other Material Risk Takers (MRT) / Material Risk Controllers (MRC) is Rs. 55 million. The deferred bonus is held in a trust fund.

Performance bonus is accounted for on payment basis.

Items	Directors		Members Shariah Board	2020		
	Chairman	Non- Executives		President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
----- (Rupees in '000) -----						
Fees and Allowances etc.	4,109	32,050	7,362	-	-	-
Managerial Remuneration						
i) Fixed	-	-	-	54,000	206,031	478,085
ii) Total Variable	-	-	-	-	-	-
of which						
a) Cash Bonus / Awards	-	-	549	-	64,745	191,239
Charge for defined benefit plan	-	-	117	4,500	40,979	105,861
Rent & house maintenance	-	-	683	-	89,343	201,327
Utilities	-	-	211	-	27,615	61,761
Medical	-	-	155	-	24,633	64,570
Conveyance	-	-	330	-	17,234	51,324
Others	-	-	-	3,511	13,709	61,640
Total	4,109	32,050	9,407	62,011	484,289	1,215,807
Number of Persons	1	8	3	1	34	105

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

42.2 Remuneration paid to Directors for participation in Board and Committee Meetings

		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. Muhammad Sohail Rajput	450	150	-	-	-	300	-	-	900	
3	Ms. Sadaffe Abid	1,500	-	-	-	900	750	-	368	3,518	
4	Mr. Tawfiq Asghar Hussain	1,650	900	1,500 ***	-	-	-	150	-	4,200	
5	Mr. Farid Malik	1,650	-	-	750	900	-	-	301	3,601	
6	Mr. Imam Bukhsh Baloch	1,650	750	750	-	-	150	-	-	3,300	
7	Mr. Ahsan Ali Chughtai	750	-	-	-	-	450	-	238	1,438	
8	Mr. Asif Joorna	1,350	900	-	900	-	450	-	-	3,600	
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).

		2020									
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	2,100	-	-	1,350	-	-	-	659	4,109	
2	Mr. Muhammad Naeem	450	300	150	-	-	-	-	218	1,118	
3	Mr. Muhammad Sohail Rajput	2,100	900	-	-	-	1,050	-	365	4,415	
4	Ms. Sadaffe Abid	1,650	-	-	-	1,350	1,050	-	71	4,121	
5	Mr. Tawfiq Asghar Hussain	2,100	1,200	1,050	-	-	-	1,200	-	5,550	
6	Mr. Zafar Masud	900	-	-	600	450	-	300	-	2,250	
7	Mr. Farid Malik	1,950	-	1,050	1,350	1,350	-	-	1,097	6,797	
8	Mr. Imam Bukhsh Baloch	2,100	-	1,050	-	-	1,050	-	-	4,200	
9	Mr. Asif Joorna	1,650	900	-	1,050	-	-	-	-	3,600	
Total Amount Paid		14,999	3,300	3,300	4,350	3,150	3,150	1,500	2,410	36,160	

42.3 Remuneration paid to Shariah Board Members

Items	2021				2020			
	Chairman	Resident Member	Non-Resident Member(s)	Total	Chairman	Resident Member	Non-Resident Member(s)	Total
(Rupees in '000)								
Retainer Fee & Fixed Remuneration	3,462	4,163	4,938	12,563	3,240	3,287	2,880	9,407
Total Amount Paid	3,462	4,163	4,938	12,563	3,240	3,287	2,880	9,407
Total Number of Persons	1	1	3	5	1	1	1	3

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

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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:

On balance sheet financial instruments	2021				
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial assets - measured at fair value	(Rupees in '000)				
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
Investment 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 / Musharika and Sukuk Bonds	51,264,518	16,546,431	34,718,087	-	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
Ordinary shares of a bank outside Pakistan	27,524,206	27,524,206	-	-	27,524,206
	1,563,799,322	85,281,212	1,478,518,110	-	1,563,799,322
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	278,868,736	-	-	-	-
Balances with other banks	19,211,237	-	-	-	-
Lendings to financial institutions	335,466,675	-	-	-	-
Investments					
Pakistan Investment Bonds	324,726,185	-	-	-	-
Ordinary shares of unlisted companies	1,471,305	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	30	-	-	-	-
Bai Muajjal with Government of Pakistan	10,914,185	-	-	-	-
Foreign Government Securities	34,091,600	-	-	-	-
Foreign Currency Debt Securities	680	-	-	-	-
Advances	1,113,314,128	-	-	-	-
Other Assets	65,505,033	-	-	-	-
	2,183,569,794	-	-	-	-
	3,747,369,116	85,281,212	1,478,518,110	-	1,563,799,322
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

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On balance sheet financial instruments	2020				Total
	Carrying Value	Level 1	Level 2	Level 3	
Financial assets - measured at fair value	(Rupees in '000)				
Investments					
Market Treasury Bills	626,248,790	-	626,248,790	-	626,248,790
Pakistan Investment Bonds	473,408,082	-	473,408,082	-	473,408,082
Ijarah Sukuks	6,015,600	-	6,015,600	-	6,015,600
Ordinary shares of listed companies	48,089,192	48,089,192	-	-	48,089,192
Investments in mutual funds	2,291,013	-	2,291,013	-	2,291,013
Preference shares	1,099,850	1,099,850	-	-	1,099,850
Term Finance Certificates / Musharika and Sukuk Bonds	55,910,547	20,088,162	35,822,385	-	55,910,547
GoP Foreign Currency Bonds	10,840,875	-	10,840,875	-	10,840,875
Foreign Government Securities	3,953,016	-	3,953,016	-	3,953,016
Foreign Currency Debt Securities	80,640	-	80,640	-	80,640
Ordinary shares of a bank outside Pakistan	17,652,778	17,652,778	-	-	17,652,778
	1,245,590,383	86,929,982	1,158,660,401	-	1,245,590,383
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	249,969,566	-	-	-	-
Balances with other banks	15,015,366	-	-	-	-
Lending to financial instruments	126,804,675	-	-	-	-
Investments					
Pakistan Investment Bonds	168,676,415	-	-	-	-
Ordinary shares of unlisted companies	1,455,089	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	7,838	-	-	-	-
Bai Muajjal with Government of Pakistan	11,641,133	-	-	-	-
Foreign Government Securities	32,418,809	-	-	-	-
Foreign Currency Debt Securities	618	-	-	-	-
Advances	983,871,421	-	-	-	-
Other assets	60,745,988	-	-	-	-
	1,650,606,918	-	-	-	-
	2,896,197,301	86,929,982	1,158,660,401	-	1,245,590,383
Off-balance sheet financial instruments - measured at fair value					
Foreign exchange contracts purchase and sale	419,327,735	-	(2,918,017)	-	(2,918,017)
Forward government securities transactions	27,625,340	-	52,885	-	52,885

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

Valuation techniques used in determination of fair valuation of financial instruments within level 1 and level 2

Item	Valuation approach and input used
Market Treasury Bills	PKRV (MUFAP)
Pakistan Investment Bonds	PKRV (MUFAP)
Ijarah Sukuks	MUFAP
Ordinary shares of unlisted companies	Breakup value as per latest available audited financial statements
Term Finance Certificates / Musharika and Sukuk Bonds	MUFAP
GoP Foreign Currency Bonds	Reuter page
Foreign Government Securities	Reuter page
Foreign Currency Debt Securities	Reuter page
Investment in mutual funds	MUFAP

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:

	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

	2020				
	Carrying Value	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
Land & building (fixed assets)	48,770,485	-	-	48,770,485	48,770,485
Non-banking assets acquired in satisfaction of claims	3,968,329	-	-	3,968,329	3,968,329
	52,738,814	-	-	52,738,814	52,738,814

44. SEGMENT INFORMATION

44.1 Segment Details with respect to Business Activities

During the year the Group changed its internal organisation structure in a manner that changed the composition of its reportable segments, and accordingly the prior year disclosure is restated to reflect the current reportable segments. Branch banking has been bifurcated in to Retail Banking Group and Inclusive Development Group.

Notes to and forming part of the Consolidated Financial Statements

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2021

(Rupees in '000)

	Retail Banking Group	Inclusive Development Group	Corporate and Investment Banking	Treasury	International, Financial Institution and Remittance	Aitemaad and Islamic Banking	Head Office / Others	Sub total	Eliminations	Total
Profit and loss account										
Net mark-up / return / profit	(58,755,894)	17,163,761	25,963,957	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	38,868,803	-	38,868,804
Total income	66,637,266	3,194,114	7,643,412	29,377,505	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	(581,388)	11,659,325	-	11,659,325
Profit / (loss) before tax	35,005,619	(1,559,313)	(2,712,958)	28,447,570	(1,188,373)	1,502,387	(5,722,850)	53,792,081	-	53,792,081
Statement of financial position										
Cash and bank balances	90,784,756	8,185,926	248,408	131,293,182	58,290,758	6,603,670	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	183,984,822	224,303,465	566,367,602	-	80,731,709	42,316,269	9,391,774	1,107,095,640	-	1,107,095,640
Advances - non-performing	3,963,414	21,115,711	61,624,712	-	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	178,923,254	227,192,704	571,958,695	-	82,035,347	42,316,269	10,887,859	1,113,314,128	-	1,113,314,128
Others	25,276,052	2,297,783	18,315,585	3,581,004	4,964,806	2,302,955	110,694,804	167,432,980	-	167,432,980
Total Assets	2,616,831,783	237,676,413	617,066,386	2,271,085,310	201,095,470	100,771,653	406,865,869	6,451,392,878	(2,594,357,931)	3,857,034,947
Borrowings	(392,063)	4,148,727	63,733,341	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)	-
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
Total liabilities	2,616,831,784	237,676,413	616,730,450	2,236,091,302	201,042,663	100,177,648	147,819,236	6,156,369,497	(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
Total Equity & liabilities	2,616,831,783	237,676,413	617,066,386	2,271,085,310	201,095,470	100,771,653	406,865,869	6,451,392,878	(2,594,357,931)	3,857,034,947
Contingencies & Commitments	-	81,061,634	1,740,040,766	609,367,294	22,910,804	-	37,123,935	2,490,504,435	-	2,490,504,435

For the year ended December 31, 2021

2020 (Restated)										
	Retail Banking Group	Inclusive Development Group	Corporate and Investment Banking	Treasury	International, Financial Institution and Remittance	Alteamaad and Islamic Banking	Head Office / Others	Sub total	Eliminations	Total
----- (Rupees in '000) -----										
Profit and loss account										
Net mark-up / return / profit	(82,278,559)	19,374,543	45,786,341	113,674,589	2,944,549	5,033,803	(155,835)	104,379,430	-	104,379,430
Inter segment revenue - net	132,329,062	(15,264,205)	(40,287,855)	(86,111,719)	-	(409,849)	9,744,567	-	-	-
Non mark-up / return / interest income	13,606,432	1,333,608	2,934,104	11,890,634	1,933,019	425,941	5,235,716	37,359,455	-	37,359,455
Total Income	63,656,935	5,443,946	8,432,590	39,453,504	4,877,568	5,049,895	14,824,448	141,738,885	-	141,738,885
Segment direct expenses	27,928,850	2,851,051	906,172	366,426	6,337,022	2,542,000	1,736,268	42,667,790	-	42,667,790
Inter segment expense allocation	-	-	-	-	-	-	21,774,714	21,774,713	-	21,774,713
Total expenses	27,928,850	2,851,051	906,172	366,426	6,337,022	2,542,000	23,510,983	64,442,503	-	64,442,503
Provisions charge / (reversal)	670,506	3,818,845	26,216,211	(202,726)	(484,011)	398,979	494,170	30,911,976	-	30,911,976
Profit / (loss) before tax	35,057,580	(1,225,950)	(16,689,793)	39,289,803	(975,444)	2,108,916	(9,180,705)	46,384,406	-	46,384,406
Statement of financial position										
Cash and bank balances	144,696,156	13,560,025	281,210	49,710,033	47,960,766	5,724,957	3,051,784	264,984,932	-	264,984,932
Investments	-	-	31,393,587	1,340,556,530	46,098,046	42,109,641	6,247,569	1,466,405,373	-	1,466,405,373
Net inter segment lending	1,764,038,348	-	-	-	-	-	187,176,073	1,971,214,420	(1,971,214,420)	-
Lendings to financial institutions	-	-	-	126,802,025	-	-	2,650	126,804,675	-	126,804,675
Advances - performing	167,205,416	185,345,489	541,263,835	-	43,633,881	37,546,863	14,124,842	989,120,326	-	989,120,326
Advances - non-performing	4,007,870	22,497,098	47,546,441	-	42,345,094	602,913	54,811,195	171,812,612	-	171,812,612
Provision against advances	(8,383,514)	(19,538,451)	(52,114,538)	-	(41,266,079)	(602,913)	(55,156,024)	(177,061,517)	-	(177,061,517)
Advances - net	162,829,772	188,304,136	536,687,739	-	44,712,896	37,546,863	13,780,013	983,871,421	-	983,871,421
Others	23,840,339	2,248,427	22,588,501	366,297	3,972,925	3,580,119	118,546,998	175,143,591	-	175,143,591
Total Assets	2,115,404,615	204,112,588	590,961,037	1,517,434,885	142,744,633	88,961,580	328,805,086	4,988,424,412	(1,971,214,420)	3,017,209,992
Borrowings	-	3,511,852	46,688,596	86,290,983	2,047,575	-	-	138,539,005	-	138,539,005
Deposits & other accounts	2,088,891,896	-	200,011,969	-	73,225,543	75,268,262	1,530,800	2,418,928,469	-	2,418,928,469
Net inter segment borrowing	-	196,293,623	326,190,341	1,375,268,749	63,868,561	9,593,146	-	1,971,214,420	(1,971,214,420)	-
Others	46,512,720	4,307,113	17,857,441	12,387,953	3,138,352	3,440,604	97,696,056	185,340,236	-	185,340,236
Total liabilities	2,115,404,615	204,112,588	590,748,347	1,473,947,685	142,280,030	88,302,012	99,226,857	4,714,022,130	(1,971,214,420)	2,742,807,710
Equity	-	-	212,690	43,487,200	464,603	659,569	229,578,231	274,402,282	-	274,402,282
Total Equity & liabilities	2,115,404,615	204,112,588	590,961,037	1,517,434,885	142,744,633	88,961,580	328,805,087	4,988,424,412	(1,971,214,420)	3,017,209,992
Contingencies & Commitments	-	46,316,642	1,271,383,035	446,953,075	20,577,429	-	35,553,685	1,820,783,867	-	1,820,783,867

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

44.2 Segment details with respect to geographical locations

	2021					
	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	Total
----- (Rupees in '000) -----						
Profit and loss account						
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	304,772	538,435	2,103,169	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	569,777	(631,421)	(2,348,696)	1,157,810	53,792,081
Statement of financial position						
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
Total Assets	3,739,278,598	80,404,357	13,067,733	36,918,149	73,202,117	3,942,870,954
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
Total liabilities	3,446,802,437	78,021,648	13,067,733	36,936,047	73,019,710	3,647,847,573
Equity	292,476,163	2,382,709	-	(17,897)	182,406	295,023,381
Total Equity & liabilities	3,739,278,598	80,404,357	13,067,733	36,918,149	73,202,117	3,942,870,954
Contingencies & Commitments	2,467,593,629	2,554,088	3,073,302	8,003,059	9,280,354	2,490,504,435

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

	2020					
	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	Total
----- (Rupees in '000) -----						
Profit and loss account						
Net mark-up/return/profit	101,234,782	735,554	59,526	421,629	1,927,939	104,379,430
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	35,400,181	536,152	316,191	747,936	358,994	37,359,455
Total Income	136,634,963	1,271,706	375,718	1,169,565	2,286,933	141,738,885
Segment direct expenses	36,123,105	1,806,638	793,919	3,173,426	770,701	42,667,788
Inter segment expense allocation	21,774,714	-	-	-	-	21,774,714
Total expenses	57,897,819	1,806,638	793,919	3,173,426	770,701	64,442,503
Provisions	31,413,690	(325,772)	(117,586)	(32,798)	(25,557)	30,911,976
Profit / (loss) before tax	47,323,455	(209,159)	(300,616)	(1,971,063)	1,541,789	46,384,406
Statement of financial position						
Cash and bank balances	215,386,431	19,040,664	10,399,385	19,076,487	1,081,965	264,984,932
Investments	1,419,111,415	30,973,985	-	2,927,816	13,392,157	1,466,405,373
Net inter segment lendings	63,868,561	-	-	-	-	63,868,561
Lendings to financial institutions	126,804,675	-	-	-	-	126,804,675
Advances - performing	944,902,218	2,475,488	574,741	1,680,370	39,487,510	989,120,326
Advances - non-performing	129,129,200	35,912,396	1,205,975	-	5,565,041	171,812,612
Provision against advances	(135,717,854)	(35,725,929)	(1,205,975)	(2,306)	(4,409,453)	(177,061,517)
Advances - net	938,313,564	2,661,954	574,741	1,678,064	40,643,098	983,871,421
Others	170,927,847	3,016,719	139,572	183,851	875,601	175,143,591
Total Assets	2,934,412,493	55,693,323	11,113,698	23,866,218	55,992,821	3,081,078,553
Borrowings	136,491,431	1,240,487	-	-	807,088	138,539,005
Deposits & other accounts	2,344,187,228	36,900,634	7,278,305	9,204,947	21,357,355	2,418,928,469
Net inter segment borrowing	-	14,344,870	3,643,594	13,051,137	32,828,959	63,868,561
Others	182,172,934	830,555	191,798	1,556,773	588,176	185,340,236
Total liabilities	2,662,851,593	53,316,546	11,113,698	23,812,857	55,581,578	2,806,676,271
Equity	271,560,901	2,376,778	-	53,361	411,243	274,402,282
Total Equity & liabilities	2,934,412,493	55,693,323	11,113,698	23,866,218	55,992,821	3,081,078,553
Contingencies & Commitments	1,800,206,438	3,380,468	3,105,342	7,173,633	6,917,986	1,820,783,867

Notes to and forming part of the Consolidated Financial Statements

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45. TRUST ACTIVITIES

45.1 Endowment Fund

Students Loan Scheme was launched by Government of Pakistan in collaboration with the 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. 835.770 million as at December 31, 2021 (2020: Rs. 785 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 consolidated financial statements. Assets held under trust are shown in the table below:

		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
Total	1,134	154,842,575	580,540,397	27,417,400	762,800,372

		As at December 31, 2020			
		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	23	-	-	-	-
Charitable institutions	5	-	-	-	-
Companies	17	34,121,000	92,187,000	-	126,308,000
Employee Funds	62	9,640,000	102,961,000	-	112,601,000
Individuals	853	148,000	71,000	-	219,000
Insurance Companies	7	11,211,000	145,210,000	-	156,421,000
Others	58	66,931,000	143,723,000	-	210,654,000
Total	1,025	122,051,000	484,152,000	-	606,203,000

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, 2021

	2021										2020									
	Directors	Key manage- ment personnel	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.I.D.A.A/c)	Provident Fund	Other related parties	Directors	Key manage- ment personnel	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.I.D.A.A/c)	Provident Fund	Other related parties		
(Rupees in '000)																				
Balances with other banks																				
In current accounts																				
	-	-	-	235,951	-	-	-	-	-	-	-	-	232,033	-	-	-	-	-		
	-	-	-	235,951	-	-	-	-	-	-	-	-	232,033	-	-	-	-	-		
Advances																				
Opening balance	-	233,267	2,981,029	-	-	-	-	-	305,117	-	228,805	3,046,662	-	-	-	-	-	23,386,325		
Addition during the year	-	254,860	-	-	-	-	-	-	35,589,939	-	64,850	-	-	-	-	-	-	115,824,347		
Repaid during the year	-	(36,216)	(46,867)	-	-	-	-	-	(35,253,573)	-	(31,840)	(65,633)	-	-	-	-	-	(115,673,058)		
*Transfer in / (out) - net	-	(104,319)	-	-	-	-	-	-	-	-	(28,548)	-	-	-	-	-	-	(23,232,497)		
Closing balance	-	347,592	2,934,162	-	-	-	-	-	641,483	-	233,267	2,981,029	-	-	-	-	-	305,117		
Provision held against advances	-	-	2,837,287	-	-	-	-	-	-	-	-	2,837,287	-	-	-	-	-	-		
Other Assets																				
Interest / mark-up accrued	-	-	1,719,049	-	-	-	-	-	-	-	-	1,720,157	-	-	-	-	-	-		
Borrowings																				
Opening balance	-	-	-	9,111	-	-	-	-	-	-	-	-	279,814	-	-	-	-	-		
Borrowings during the year	-	-	-	26,630	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Settled during the year	-	-	-	-	-	-	-	-	-	-	-	(270,703)	-	-	-	-	-	-		
Closing balance	-	-	-	35,741	-	-	-	-	-	-	-	-	9,111	-	-	-	-	-		
Deposits and other accounts																				
Opening balance	1,320	177,236	-	-	58,871	-	1,369,644	13,282,016	227,967	3,835	94,715	-	-	73	-	1,235,120	13,296,883	40,416,083		
Received during the year	9,334	777,224	-	-	27,393	-	-	-	235,269,981	8,672	713,917	-	-	47,037,983	-	3,054,527	1,941,908	708,790		
Withdrawn during the year	(8,984)	(763,659)	-	-	-	-	(1,322,875)	(427,261)	(196,497,842)	(11,228)	(620,573)	-	-	(46,979,185)	-	(2,920,003)	(1,956,775)	(630,132)		
* Transfer in (out) - net	90	(59,347)	-	-	-	-	-	-	4,336,036	41	(10,823)	-	-	-	-	-	-	(40,266,774)		
Closing balance	1,760	131,454	-	-	86,264	-	46,769	12,854,755	43,336,143	1,320	177,236	-	-	58,871	-	1,369,644	13,282,016	227,967		
Contingencies & Commitments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		

* Transfer in (out) - net due to retirement / appointment of directors and changes in key management executives.

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	2021							2020						
	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	-	-	9,857	-	-	-	-	-	-	16,822	9	-	-	-
Debts due by Companies in which Directors of the Bank is interested as Directors	-	-	-	-	-	-	8,137	-	-	-	-	-	-	15,755
Dividend income	-	-	7,009	-	-	-	-	-	-	-	-	-	-	-
Rent income / Lighting & Power and Bank charges	-	-	5,109	-	-	-	-	-	-	4,637	-	-	-	19,447
Expense														
Mark-up / return / interest paid	88	3,873	-	41	55,888	1,417,701	1,625,178	309	5,086	-	303	108,346	1,441,640	4,012
Expenses paid to company in which Director of the bank is interested as CEO	-	-	-	-	-	-	23,387	-	-	-	-	-	-	10,712
Remuneration to key management executives including charge for defined benefit plan	-	637,103	-	-	-	-	-	-	546,300	-	-	-	-	-
Directors fee & other allowances	25,431	-	-	-	-	-	-	36,160	-	-	-	-	-	-
Post Retirement Benefit paid to Director cum ex-employee	-	-	-	-	-	-	2,087	-	-	-	-	-	-	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 Group 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. 8,408 million (2020: 9,653 million) for the year ended December 31, 2021. As at the statement of financial position date the loans and advances, deposits and contingencies relating to Government-related entities amounted to Rs. 405,294 million (2020: 337,572 million), Rs. 1,247,457 million (2020: 932,317 million) and Rs. 1,540,238 million (2020: 1,057,896 million) respectively and income earned on advances and investment and profit paid on deposits amounted to Rs. 31,846 million (2020: 40,908 million) and Rs. 51,110 million (2020: 64,149 million) respectively.

Notes to and forming part of the Consolidated Financial Statements

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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 comprises of 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. Currently the required CAR for banks is 11.50% (plus 2.0% 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 3.54% in the year December 31, 2021 (2020: 4.16%) and Tier-1 capital of Rs. 204,320 million (2020: Rs 176,735 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 requires 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 and reflect an estimate of credit, market and other risks associated with each asset and counterparty, 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

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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 Group'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 Group monitors and reports its capital ratio under the SBP rules, which ultimately determines the regulatory capital, required to be maintained by Banks and DFIs.

The paid-up capital of the Group for the year ended December 31, 2021 stood at Rs. 21,275 million (2020: Rs. 21,275 million) and is in compliance with the SBP requirement for the said year. In addition the Group for the year 2021 has maintained minimum Capital Adequacy Ratio (CAR) of 20.76% (2020: 20.10%).

There have been no material changes in the Group's management of capital during the year.

	2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	21,275,131	21,275,131
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	204,320,445	176,735,007
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	204,320,445	176,735,007
Eligible Tier 2 Capital	66,135,418	56,705,915
Total Eligible Capital (Tier 1 + Tier 2)	270,455,863	233,440,922
Risk Weighted Assets (RWAs):		
Credit Risk	987,646,626	862,944,817
Market Risk	82,621,030	88,080,262
Operational Risk	232,459,233	210,140,934
Total	1,302,726,889	1,161,166,013
Common Equity Tier 1 Capital Adequacy ratio	15.68%	15.22%
Tier 1 Capital Adequacy Ratio	15.68%	15.22%
Total Capital Adequacy Ratio	20.76%	20.10%
Leverage Ratio (LR):		
Tier-1 Capital	204,320,445	176,735,007
Total Exposures	5,768,455,790	4,249,194,554
Leverage Ratio	3.54%	4.16%

Notes to and forming part of the Consolidated Financial Statements

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	2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	1,362,545,096	1,200,257,790
Total Net Cash Outflow	828,459,514	666,722,922
Liquidity Coverage Ratio	164%	180%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	2,753,443,506	2,309,310,465
Total Required Stable Funding	990,042,101	901,126,786
Net Stable Funding Ratio	278%	256%

47.1 The full disclosures 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 Group 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, the strong data management mechanism is also in place to collect and consolidate exposure wise information various risk related analysis and reviews. The mechanism also helps in identification of e-CIB related information, performing periodic review, generates reports and highlights inconsistencies and errors, and issuing instructions to the relevant data entry points for rectification.

48.1 Risk Governance Structure

Risk Management Group (RMG) operates as an independent group under the supervision of Chief Risk Officer. 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 a dotted line reporting to the Board Risk & Compliance Committee (BRCC). The Group is responsible to perform the functions pertaining to development and oversight of the risk 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.

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The Group'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 Group. 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 Group 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 Group's risk management policies are established to identify and analyze the risks faced by the Group, 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 Group 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 defence 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 defence. The risk management is further strengthened by the third line of defence, 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 Group.

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 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 Group. NBP's lending activities account for most of the Group'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 Group has a dedicated setup led by Chief Risk Officer that ensures the effectiveness of the frameworks for assessment / measurement, review and reporting of credit risk under supervision of Board Risk and Compliance Committee.

The Group has in place Risk Appetite Framework and Credit Risk Concentration Management Framework to ascertain 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. Persistent focus on maintaining a robust risk management framework encompassing 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.

The Risk Management function of the Group is regularly conducting assessments, on perpetual basis, of the credit portfolio to identify borrowers and sectors most likely to get affected due to changes in the business and economic environment locally as well as globally. The Group is cognizant of the fact that COVID-19 situation is posing challenges for the industry in general, and for the risk management function in particular. Group is proactively keeping an eye on the delinquency in the accounts, financial position of the counterparty and other relevant information.

Credit review and approval process of the Group is well-defined and is managed under strict supervision of senior management. For analysis of counterparties within various asset classes / constitutions / economic group, the Group has in place a statistically validated rating model, which further enhances the credit risk analysis. This creates an integral contribution in decision making by senior management of the Group. Concentration of exposure / risk in any of counterparty, economic group, or industry is assessed frequently and accordingly limit setting is tailored.

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The Group has also engaged itself towards 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 Country Credit Officer (CCO) & Senior Credit Officer (SCO). This has vastly improved the turnaround time (TAT) for credit approvals besides a focused approach to asset/loan monitoring. The SCO's have been assigned loan portfolios per their expertise i.e. IDG, CIBG, IFRG & Special Assets (Remedial). Furthermore, the risk team has also started making joint visits with the business teams to customers site which has proved to be very helpful in understanding the ground realities and also supports in making an informed decision.

Retail & Program Lending Group has recently been established within Risk Management umbrella. This Group will strengthen focus on products that are managed on program lending basis and will add controls, governance and risk culture around it. Group has been organized on a Credit Cycle approach, with an end to end credit view. It is engaged in areas of Policy & Portfolio Management, Credit Approvals, Collection & Recovery Oversight, Automation & Risk Technology, MIS & Project Management, Quality & Compliance, etc. To ensure that the group plays a key role, its Group Head has been added to Management Credit Committee as a voting member. Given the overall focus on this area, Retail & Program Lending Risk will play a significant role within larger scheme of Risk Management Group in 2022.

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	
	2021	2020	2021	2020	2021	2020
	(Rupees in '000)					
Public/ Government	-	-	-	-	-	-
Private	335,640,825	126,980,825	174,150	176,150	174,150	176,150
	335,640,825	126,980,825	174,150	176,150	174,150	176,150

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48.2.1.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2021	2020	2021	2020	2021	2020
(Rupees in '000)						
Cement	470,168	470,168	20,168	20,168	20,168	20,168
Chemical	2,076,742	2,073,812	326,742	323,812	326,742	323,812
Construction	3,380,824	3,885,490	1,633,739	1,633,739	1,633,739	1,633,738
Engineering	4,842	4,842	4,842	4,842	4,842	4,842
Fertilizer	655,109	1,040,960	655,109	656,831	655,109	656,831
Sugar	709,719	766,719	709,719	766,719	709,719	766,719
Textile	1,079,625	1,151,054	651,053	651,054	651,055	651,054
Transport	-	-	-	-	-	-
Financial	9,734,656	9,658,543	201,252	210,020	201,252	141,691
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	467,203	891,092	25,996	25,992	25,996	25,991
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	9,049	12,382	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	34,579,163	37,941,940	-	-	-	-
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	500,000	500,000	-	-	-	-
Services	867,239	890,258	-	-	-	-
	55,912,346	60,665,266	5,607,314	5,671,871	5,607,314	5,603,540

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2021	2020	2021	2020	2021	2020
(Rupees in '000)						
Public / Government	29,886,783	31,849,560	7,620	7,620	7,620	7,620
Private	26,025,563	28,815,706	5,599,694	5,664,251	5,599,694	5,595,920
	55,912,346	60,665,266	5,607,314	5,671,871	5,607,314	5,603,540

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48.2.1.3 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2021	2020	2021	2020	2021	2020
	(Rupees in '000)					
Agriculture, Forestry, Hunting & Fishing	71,243,087	63,054,332	7,208,158	6,204,022	5,192,290	4,514,299
Mining & Quarrying	88,334	282,368	11,336	117,449	11,336	117,449
Textile	160,297,014	132,990,923	37,125,362	37,711,391	37,067,714	35,889,959
Chemical & Pharmaceuticals	5,284,057	4,033,024	2,731,312	2,645,492	2,661,064	2,634,249
Cement	32,057,795	33,124,120	6,317,887	6,311,377	4,094,267	4,093,767
Sugar	36,671,049	35,278,586	15,386,592	15,374,152	15,354,821	14,335,087
Footwear and Leather garments	2,016,893	2,461,054	892,779	840,449	887,472	840,114
Automobile & Transportation Equipment	8,567,080	6,607,421	940,147	971,267	937,466	966,887
Electronics & Electrical Appliances	9,684,327	10,036,223	2,380,885	2,232,278	2,370,272	2,223,278
Construction	20,193,083	12,266,442	9,643,454	4,484,629	6,754,352	4,481,950
Oil & Gas	102,762,247	82,061,196	20,216,650	5,413,208	20,074,535	4,526,641
Power (electricity), Gas, Water, Sanitary	198,946,668	201,168,044	13,209,849	7,789,326	9,311,105	6,745,325
Wholesale and Retail Trade	42,510,970	36,642,933	10,801,296	13,514,848	10,745,332	12,083,484
Exports / Imports	1,501,450	1,687,703	-	-	-	-
Transport, Storage and Communication	55,070,251	55,190,848	12,789,768	11,263,369	10,368,778	9,184,015
Financial	31,806,152	6,358,191	92,331	91,312	92,331	91,312
Services	38,110,525	32,929,861	4,242,115	4,543,558	2,554,475	2,697,680
Individuals	198,236,486	184,106,685	6,215,945	5,962,662	4,342,413	4,123,937
Flour Mills	2,767,236	2,809,954	752,338	735,193	689,028	720,207
Rice Trading & Processing	37,707,929	30,685,877	4,780,678	4,665,312	4,555,487	4,537,360
Food and Tobacco	16,109,497	14,023,712	6,988,672	5,251,343	6,367,546	5,226,208
Fertilizer	11,602,568	15,733,123	2,988,462	2,947,639	2,947,541	2,888,738
Metal Products	71,007,705	67,320,902	25,680,256	25,111,134	25,511,029	24,557,341
Telecommunication	22,011,036	17,064,247	1,136,813	1,159,350	1,136,813	1,159,350
Public Sector Commodity Operations	77,346,473	62,413,440	74,198	74,198	74,198	74,198
General traders	-	-	-	2,993	-	2,244
Engineering	32,121,933	33,444,437	1,422,820	1,416,959	1,415,349	1,410,274
Glass and Ceramics	8,070,726	6,859,290	389,447	396,911	389,447	396,911
Media	1,529,488	2,189,495	381,881	718,124	208,971	293,124
Paper & Board	2,726,772	1,601,970	1,193,719	1,187,897	1,193,719	1,187,897
Plastic products	2,662,060	2,627,648	672,095	651,199	670,607	648,950
Sports goods	1,280,713	978,994	93,818	93,818	93,818	93,818
Surgical equipments	824,409	827,764	12,151	64,674	8,558	64,674
Others	2,625,314	2,072,130	1,572,474	1,865,079	1,572,474	1,777,042
	1,305,441,329	1,160,932,938	198,345,689	171,812,612	179,654,609	154,587,769

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2021	2020	2021	2020	2021	2020
	(Rupees in '000)					
Public / Government	420,736,532	337,572,330	-	2,672,432	-	2,522,432
Private	884,704,797	823,360,608	198,345,689	169,140,180	179,654,608	152,065,337
	1,305,441,329	1,160,932,938	198,345,689	171,812,612	179,654,608	154,587,769

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48.2.1.4 Contingencies and Commitments

Credit risk by industry sector

	2021 ----- (Rupees in '000) -----	2020 ----- (Rupees in '000) -----
Agriculture, Forestry, Hunting & Fishing	100,504	170,777
Mining & Quarrying	1,418,487	2,605,392
Textile	25,421,310	18,571,105
Chemical & Pharmaceuticals	6,001,560	9,558,756
Cement	9,718,289	4,269,235
Sugar	592,840	303,184
Footwear and Leather garments	182	162
Automobile & Transportation Equipment	4,435,897	11,886,834
Electronics & Electrical Appliances	2,843,195	2,959,697
Construction	9,718,062	9,036,763
Oil & Gas	104,645,267	39,173,307
Power (electricity), Water, Sanitary	61,808,701	83,646,557
Wholesale and Retail Trade	2,346,916	1,624,388
Exports / Imports	272,733	317,066
Transport, Storage and Communication	47,721,546	28,020,866
Financial	719,655,625	544,516,361
Services	1,355,079,802	950,517,287
Individuals	77,114	394,092
Fertilizer	3,652,239	1,394,690
Metal Products	15,961,141	9,828,654
Telecommunication	25,141,952	14,070,734
Public Sector Commodity Operations	8,249,178	12,565,661
Rice processing & Trading	20,825	39,174
Food and Tobacco	448,128	376,730
Glass and Ceramics	1,484,463	1,007,344
Paper & Board	2,046,783	551,469
Engineering	77,952,489	43,596,296
Plastic Products	258,541	27,432,671
Surgical equipments	19,459	750
Others	3,411,207	2,347,864
	<u>2,490,504,435</u>	<u>1,820,783,867</u>

* 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

	2021 ----- (Rupees in '000) -----	2020 ----- (Rupees in '000) -----
Public / Government	1,402,649,361	948,334,918
Private	1,087,855,075	872,448,949
	<u>2,490,504,436</u>	<u>1,820,783,867</u>

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48.2.1.5 Concentration of Advances

The bank top ten (10) exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 1,474,941 million (2020: Rs. 1,093,518 million) are as follows:

	2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
Funded	244,605,208	250,314,704
Non Funded	1,230,335,750	843,203,477
Total Exposure	1,474,940,958	1,093,518,181

The sanctioned limits against these top 10 exposures aggregated to Rs. 1,563,667 million (2020: Rs. 1,280,786 million)

Total funded classified therein	2021		2020	
	Amount	Provision held	Amount	Provision held
	------(Rupees in '000)-----			
Loss	-	-	2,522,432	2,522,432
Total	-	-	2,522,432	2,522,432

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	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

Province/Region	2020						
	Disbursements		Utilization				
	Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan	
	------(Rupees in '000)-----						
Punjab	210,145,408	207,931,532	1,625,942	-	-	-	587,934
Sindh	390,658,220	4,704,206	377,454,014	-	-	8,500,000	-
KPK including FATA	6,176,977	-	-	6,176,977	-	-	-
Balochistan	3,855,924	-	-	-	3,332,924	-	523,000
Islamabad	49,991,187	8,853,922	12,271,029	1,712,540	-	27,153,696	-
AJK including Gilgit-Baltistan	2,798,820	-	-	-	-	-	2,798,820
Total	663,626,536	221,489,660	391,350,985	7,889,517	3,332,924	35,653,696	3,909,754

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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 scorecards/ criteria for various market risk limits. 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. Whereas, 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.

In addition to the regulatory requirements, Group 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 Ratio, 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

	2021			2020		
	Banking book	Trading book	Total	Banking book	Trading book	Total
----- (Rupees in '000) -----						
Cash and balances with treasury banks	278,868,736	-	278,868,736	249,969,566	-	249,969,566
Balances with other banks	19,211,237	-	19,211,237	15,015,366	-	15,015,366
Lendings to financial institutions	335,466,675	-	335,466,675	126,804,675	-	126,804,675
Investments	1,821,039,266	121,701,925	1,942,741,191	1,368,195,288	98,210,085	1,466,405,373
Advances	1,113,314,128	-	1,113,314,128	983,871,421	-	983,871,421
Fixed assets	54,833,801	-	54,833,801	55,086,809	-	55,086,809
Intangible assets	1,171,446	-	1,171,446	1,022,143	-	1,022,143
Right of use assets	7,090,980	-	7,090,980	7,017,020	-	7,017,020
Deferred tax asset	1,902,811	-	1,902,811	-	-	-
Other assets	102,433,942	-	102,433,942	112,017,619	-	112,017,619
	3,735,333,022	121,701,925	3,857,034,947	2,918,999,907	98,210,085	3,017,209,992

48.2.2.2 Foreign Exchange Risk

Foreign exchange and translation risk arises from the impact of currency movements on the value of the Group'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 Group enters into ready, spot, forward and swap transactions with the SBP and in the inter Bank market, financial institutions and corporate. The Group's foreign exchange exposure comprises forward contracts, purchases of foreign bills, foreign currencies cash in hand, balances with Banks abroad, foreign placements with the SBP and foreign currencies 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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	2021				2020			
	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	230,696,801	321,594,407	87,452,155	(3,445,451)	158,975,693	250,386,427	115,299,103	23,888,369
Great Britain Pound	5,012,811	5,950,831	4,303,047	3,365,027	4,253,451	5,613,790	3,235,840	1,875,502
Japanese Yen	3,939,522	3,283,911	2,315,294	2,970,904	4,080,732	1,123,760	168,624	3,125,596
Euro	13,413,044	19,043,837	7,628,249	1,997,456	8,625,157	10,298,009	3,462,911	1,790,059
Other currencies	75,261,167	18,382,109	3,130,155	60,009,213	68,372,930	20,716,084	2,996,887	50,653,733
	328,323,345	368,255,095	104,828,900	64,897,149	244,307,963	288,138,070	125,163,365	81,333,259

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates				
- Profit and loss account	-	-	-	-
- Other comprehensive income	-	648,971	-	813,333

48.2.2.3 Equity position Risk

The 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 Group'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 limits and/ or through diversification within the structure of overall equity position portfolio.

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 5% change in equity prices				
- Profit and loss account	-	-	-	-
- Other comprehensive income	2,671,767	-	3,065,915	-

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 of underlying asset which is being monitored by ALCO with an objective to possibly limiting the potential impact over the profitability of the Group which may result in instability of market based interest rates and mismatching 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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	2021	2020
	Banking book	Trading book
	Trading book	Banking book
	(Rupees in '000)	(Rupees in '000)
	8,629,166	368,677
	-	131,186
	-	-

48.2.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

Effective Yield/Interest rate	Total	2021 Exposed to Yield/ Interest risk										Non-interest bearing financial instruments
		Over 1 to 3 Months	Over 3 to 6 Months	Over 6 to 12 Months	Over 12 to 24 Months	Over 24 to 36 Months	Over 36 to 48 Months	Over 48 to 60 Months	Over 60 to 72 Months	Over 72 to 84 Months	Over 84 to 100 Months	
		Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 to 12 Months	Over 12 to 24 Months	Over 24 to 36 Months	Over 36 to 48 Months	Over 48 to 60 Months	Over 60 to 72 Months	Over 72 to 84 Months	Above 10 Years

On-balance sheet financial instruments

Assets

Cash and balances with treasury banks
Balances with other banks
Lending to financial institutions
Investments
Advances
Other assets

Liabilities

Bills payable
Borrowings
Deposits and other accounts
Liabilities against assets subject to finance lease
Lease liability against right of use assets
Other liabilities

On-balance sheet gap

Off-balance sheet financial instruments

Documentary credits and short-term trade-related transactions

Commitments in respect of:
- forward foreign exchange contracts
- forward government securities transactions
Commitments for acquisition of:
- operating fixed assets
- other commitments

Off-balance sheet gap

Total Yield/Interest Risk Sensitivity Gap

Cumulative Yield/Interest Risk Sensitivity Gap

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

2020										
Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk						Non-interest bearing financial instruments		
		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	Above 10 Years
(Rupees in '000)										

48.2.2.6 Reconciliation of Financial Assets and Liabilities with Total Assets and Liabilities

Total Financial Assets as per note 48.2.2.5

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 48.2.2.5

Add: Non-Financial Liabilities

Deferred tax liabilities

Other liabilities

Total liabilities as per statement of financial position

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

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. To mitigate, an Operational Risk Management (ORM) Framework has been developed to align the Group's operations with sound practices of operational risk by Basel framework. ORM Framework provides guidance for setting the 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 a comprehensive Operational Risk Management Strategy and Operational Risk Tolerance limits approved by the Board in-line with Basel framework. Furthermore, the 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 policy of the group.

The Group has also conducted analysis of major Operational Risk Incidents covering key control lapses and accordingly suggested 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 the situation and undertaken required actions to ensure the safety and security of Group staff and maintenance of service to its customers. The Senior Management of the Group including the Covid Crises Management Team closely monitored the situation, and took timely decisions to resolve any concerns.

The Group continued to take measures to ensure the maintenance of their service levels, 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 the pandemic 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 counter-measures need to be assessed and implemented. The Group has devised a governance mechanism to manage related risks through development of Policies and Framework, and deployed security tools to ensure adequate implementation of internal controls and monitoring of security threats within technology infrastructure.

Our staff is first line of defence against any cyber attacks therefore the Group regularly assesses the information security controls and undertake employees' awareness and trainings. The Group works with its key technology partners to ensure that potential vulnerable systems are identified and appropriate controls, updates and patches 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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

In the late hours of October 29, 2021 and early morning of October 30, 2021, the Bank's IT Infrastructure came under a cyberattack. As a result, NBP's business-critical servers along with several workstations went down which disrupted the business operations. The services primarily running on the Windows operating system were impacted. A committee was formed to keep track of the systems affected and their restorations. The status of the systems that were affected as a result of cyberattack and their restorations was also reported to the State Bank of Pakistan. The management has also taken on board various vendors to assist the Bank in carrying out analysis of the potential lapses that led to the attack and also to take initiatives and develop processes for dealing with such events in future. The systems of the Bank are up and running and as per management's assessment, there is no impact on the Bank's IT infrastructure as a result of cyberattack. 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.

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 Board approved Internal Capital Adequacy and Assessment Process (ICAAP), which commensurate risks over and above those which directly occurs 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 behaviour of country's market and economic conditions, whether in isolation or in combinations are covered under the Group-wide Recovery Plan. These risks are monitored on certain frequency and corrective 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 encompasses simplest to sophisticated stress testing methods to capture the abnormal movement of market and economy based indicators and to translate such scenarios into projections of Group's profitability 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 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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

48.2.6.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Group

	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
Assets														
Cash and balances with treasury banks	278,863,736	275,944,884	44	-	1,888,838	1,790	1,312	1,230,868	-	-	-	-	-	-
Balances with other banks	19,211,237	14,052,290	1,179,715	564,725	533,617	401,660	978,671	728,951	-	-	-	-	-	-
Lendings to financial institutions	335,466,675	2,405,644	274,914,137	28,146,985	-	-	-	30,000,000	-	-	-	-	-	-
Investments	1,942,741,191	5,830,391	611,150	40,375,005	4,704,040	116,295,658	484,766,384	163,339,043	79,413,300	106,995,026	417,599,594	142,824,222	134,858,789	245,007,299
Advances	1,113,314,128	319,029,873	3,305,102	2,934,122	49,957,744	68,514,293	32,145,072	99,618,166	44,632,449	56,210,932	56,919,407	90,680,852	127,063,315	162,253,800
Fixed assets	54,833,801	215	-	-	23,071	9,888	30,445	-	-	1,073,603	2,401,637	81,344	1,708,546	48,795,006
Intangible assets	1,171,446	-	-	-	-	926	-	1,853	2,779	1,070,478	168,337	168,147	96,372	562,553
Right of use assets	7,090,980	343	2,058	2,401	5,488	27,972	10,754	84,790	103,680	142,356	777,288	592,581	1,456,292	3,885,007
Deferred tax assets	1,902,811	-	-	-	-	-	-	-	212,593	62,366	2,203	-	1,625,647	-
Other assets	102,433,942	18,303,153	867,181	269,736	240,256	17,500,804	16,992,000	12,596,172	1,388,113	1,369,429	29,274,348	726,138	1,087,707	1,819,904
Liabilities														
Bills payable	3,857,034,947	635,672,763	280,879,847	72,283,284	57,154,054	202,752,065	534,945,564	307,593,943	126,569,064	165,965,060	507,141,841	235,842,284	287,896,660	482,323,569
Borrowings	21,848,270	21,848,270	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	312,925,106	60,004	2,886,366	27,335,847	3,311,907	108,642,330	20,753,395	81,758,922	26,887,971	2,628,760	13,099,389	3,634,279	6,463,258	15,382,877
Liabilities against assets subject to finance lease	3,018,147,709	2,544,464,772	26,553,869	11,971,222	92,050,351	76,536,916	17,074,721	83,328,141	32,764,725	27,549,128	12,326,386	85,151,041	7,060,714	1,315,732
Liabilities against assets subject to lease liability against right of use assets	133,598	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	8,360,755	-	-	-	-	-	463	69,732	92,367	398,411	721,743	804,651	1,765,289	4,527,602
Lease liability against right of use assets	200,596,128	86,093,504	838,024	30,252	714,543	6,177,726	6,119,874	29,277,808	1,828,346	1,843,390	25,961,044	8,538,736	16,576,941	16,594,540
Net assets	3,562,011,566	2,652,466,550	30,279,049	39,337,122	96,076,801	191,377,469	43,948,453	194,434,603	61,673,409	32,458,402	52,105,562	98,184,192	31,865,202	37,800,751
	295,023,381	(2,016,793,767)	250,599,798	32,956,162	(58,927,746)	11,374,586	490,997,111	113,165,240	64,895,655	133,506,688	455,033,279	137,859,891	236,030,458	424,522,819
Share capital	21,275,131													
Reserves	62,427,269													
Unappropriated profit	145,312,547													
Surplus on revaluation of assets	64,994,980													
Non-controlling interest	1,013,454													
	295,023,381													
Assets														
Cash and balances with treasury banks	249,969,566	245,059,070	845,550	-	488,987	-	159,852	455,330	308,490	3,574,948	-	-	-	-
Balances with other banks	15,015,366	9,195,199	2,659,756	-	1,845,612	205,127	-	-	-	381,940	-	-	-	-
Lendings to financial institutions	126,804,675	-	122,804,675	2,300,000	1,700,000	-	-	-	-	-	-	-	-	-
Investments	1,466,405,373	7,505,285	983,775	128,486,513	30,179,598	230,232,181	238,617,171	45,910,297	113,118,951	39,082,131	97,899,248	157,346,293	125,301,464	253,762,168
Advances	983,871,421	334,403,880	1,854,530	3,454,238	32,164,790	59,734,019	16,613,801	60,217,771	30,309,223	30,140,886	41,668,685	78,281,159	157,296,409	137,732,080
Fixed assets	55,086,809	-	546	637	53,118	22,765	40,105	2,135	-	883,464	2,879,531	734,166	1,617,909	48,843,616
Intangible assets	1,022,143	91	-	-	1,455	2,728	8,877	8,184	-	109,455	131,741	127,175	65,974	562,553
Right of use assets	7,017,020	-	-	-	201	14,649	5,276	51,391	29,405	201,414	683,219	736,833	1,529,327	3,766,306
Other assets	112,017,619	17,062,228	255,641	-	941,238	17,934,882	18,136,013	10,892,766	1,206,337	1,204,129	38,266,979	3,351,081	2,762,030	4,284
Liabilities														
Bills payable	3,017,209,992	613,229,753	129,404,473	134,241,688	67,176,009	308,146,361	271,574,946	117,538,627	144,980,590	75,588,317	181,529,403	240,576,707	288,572,113	444,671,007
Borrowings	16,795,186	16,795,186	-	-	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	138,539,005	1,966,540	-	5,266,007	3,455,970	4,727,114	6,266,632	56,908,784	41,474,224	1,042,206	2,392,766	3,509,557	6,420,414	51,087,790
Liabilities against assets subject to finance lease	2,418,928,469	2,067,874,191	23,713,232	11,128,335	102,766,802	51,070,288	13,467,229	66,056,859	20,877,326	18,483,105	12,454,175	8,477,921	21,086,963	1,471,175
Liabilities against assets subject to lease liability against right of use assets	197,224	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	7,869,355	-	-	-	-	15,141	6,349	58,035	25,319	73,480	87,055	-	123,744	-
Deferred tax liabilities	2,833,124	-	-	-	-	-	-	-	-	194,773	194,773	674,695	1,897,552	4,127,395
Other liabilities	157,545,347	61,524,307	731,662	280,904	1,092,932	9,347,200	24,862,820	15,235,144	1,210,882	1,141,620	15,947,785	5,339,632	10,747,569	10,091,800
Net assets	2,742,807,710	2,148,160,224	24,444,854	16,675,846	107,315,745	65,159,743	44,593,430	138,259,822	63,877,751	20,937,659	31,664,781	18,001,805	43,207,091	20,799,160
	(1,534,830,471)	117,565,842	(40,138,734)	(40,138,734)	(40,138,734)	242,986,618	226,981,516	(20,721,195)	81,332,839	54,630,688	149,864,622	222,574,902	245,365,022	423,871,847
Share capital	21,275,131													
Reserves	57,591,417													
Unappropriated profit	120,631,784													
Surplus/(Deficit) on revaluation of assets	73,987,802													
Non-controlling interest	916,148													
	274,402,282													

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

48.2.6.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Group

	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)									
Assets										
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	-	-	-	-	-
Lendings 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	142,327,662	134,189,408	231,088,253	12,239,061
Advances	1,113,314,128	308,024,550	184,249,818	91,475,278	92,648,910	56,918,407	90,680,852	127,062,513	89,148,053	73,105,747
Fixed assets	54,833,801	23,286	40,333	-	1,013,603	2,401,684	876,223	1,683,667	55,286	48,739,719
Intangible assets	1,171,446	3,240	6,480	9,720	177,315	206,477	205,660	-	562,553	-
Right of use assets	7,090,980	4,802	38,726	84,790	215,166	777,268	592,581	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	725,138	1,458,795	1,450,276	-
	3,857,034,947	911,423,187	848,827,577	319,153,077	303,369,552	511,066,609	235,408,116	267,476,314	324,998,598	135,311,715
Liabilities										
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	3,634,279	6,483,258	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	486,684,939	408,594,611	1,315,732	-
Liabilities against assets subject to finance lease	133,598	78,116	-	-	-	-	55,482	-	-	-
Lease liability against right of use assets	8,360,755	80,078,936	20,960	69,732	361,900	810,621	804,651	1,765,289	3,046,610	1,480,992
Other liabilities	200,596,128	888,397,550	18,522,674	30,668,659	3,654,598	25,961,044	8,538,736	16,946,569	8,112,456	8,112,456
	3,562,011,566	888,397,550	333,544,829	415,987,558	496,959,851	456,202,840	499,718,087	433,769,727	27,837,675	9,593,448
Net assets	295,023,381	23,025,637	515,282,747	(96,834,480)	(193,590,299)	54,863,970	(264,309,971)	(166,293,413)	297,160,922	125,718,266
Share capital	21,275,131									
Reserves	62,427,269									
Unappropriated profit	145,312,547									
Surplus/(Deficit) on revaluation of assets	64,994,980									
Non-controlling interest	1,013,454									
	295,023,381									

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2021

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, foreign currency and interest rate swaps, options etc. In Pakistan, futures and forwards are most commonly traded derivatives.

Currently, the Group is not an active participant in the Pakistan derivatives market as it does not hold an Authorized Derivative Dealer (ADD) licence to perform derivative contracts. Once acquired, the Group will carry out the transactions which are permitted under the Financial Derivatives Business Regulations issued by the SBP, which may include Interest rate swaps, forward rate agreements, foreign currency options etc.

Moreover, the Group may also offer other derivative products to satisfy customer requirements, specific approval of which will be sought from the SBP on a transaction by transaction basis.

49. EVENTS AFTER THE REPORTING DATE

The Board of Directors has proposed a cash dividend of Rs. 1 per share (2020: Rs. Nil per share) amounting to Rs. 2,127.513 million (2020: Rs. Nil) at its meeting held on March 08, 2022 for approval of the members at the annual general meeting to be held on March 30, 2022. These consolidated financial statements do not reflect this appropriation as explained in note 5.22.

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 AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on March 08, 2022 by the Board of Directors of the Bank.

Zubyr Soomro
Chairman

Arif Usmani
President & CEO

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, 2021

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	M/S. Qureshi Brothers, Bahawalpur. 5-A, Heavy Industrial Area, Model Town 'B', Bahawalpur	Muhammad Ayub Qureshi 31202-2263837-3 Abdul Samad 31202-1515844-9 Abdul Qayyum 31202-7537115-9 Abdul Rauf 34402-1710024-7 Mst. Sultana Begum 31202-9609925-0 Mst. Anjum Shakoor 37405-3577028-0 Mst. Shazia Erum 34402-1635588-2	Abdul Shakoor Abdul Shakoor Abdul Shakoor Abdul Shakoor Abdul Shakoor Abdul Shakoor Abdul Shakoor	1,500	1,418	22	2,940	-	-	500	500
2	Khuda Bukhsh H.No.70, Gali No.1, Chaudhry Town, Liaquatpur	Khuda Bukhsh 31302-5411764-9	Faqir Bukhsh	634	-	-	634	634	-	-	634
3	Syed Waqar Shafaq Mohallah Mahakma Zarat, Liaquatpur, Tehsil Rahimyar Khan	Syed Waqar Shafaq 31302-8345377-9	Syed Abdullah Ashtaq Ahmed Shafaq	653	-	-	653	653	-	-	653
4	Saifullah Khan Bast Badar Munir, Chehleen wali, Dakhana Khas, Tehsil Ahmedpur	Saifullah Khan 31201-5382470-9	Hasoor Bukhsh	587	-	-	587	587	-	-	587
5	Shah Zaman Khan Ghan Chatter, Dakhana Muzaffarabad, Tehsil Muzaffarabad	Shah Zaman Khan 82203-4459614-3	Faqeer Muhammad	600	-	-	600	600	-	-	600
6	Saifdar Hussain Nigder PO Karin Tehsil: Athmuqum, Distt, Neelum AK	Saifdar Hussain 82202-920727-5	Muhammad Hussain	563	-	-	563	563	-	-	563
7	Muhammad Aslam(Late) House No. 10-9/381 Mohala Kili Deba Arbab Ali Road Quetta	Muhammad Aslam (Late) 54400-0468311-7	Muhammad Akbar	542	-	-	542	541	-	-	541
8	Ameer Ali Magsi Goth Bujarani Tehsil Jal Magsi.	Ameer Ali Magsi 53302-2093074-5	Sher Muhammad	673	143	-	816	673	-	-	673

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				
9	Late Rab Rakhio S/o Dur Muhammad Mughari Village Pandhi Khan Mughari Taluka Kamber District Kamber - Shahdadkot	Late Rab Rakhio 43202-7530861-9	Dur Muhammad Mughari	511	-	-	511	511	-	-	511
10	Late Ashraf Ali S/o Wahid Behleem Village Garhi Suto P.O. Jean Abro Taluka Kamber Ali Khan District Kamber - Shahdadkot	Late Ashraf Ali 43202-0732537-5	Wahid Behleem	795	-	-	795	795	-	-	795
11	Late Ameer Ali S/o Muhammad Patojo Village Mahi Makol P.O. Mahi Makol Merhoon Taluka Kamber Ali Khan District Kamber - Shahdadkot	Late Ameer Ali 43202-6449204-5	Muhammad Patojo	818	-	-	818	818	-	-	818
12	Late Ghulam Mustafa S/o Mir Bakhtshah Khan Muhall Drib P.O. Shahdadkot District Kamber - Shahdadkot	Late Ghulam Mustafa 43201-1458511-1	Mir Bakhtshah Khan	973	-	-	973	973	-	-	973
13	Late Muhammad Younis S/o Ahmed Lashari Village Albar Khan Chandio P.O. Shahdadkot District Kamber - Shahdadkot	Late Muhammad Younis 43206-6395654-1	Ahmed Lashari	862	-	-	862	862	-	-	862
14	Late Rehmatalah S/o Bagh Ali Alias Biju Residence of Khanpur road House No.394/41 Muhalla Sanjirani Shikarpur	Late Rehmatalah 43304-649922-7	Bagh Ali Alias Biju	809	-	-	809	809	-	-	809
15	Late Ashique Ali S/o Muhammad Nawaz Juj New Nazir Muhalla Larkana	Late Ashique Ali 43203-5561356-7	Muhammad Nawaz Juj	618	-	-	618	618	-	-	618
16	Late Wazir Ahmed S/o Rasool Bux Panthwar Village Pechoha Dist: Dadu	Late Wazir Ahmed 41201-3227942-5	Rasool Bux Panthwar	814	-	-	814	814	-	-	814
17	Late Abdul Razaq S/o Abdul Qadir Thahem First Fami Line Jacobabad	Late Abdul Razaq 43102-2477711-3	Abdul Qadir Thahem	588	-	-	588	588	-	-	588
18	Late Imdad Hussain S/o Datar Dino Abbasi Near Al Hussani Masjid Muhalla Kalhora Abad Dist Larkana	Late Imdad Hussain 43203-9719026-1	Datar Dino Abbasi	710	-	-	710	710	-	-	710
19	Late Ali Akbar S/o Muhram Khan Sodhar Village Faiz Muhammad Sodhar P.O. Warrah	Late Ali Akbar 43207-0172083-9	Muhram Khan Sodhar	835	-	-	835	835	-	-	835
20	Late Zulfiqar Ali S/o Poshan Burro Village Khamiso Kalhora Warrah Dist: Kamber Shahdadkot	Late Zulfiqar Ali 43207-6721647-7	Roshan Burro	652	-	-	652	652	-	-	652
21	Late: Abdul Razaque S/o Muhammad Umar Leghari Muhalla Jaffarabad Jacobabad	Late: Abdul Razaque 43102-4891098-5	Muhammad Umar Leghari	751	-	-	751	751	-	-	751
22	Late Shoukat Ali Village Rabarji Wando, Dakhana Muhammadpur Odho, Tehsil Garhi Khairo, Dist: Jacobabad	Late Shoukat Ali 43101-6275684-3	Ghous Bux	615	-	-	615	615	-	-	615
23	Late Ghulam Hyder Village Suleman Dool Taluka Thull	Late Ghulam Hyder 43105-4709049-7	Tagio Khan	523	-	-	523	523	-	-	523

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				
24	Late Assadullah Muhalla Galib Nager Taluka & Distt Larkana	Late Assadullah 43203-7645041-1	Ghous Bux Khushk	549	-	-	549	549	-	-	549
25	Late Ghulam Rasool Hamidullah Huzori Mohala Miro Khan Taluka Miro Khan Dist Kamber Ali Khan	Late Ghulam Rasool 43204-1152340-1	Bakshal Kalhoro	752	-	-	752	752	-	-	752
26	Late Aijaz Ali Village Thar Wadho Taluka Miro Khan Dist Kamber Shahdadkot	Late Aijaz Ali 43204-3217325-5	Muhammad Siddiqui Tunio	761	-	-	761	761	-	-	761
27	Mazhar Ali Village P.O Wagan Ghathar Dist Kamber Shahdadkot	Mazhar Ali 43202-9470096-9	Muham Ali Mirbahar	697	-	-	697	697	-	-	697
28	Peeral Village War Wara Mullan Kakar Taluka K.N Shah	Peeral 41203-7987437-9	Ghulam Hyder Paryo	839	-	-	839	839	-	-	839
29	M. Ibrahim Village Faqir Muhammad PO kakar Taluka K.N Shah	M. Ibrahim 41203-1643237-5	Kando Brahamani	623	-	-	623	623	-	-	623
30	Ali Hassan Shahan Jo Padar Muhalla Lahori Larkana	Ali Hassan 43203-6939277-5	Rasool Bux Memon	576	-	-	576	576	-	-	576
31	Abdul Rauf VIP Road House No.09 Stret No.04 Muhalla Police Head Quarter Larkana	Abdul Rauf 43203-8203081-9	Haji Ahmed Abbasi	594	-	-	594	594	-	-	594
32	Syed Raham Shah Village Khairo Khan Jatoi PO Wagan Dist Qambar Shahdadkot	Syed Raham Shah 43207-5448381-7	Himat Ali Shah	562	-	-	562	562	-	-	562
33	Ghulam Muhammad Village Muhalla Ali Abad Larkana	Ghulam Muhammad 43203-1357392-3	Darya Khan Khoso	545	-	-	545	545	-	-	545
34	Gul Muhammad Village Dodani Panthwar Makhdoom Bilawal Dadu	Gul Muhammad 41201-7161285-1	Ali Bux Panthwar	719	-	-	719	719	-	-	719
35	Riaz Ahmed Village Meer Karam Khan Brohi, P.O. Quboo Saeed Khan, Distt: Qambar Shahdadkot	Riaz Ahmed 43406-0339589-1	Sawan Khan Bhatti	526	-	-	526	526	-	-	526
36	Aijaz Ali Nanik Wara Muhalla Malik City Kandhkot	Aijaz Ali 43103-6689918-1	Rahim Bux Malik	654	-	-	654	654	-	-	654
37	Ghulam Sarwar Bhittal Rice Mill Qadri Muhalla Thull	Ghulam Sarwar 43105-4405674-5	Abdul Latif Burro	563	-	-	563	563	-	-	563
38	Nadir Hussain Village Shangoo Ranojo PO Madeji Taluka Garhi Yasin Dist Shikarpur	Nadir Hussain 43301-9495399-7	Ghulam Muhammad Abro	870	-	-	870	870	-	-	870
39	Muhammad Sadique Muhalla Nazar Larkana	Muhammad Sadique 43102-6489792-9	Sohrab Khan Phulpoto	864	-	-	864	864	-	-	864

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				
40	Ghulam Rasool Village Daro Napar Taluka Lakhi Ghulam Shah, Distt: Shikarpur	Ghulam Rasool 43105-4405674-5	Muhammad Anwar Abro	771	-	-	771	771	-	-	771
41	Late Muhammad Murad Village Deedar P.O Kamber	Late Muhammad Murad 43202-9836503-7	Muhammad Umar Siyal	754	-	-	754	754	-	-	754
42	Late Shabir Ali Village Wai Muhammad Gorar P.O. Thariri, Taluka Mehr Dadu	Shabir Ali 41205-3402887-1	Muhammad Panah Chandio	872	-	-	872	872	-	-	872
43	Late Qamaruddin Village Lal Bux Noonari Taluka Thull Distt Jacobabad	Qamaruddin Lashari 43103-8210721-1	Ali Muhammad Lashari	883	-	-	883	883	-	-	883
44	Late Riaz Ahmed Mohallah Gajan Pur Chowk, Near MCB Bank, Distt: Larkana	Riaz Ahmed 43203-2514340-9	Allah Dino Soomro	534	-	-	534	534	-	-	534
45	Late Asadullah Village Nau Sobho Khan Jatoi Johi Belo P.O Madeji Taluka Garhi Yasin Distt Shikarpur	Late Asadullah 43202-0732537-5	Shah Bux Jatoi	653	-	-	653	653	-	-	653
46	Late Abdul Khaliq Air Port Road Muhalla Allah Abad Larkana	Late Abdul Khaliq 43203-6543586-5	Bakhshal Khan Shaikh	581	-	-	581	581	-	-	581
47	Late Ghulam Yaseen Mohallah Village Wakro, P.O. Taluka Dokri, Distt: Larkana	Late Ghulam Yaseen 43201-4571317-9	Azizullah Soomro	986	-	-	986	986	-	-	986
48	Messrs New Mannan Medical & General Store H.No.334, Block-A, Settlite Town, Sargodha Business Address: Chowk settlita Town Fatima Jimnah Road, Sargodha	Muhammad Rafi 38403-3360023-7 Muhammad Raees 38403-5409957-1	Muhammad Shafi Muhammad Rafi	3,000	-	3,089	6,089	-	-	1,018	1,018
49	Khalid Hussain Ansari, House No.A-1408/47, KRI Quarter Old Sukkur	Khalid Hussain Ansari, 45504-9949954-1	Nisar Hussain	900	-	-	900	900	-	-	900
50	Mushtaque Hyder S/O Muhammad Malook, ward No. 04 Karim Shah Colony Kandiaro Taluka Kandiaro Distt: N. Feroze	Mushtaque Hyder 45302-8368240-1	Muhammad Malook	1,717	-	-	1,717	1,717	-	-	1,717
51	Muhammad Kawish, Mouza Arain Wahan, Tehsil Malis, Distt: Vehari	Muhammad Kawish 36302-1607593-9	Ashiq Muhammad	2,900	1,603	10	4,513	-	-	534	534
52	Atta Ullah H.No.439, Ward No.3, Near Chitti Kothi, Khanewal	Atta Ullah 36302-1607593-9	Iman Bukhsh	638	-	-	638	638	-	-	638
53	Qazi Naveed Akhtar H # CD-148, Muhallah Ghaziabad, Droke Syedan, Rawalpindi	Qazi Naveed Akhtar 37405-6372365-3	Qazi Walaat Hussain	509	-	-	509	509	-	-	509

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				
54	Ghulam Mustafa Nadeem H.No. CB-316, Street # 9D, Aslam Market, Rawalpindi Cantt.	Ghulam Mustafa Nadeem 35303-2058532-7	Aashiq Hussain	596	-	-	596	596	-	-	596
55	Muhammad Akram Leghari S/o Manzoor Ahmed Khan Leghari House no 477-C, Street no 178 G-7/3-1, Islamabad	Muhammad Akram Leghari 61101-7386959-3	Manzoor Ahmed Khan	1,445	95	-	1,540	1,445	-	-	1,445
56	Israr Hussain Shah S/o Sakbar Ali Shah PO Jahala, Lehtar Bala, Tehsil Kahuta, District Rawalpindi	Israr Hussain Shah 37402-2172503-5	Sakbar Ali Shah	535	-	-	535	535	-	-	535
57	Sheikh Anwar Jamal Hous No. 72, Ward No 6-M, Street No.02, Mohalla Chah Bohar Wala Multan	Sheikh Anwar Jamal 36302-0386241-9	Sheikh Jamal ud din	602	23	-	625	602	-	-	602
58	Ejaz Hussain P.O. Khas, Mauza Salar Mahan Nau, Kabinwala	Ejaz Hussain 36102-55882240-3	Muhammad Buksh	723	40	-	763	723	-	-	723
59	Riaz Hussain QTR # 3, Ratan Preedy Police, Karachi	Riaz Hussain 42301-0421147-1	Syed Nisar Hussain	677	-	-	677	677	-	-	677
60	Raja Tariq Nawaz House No.267/5 Street #21 Sector I-9 Islamabad	Raja Tariq Nawaz 61101-2000580-9	Raja Rabnawaz Khan	1,298	55	-	1,353	545	-	-	545
61	United Agro Engineers Address: Opposite Telephone Exchange, Circular Road Daska	Mr. Mirza Yasir 34601-1140979-3	Muhammad Younis	-	75	6	81	-	-	603	603
		Mr. Muhammad Nasir 34601-5833439-9	Muhammad Younis								
		Mr. Muhammad Amir 34601-6478093-9	Muhammad Younis								
		Mr. Muhammad Tayyab Ali 34601-5997769-1	Muhammad Younis								
62	Muhammad Nawaz S/o Muhammad Sharif House # P-223, St - 1, Mohalla Eid gah Jaranwala	Muhammad Nawaz 33104-2248318-5	Muhammad Sharif	878	18	-	896	878	-	-	878
63	Syed Sibat Ul Hassan Botala Sharan Singh Tehsil & District Gujranwala	Syed Sibat Ul Hassan 34101-1167496-3	Syed Akbar Shah	678	-	-	678	678	-	-	678
64	Agha Dilshad Hussain Amin pur Syedan P/O Doburjee Baga Tehsil & District Gujranwala	Agha Dilshad Hussain 34101-0984183-9	Syed Asghar Ali Shah	564	-	-	564	564	-	-	564
65	Sajjad Ahmed Moh. Khandaq, Kot Najeed Ullah, Thesil & Distt: Heripur	Sajjad Ahmed 13302-3230010-1	Muhammad Aslam	551	-	-	551	551	-	-	551
66	Saeed Muhammad S/o Muttal Mohallah Mashraqui, VPO, Mong Tehsil & Distt: M.B.Din	Saeed Muhammad 34402-4507559-3	Muttal	549	-	-	549	549	-	-	549

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				
67	Ghulam Rasool Khan S/o Abdul Qadir Khan H.No.805, MuhallahDamdama, Eminabad, Gujranwala	Ghulam Rasool Khan 34101-2211426-9	Abdul Qadir Khan	576	-	-	576	576	-	-	576
68	Pace Corporation House#69, Road#19, Rupnagar, Mirpur- 01	Mir Salaudhin NID No: 3612676893391	Mir Mozzamel Haque	119,468	26,295	253,348	399,112	81,364	-	253,348	334,712
69	Fortuna Fried Chicken 95/A Road #7, SEC # 4 Uttara, Dhaka	Md Fazle Taher NID No: 258779982969	Md. Abu Taher	31,731	34,634	99,150	165,516	-	-	99,150	99,150
70	Propel International Ltd. House-53,55 Road # 03, Block # B, Niketan, Gulshan-1, Dhaka	Md Shawquat Azim NID No: 2650898233300	Late Najir Ahmed	93,885	20,114	11,343	125,342	-	-	11,343	11,343
				297,774	84,513	366,969	749,257	125,900	-	366,497	492,397

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 189 (2020: 191) Islamic banking branches and no Islamic banking windows at the year ended December 31, 2021.

	Note	2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
ASSETS			
Cash and balances with treasury banks		6,591,139	5,713,009
Balances with other banks		12,531	11,948
Investments	1	49,548,760	42,109,641
Islamic financing and related assets - net	2	42,316,209	37,546,704
Fixed assets		100,620	148,884
Right of use assets (ROUA)		641,973	755,116
Other assets		1,686,568	2,676,118
Total Assets		100,897,800	88,961,420
LIABILITIES			
Bills payable		388,351	339,103
Deposits and other accounts	3	84,849,520	75,268,262
Due to Head Office		7,635,926	4,124,758
Lease liability against right of use assets		826,081	903,196
Other liabilities		455,249	2,198,144
		94,155,127	82,833,463
NET ASSETS		6,742,673	6,127,957
REPRESENTED BY			
Islamic Banking Fund		4,646,000	3,360,000
Surplus on revaluation of assets		594,005	659,569
Unappropriated / unremitted profit	5	1,502,668	2,108,388
		6,742,673	6,127,957

The profit and loss account of the Bank's Islamic banking branches for the year ended December 31, 2021 is as follows:

	Note	2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
Profit / return earned	6	7,212,495	7,994,894
Profit / return expensed	7	(3,180,849)	(3,456,533)
Net Profit / return		4,031,646	4,538,361
Other income			
Fee and Commission Income		285,694	367,852
Foreign Exchange Income		37,404	56,745
Other Income		13,218	1,344
Total other income		336,316	425,941
Total Income		4,367,962	4,964,302
Other expenses			
Operating expenses		(2,742,428)	(2,453,894)
Other charges		(1,516)	(2,512)
Total other expenses		(2,743,944)	(2,456,406)
Profit before provisions		1,624,018	2,507,896
Provisions and write offs - net		(121,350)	(399,508)
Profit before taxation		1,502,668	2,108,388
Taxation		-	-
Profit after taxation		1,502,668	2,108,388

Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Consolidated Financial Statements

1

	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Investments by segments:								
Federal Government Securities:								
-Ijarah Sukuks	14,000,979	-	(31,279)	13,969,700	6,000,000	-	15,600	6,015,600
-Others (Bai Muajjal with GOP @ 13.30%)	10,914,185	-	-	10,914,185	11,641,133	-	-	11,641,133
	24,915,164	-	(31,279)	24,883,885	17,641,133	-	15,600	17,656,733
Non Government Debt Securities								
-Listed	8,200,000	-	340,000	8,540,000	8,400,000	-	311,741	8,711,741
-Unlisted	15,970,398	(130,807)	285,284	16,124,875	15,539,747	(130,807)	332,228	15,741,168
	24,170,398	(130,807)	625,284	24,664,875	23,939,747	(130,807)	643,969	24,452,909
Total Investments	49,085,562	(130,807)	594,005	49,548,760	41,580,879	(130,807)	659,569	42,109,641

2	Islamic financing and related assets	Note	2021 (Rupees in '000)	2020 (Rupees in '000)
	Ijarah	2.1	95,075	168,788
	Murabaha	2.2	903,901	3,464,401
	Diminishing Musharaka		21,834,074	17,614,309
	Istisna		-	50,000
	Other Islamic Modes (Wakala tul Istismar)		8,500,000	8,500,000
	Advances against Islamic assets (Murbaha, DM, Istisna)		11,226,981	8,076,678
	Inventory related to Islamic financing (Istisna)		469,000	275,600
	Gross Islamic financing and related assets		43,029,031	38,149,776
	Less: Provision against Islamic financings			
	- Specific		(712,763)	(602,913)
	- General		(59)	(159)
			(712,822)	(603,072)
	Islamic financing and related assets - net of provision		42,316,209	37,546,704

2.1	Ijarah	2021						
		Cost			Depreciation			Book Value as at December 31, 2021
		At January 1, 2021	Additions / (deletions)	As at December 31, 2021	At January 1, 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	38,182
			(3,866)			(3,541)		
	Vehicles	239,219	-	209,727	144,504	37,241	152,834	56,893
			(29,492)			(28,911)		
	Total	488,342	-	454,984	319,554	72,807	359,909	95,075
			(33,358)			(32,452)		

Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Consolidated Financial Statements

2020						
Cost			Accumulated Depreciation			Book Value as at December 31, 2020
As at January 01, 2020	Additions / (deletions)	As at December 31, 2020	As at January 01, 2020	Charge/ Adjustment for the year	As at December 31, 2020	
----- (Rupees in '000) -----						
255,075	-	249,123	137,966	42,760	175,050	74,073
	(5,952)			(5,676)		
277,812	-	239,219	139,282	42,832	144,504	94,715
	(38,593)			(37,610)		
532,887	-	488,342	277,248	85,592	319,554	168,788
	(44,545)			(43,286)		

Future Ijarah payments receivable

2021				2020			
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	71,589	54,398	-	125,987	85,318	91,290	-
							176,608

	Note	2021	2020
		(Rupees in '000)	(Rupees in '000)
2.2 Murabaha			
Murabaha financing	2.2.1	903,901	3,464,401
Advances for Murabaha		1,285,000	1,199,500
		2,188,901	4,663,901
2.2.1 Murabaha receivable - gross	2.2.2	982,249	3,629,825
Less: Deferred murabaha income	2.2.4	25,980	47,306
Less: Profit receivable shown in other assets		52,368	118,118
Murabaha financings		903,901	3,464,401
2.2.2 The movement in Murabaha financing during the year is as follows:			
Opening balance		3,629,825	1,835,295
Sales during the year		7,905,588	10,600,101
Adjusted during the year		10,553,164	8,805,571
Closing balance		982,249	3,629,825

Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Consolidated Financial Statements

	2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
2.2.3 Murabaha sale price	7,905,588	10,600,101
Murabaha purchase price	7,739,500	9,901,022
	166,088	699,079
2.2.4 Deferred murabaha income		
Opening balance	47,306	71,105
Arising during the year	184,383	287,727
Less: Recognised during the year	(205,709)	(311,526)
Closing balance	25,980	47,306

3 Deposits	2021			2020		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	------(Rupees in '000)-----					
Customers						
Current deposits	21,520,192	264,535	21,784,727	26,363,269	111,710	26,474,979
Savings deposits	42,730,234	-	42,730,234	33,051,442	-	33,051,442
Term deposits	8,148,745	-	8,148,745	10,129,005	-	10,129,005
	72,399,171	264,535	72,663,706	69,543,716	111,710	69,655,426
Financial Institutions						
Current deposits	700,103	-	700,103	778,039	-	778,039
Savings deposits	6,064,983	-	6,064,983	3,633,797	-	3,633,797
Term deposits	5,420,728	-	5,420,728	1,201,000	-	1,201,000
	12,185,814	-	12,185,814	5,612,836	-	5,612,836
	84,584,985	264,535	84,849,520	75,156,552	111,710	75,268,262

	2021 ------(Rupees in '000)-----	2020 ------(Rupees in '000)-----
3.1 Composition of deposits		
- Individuals	41,007,219	36,485,509
- Government / Public Sector Entities	21,697,189	23,406,681
- Banking Companies	6,873,275	2,698,853
- Non-Banking Financial Institutions	5,312,539	2,913,983
- Private Sector	9,959,298	9,763,236
	84,849,520	75,268,262

3.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 43,701 million (2020: Rs. 39,137 million).

Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Consolidated Financial Statements

	2021 ------(Rupees in '000)-----	2020
4 Charity Fund		
Opening Balance	621	10,911
Additions during the period		
Received from customers on account of delayed payment	79	710
Profit on charity saving account	14	-
	714	11,621
Payments / utilization during the period		
Education	-	1,500
Health	650	9,500
Others	650	11,000
Closing Balance	64	621
Charity amount exceeding Rs. 0.5 million paid to the following organizations.		
The Indus Hospital	-	3,000
The Prime Minister's Covid-19 Pandemic Relief Fund -2020	-	5,000
Shaukat Khanum Memorial Trust	-	1,000
Institute of Business Administration (IBA)	-	1,500
	-	10,500
5 Islamic Banking Business Unappropriated / Unremitted Profit		
Opening Balance	2,108,388	2,039,140
Add: Islamic Banking profit for the year	1,502,668	2,108,388
Less: Transferred / Remitted to Head Office	(2,108,388)	(2,039,140)
Closing Balance	1,502,668	2,108,388
6 Profit / Return Earned of Financing, Investments and Placement		
Profit earned on:		
Financing	3,157,329	3,991,541
Investments	2,819,221	2,714,544
Placements	560	30,245
Others (Bai Muajjal)	1,235,385	1,258,564
	7,212,495	7,994,894

Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Consolidated Financial Statements

	2021 ------(Rupees in '000)-----	2020
7 Profit on Deposits and other Dues Expensed		
Deposits and other accounts	2,520,353	2,956,946
Amortisation of lease liability against - ROUA	82,908	89,738
Others (General Account)	577,588	409,849
	3,180,849	3,456,533

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) accepts deposits on the basis of Mudaraba from depositors (Rab ul Maal). 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 78 during the year and 44 as at December 31, 2021)

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.

Sector	2021 ----- (Percentage) -----	2020 -----
Fertilizer	1.12%	1.54%
Textile	4.60%	3.21%
Fuel & energy	40.71%	48.01%
Leasing/Mudarbas	0.34%	0.21%
Sugar	7.94%	6.51%
Cement	7.43%	9.00%
Gas	0.91%	1.58%
Financial	1.59%	2.00%
Federal Government	24.61%	19.68%
Real Estate	2.98%	2.20%
Agriculture	0.34%	0.00%
Others	7.43%	6.06%
Total	100.00%	100.00%

Parameters for profit allocation and charging expenses

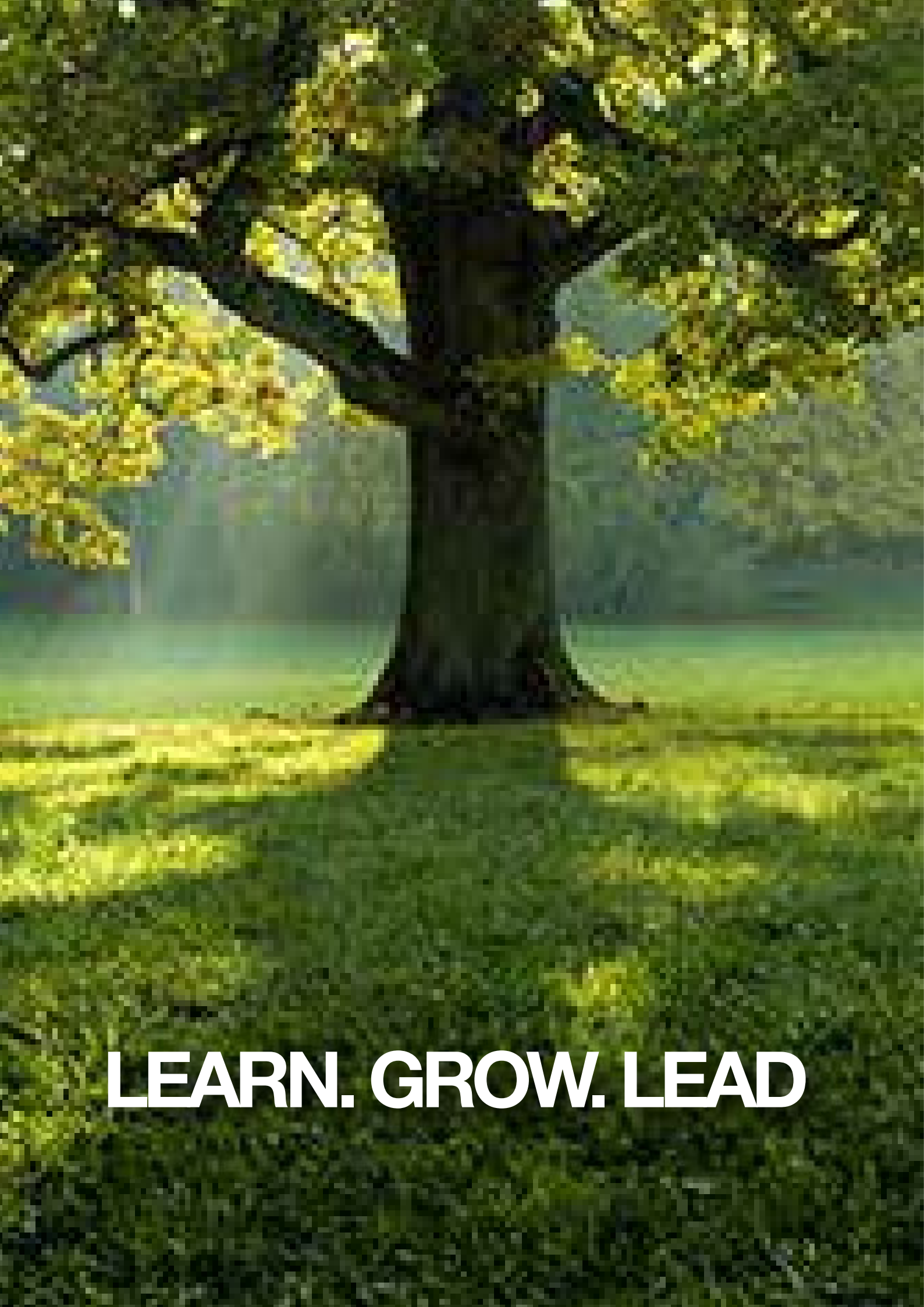
Profit of the pools has been distributed between Mudarib and Rab-ul-Mall by using preagreed profit sharing ratios. The share of Rab-ul-Mall's profit has been distributed among different customers using the various weightages assigned to the different categories of the pool.

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-21 (Rupees in '000)
Mudarib Share	
Gross Distributable Income	4,749,885
Mudarib (Bank) share of profit before Hiba	1,899,055
Mudarib Share in percentage	40%
Hiba from Mudarib Share	
Mudarib (Bank) share of profit before Hiba	1,899,055
Hiba from bank's share to depositors	230,892
Hiba from bank's share to depositors in percentage	12%

Profit rates

During the year ended December 31, 2021 the average profit rate earned by NBP Islamic Banking Group is 8.98% and the profit rate distributed to the depositors is 4.93%.



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Others

Other Information
for the Shareholders

Pattern of Shareholding

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Proxy Form

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Pattern of Shareholding

as at December 31, 2021

Categories of Shareholders	Shareholders	Shares Held	Percentage
Government Holding			
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
State Bank of Pakistan			
M/S. STATE BANK OF PAKISTAN	1	1,599,845,728	75.20
Directors and their spouse(s) and minor children			
FARID MALIK	1	1,000	0.00
Associated Companies, undertakings and related parties	2	70,949	0.00
NIT and ICP	1	463,078	0.02
Banks Development Financial Institutions, Non-Banking Financial Institutions	11	30,703,644	1.44
Insurance Companies	7	85,293,641	4.01
Modarabas and Mutual Funds	8	12,178,942	0.57
General Public			
a. Local	10,543	149,859,370	7.04
b. Foreign	75	4,607,990	0.22
Foreign Companies	30	133,719,267	6.29
Others	166	102,194,286	4.80
Totals	10,848	2,127,513,026	100.00

Share holders holding 10% or more	Shares Held	Percentage
M/S. STATE BANK OF PAKISTAN	1,599,845,728	75.20

NATIONAL BANK OF PAKISTAN

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 73rd Annual General Meeting of National Bank of Pakistan, to be held at 10:00 a.m. (PST) on Wednesday, March 30, 2022, at Mövenpick Hotel, Club Road, Karachi or through electronic means and at any adjournment thereof.

Proxy's email address (for attending meeting through electronic means): _____

and mobile number _____.

Signed this _____ day of March, 2022

Witnesses:

Name: _____

Address: _____

CNIC No. _____

**Affix Revenue Stamp
of Hundred Rupees.**

Name: _____

Address: _____

CNIC No. _____

Signature _____
(Signature should agree with the
specimen signature registered
with the Bank)

NOTE

Attending Meeting through Proxies:

- 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.
- 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, 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), a proxy form shall be submitted along with the proxy holders' email address and mobile number.
- 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:

- 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:
 - The proxy form shall be witnessed by two persons whose names, addresses, and CNIC numbers shall be mentioned on the form.
 - An attested copy of CNIC or the Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- 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 کا 73 واں سالانہ اجلاس عام نمائندے کا فارم (پروکسی فارم)

فولیو نمبر.....
سی ڈی سی اکاؤنٹ نمبر.....
میں / ہم.....
جن کا تعلق.....
سے ہے نیشنل بینک آف پاکستان ہولڈنگ شیئر ذمہ دار.....
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 73 ویں سالانہ اجلاس عام میں میری / ہماری طرف سے اور میرے / ہمارے لیے ووٹ کرے۔ یہ اجلاس عام 30 مارچ 2022، بروز بدھ بوقت صبح 10:00 بجے بال روم۔ سی مووین پک ہوٹل، کلب روڈ، کراچی اور الیکٹرانک ڈرائنگ سے اور اس کے کسی بھی التواء پر منعقد ہوگا۔

اسے مارچ 2022ء کے..... کو دستخط کیا گیا:

پانچ روپے کی
ریوینیو اسٹیپ

گواہان:

1- نام:.....

پتہ:.....

سی این آئی سی نمبر.....

2- نام:.....

پتہ:.....

سی این آئی سی نمبر.....

دستخط.....
(دستخط بینک کے ساتھ درج نمونے کے دستخط سے لازم آہنگ ہونے چاہئیں)

نوٹ:

(الف) عمومی:

- 1- رکن جو اجلاس میں شریک ہونے اور ووٹ ڈالنے کا اہل ہے وہ اپنا نمائندہ مقرر کرنے کا بھی اہل ہے تاکہ وہ نمائندہ اس کی جگہ شریک ہو اور ووٹ ڈالے۔ کوئی بھی شخص جو بینک کا رکن نہیں ہے اس کو نمائندہ کے طور پر مقرر نہیں کیا جاسکتا (حکومت پاکستان یا بینک دولت پاکستان / کارپوریشن اس سے مستثنیٰ ہیں)۔
- 2- نمائندے کی تقرری کا معاہدہ / وثیقہ تحریری طور پر اختیار دیے گئے رکن یا اس کے کسی مختیار کار / وکیل کی جانب سے دستخط ہونا چاہئے۔ اگر رکن کوئی کارپوریشن ہے (حکومت پاکستان اور بینک دولت پاکستان کے علاوہ) تو اس کی عمومی مہر معاہدے / وثیقہ پر چسپاں ہونی چاہئے۔
- 3- نمائندے کی تقرری کا معاہدہ / مختار نامہ کے ساتھ، اگر کوئی ہے، جس کے تحت اسے دستخط کیا گیا ہے یا اس کی کوئی توثیقی طور پر پسند یافتہ نقل، اجلاس کے انعقاد سے کم از کم 48 گھنٹے قبل ہمارے رجسٹر / ٹرانسفر ایجنٹس، میسرز سینٹرل ڈپازٹری کمپنی آف پاکستان لمیٹڈ، سی ڈی سی ہاؤس، 99-بی، بلاک بی، ایس ایم سی ایچ ایس، مین شاہراہ فیصل، کراچی میں لازماً جمع کروائی جائے۔
- 4- اگر ممبر ایک سے زیادہ نمائندے مقرر کرتا ہے اور بینک کے ساتھ رکن کی جانب سے ایک سے زیادہ نمائندے کا معاہدہ۔ وثیقہ جمع کروایا گیا ہے تو ایسے تمام نمائندے کے معاہدات ناجائز ٹھہرا دیے جائیں گے۔

(ب) سی ڈی سی اکاؤنٹ ہولڈر کے لیے:

- (i) پروکسی فارم دو افراد کی جانب سے گواہی فراہم کیے گئے ہوں گے جن کے نام، پتے اور سی این آئی سی نمبرز فارم ہڈ درج ہوں گے۔
- (ii) پروکسی فارم کے ساتھ سی این آئی سی کی تصدیق شدہ نقول یا مستفید ہونے والے مالکان کے پاسپورٹ کی تصدیق شدہ نقول پیش کیے جائیں گے۔
- (iii) اجلاس کے وقت پروکسی اپنا اصل سی این آئی سی یا اصل پاسپورٹ پیش کرے گا / گی۔
- (iv) حکومت پاکستان / بینک دولت پاکستان / کاروباری ادارے کی صورت میں، بورڈ آف ڈائریکٹرز کی قرارداد / مختار نامہ یا وکالت نامہ مع نمونے کے دستخط پروکسی فارم کے ساتھ بینک کی طرف لازماً کروانے ہوں گے۔



NBP

National Bank of Pakistan

نیشنل بینک آف پاکستان