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# VISION

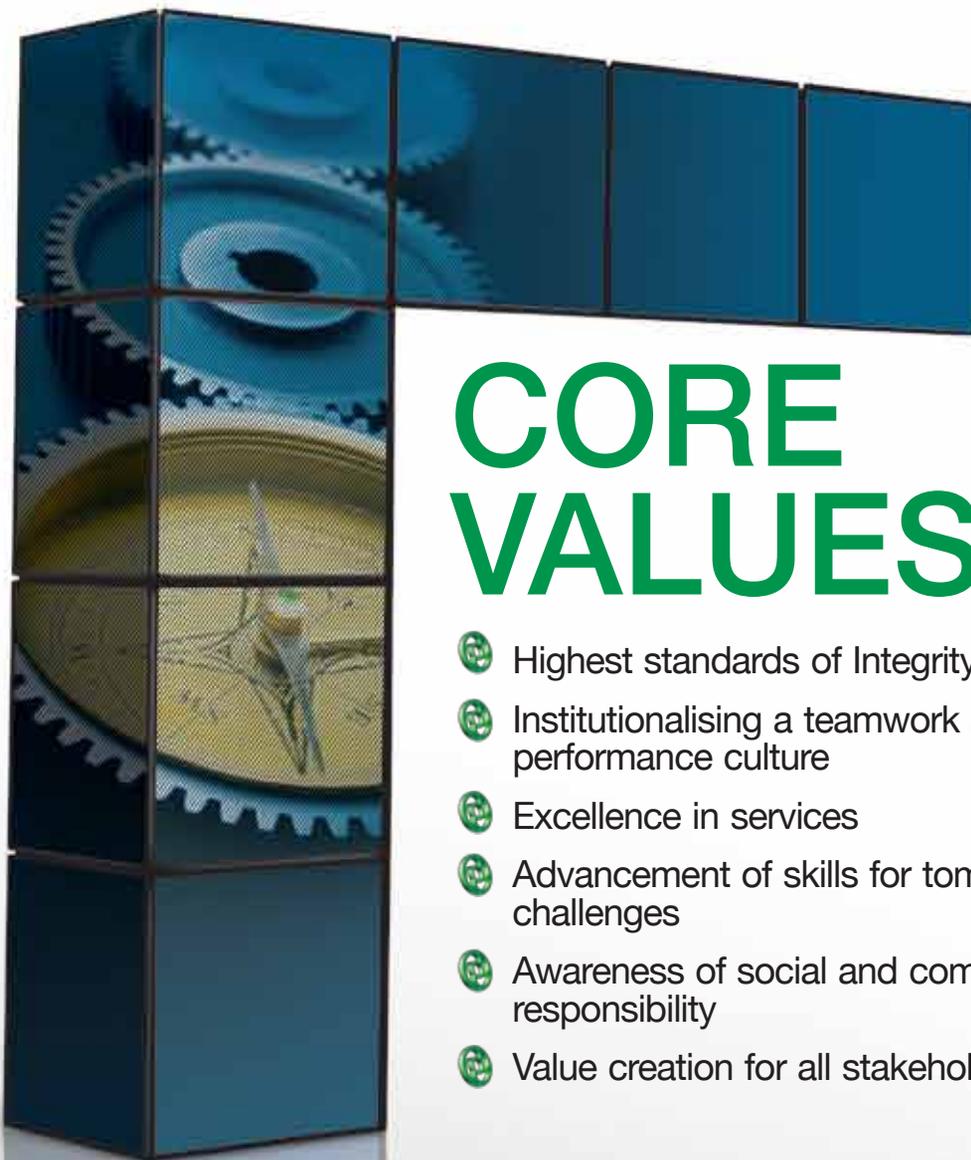
To be recognized as a leader and a brand synonymous with trust, highest standards of service quality, international best practices and social responsibility



# MISSION

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

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



# CORE VALUES

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



# GOAL

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

# Corporate Information

(As on 31st December, 2013)

## Board of Directors

Chairman	Muneer Kamal
Directors	Tariq Kirmani Shahid Aziz Siddiqi Zahid Hussain ***** Wasiq Mahmood * Farrakh Qayyum ** Rana Assad Amin *** Dr. Shujat Ali ****
President	Syed Ahmed Iqbal Ashraf *****

## Audit Committee <sup>1</sup>

Chairman	Farrakh Qayyum
Members	Rana Assad Amin Tariq Kirmani Dr. Shujat Ali

## Auditors

Ernst & Young Ford Rhodes Sidat Hyder & Co  
Chartered Accountants

KPMG Taseer Hadi & Co  
Chartered Accountants

## Legal Advisor

Mandviwala & Zafar  
Advocates & Legal Consultants

## Registered & Head Office

NBP Building  
I.I. Chundrigar Road,  
Karachi, Pakistan

## Registrar & Share Registration Office

Central Depository Co. of Pakistan (CDC),  
CDC House, 99-B, Block-B,  
S.M.C.H.S., Main Shara-e-Faisal  
Karachi, Pakistan  
111-111-500

## Website

[www.nbp.com.pk](http://www.nbp.com.pk)

\* GoP vide its Notification No. F.10 (31) Bkg-III/2010-432 dated 27-02-2014 has nominated Mr. Saud Majeed as Director on the Board of Directors of NBP in place of Mr. Wasiq Mahmood.

\*\* GoP vide its Notification No. F.10 (31) Bkg-III/2010-434 dated 27-02-2014 has nominated Mr. Muhammad Naeem FCA as Director on the Board of Directors of NBP in place of Mr. Farrakh Qayyum.

\*\*\* GoP vide its Notification No. F.10 (31) Bkg-III/2010-433 dated 27-02-2014 has nominated Mr. Iftikhar Allahwala as Director on the Board of Directors of NBP in place of Rana Assad Amin.

\*\*\*\* GoP vide its Notification No. F.10 (31) Bkg-III/2010-431 dated 27-02-2014 has nominated Finance Secretary as Director on the Board of Directors of NBP in place of Dr. Shujat Ali.

GoP vide its Notification No. F.10 (31) Bkg-III/2010-491 dated 06-03-2014 has nominated Rana Assad Amin as Director on the Board of Directors of NBP in place of Finance Secretary.

\*\*\*\*\* Mr. Asif Hassan, President (Acting) relinquished charge of the office at close of 21-01-2014.

\*\*\*\*\* GoP vide its Notification No. F.10 (31) Bkg-III/2010-492 dated 06-03-2014 has nominated Mr. Farrakh Qayyum as Director on the Board of Directors of NBP in place of Mr. Zahid Hussain.

† Audit Committee was reconstituted by the Board on 28th February, 2014 comprising Mr. Muneer Kamal, Mr. Tariq Kirmani, Mr. Shahid Aziz Siddiqi and Mr. Zahid Hussain.

# Financial Highlights

(Rupees in million)

## 2013

Total Assets	<b>1,364,341</b>
Deposits	<b>1,101,139</b>
Advances	<b>615,420</b>
Investments	<b>397,959</b>
Capital & Reserves	<b>156,287</b>
Pre-Tax Profit	<b>7,078</b>
After-Tax Profit	<b>5,500</b>
Earnings Per Share (Rs.)	<b>2.59</b>
Number of Branches	<b>1,365</b>
Number of Employees	<b>16,619</b>

## 2010

Total Assets	1,037,750
Deposits	832,152
Advances	477,507
Investments	301,324
Capital & Reserves	128,496
Per-Tax Profit	24,415
After-Tax Profit	17,563
Earnings Per Share (Rs.)	8.26
Number of Branches	1,289
Number of Employees	16,457

## 2011

Total Assets	1,149,578
Deposits	927,421
Advances	525,046
Investments	319,531
Capital & Reserves	126,934
Per-Tax Profit	26,011
After-Tax Profit	17,605
Earnings Per Share (Rs.)	8.27
Number of Branches	1,300
Number of Employees	16,924

## 2012

Total Assets	1,309,528
Deposits	1,036,739
Advances	654,690
Investments	343,538
Capital & Reserves	139,981
Per-Tax Profit	21,378
After-Tax Profit	14,941
Earnings Per Share (Rs.)	7.02
Number of Branches	1,306
Number of Employees	16,921

## 2007

Total Assets	762,194
Deposits	591,907
Advances	340,319
Investments	211,146
Capital & Reserves	116,338
Per-Tax Profit	28,061
After-Tax Profit	19,034
Earnings Per Share (Rs.)	8.95
Number of Branches	1,261
Number of Employees	14,079

## 2008

Total Assets	817,758
Deposits	624,939
Advances	412,987
Investments	170,822
Capital & Reserves	102,459
Per-Tax Profit	23,001
After-Tax Profit	15,459
Earnings Per Share (Rs.)	7.27
Number of Branches	1,276
Number of Employees	15,441

## 2009

Total Assets	944,583
Deposits	727,465
Advances	475,243
Investments	217,643
Capital & Reserves	118,906
Per-Tax Profit	21,300
After-Tax Profit	17,562
Earnings Per Share (Rs.)	8.25
Number of Branches	1,287
Number of Employees	16,248

## 2004

Total Assets	533,231
Deposits	465,572
Advances	220,794
Investments	149,350
Capital & Reserves	46,246
Per-Tax Profit	11,978
After-Tax Profit	6,195
Earning Per Share (Rs.)	2.91
Number of Branches	1,226
Number of Employees	13,745

## 2005

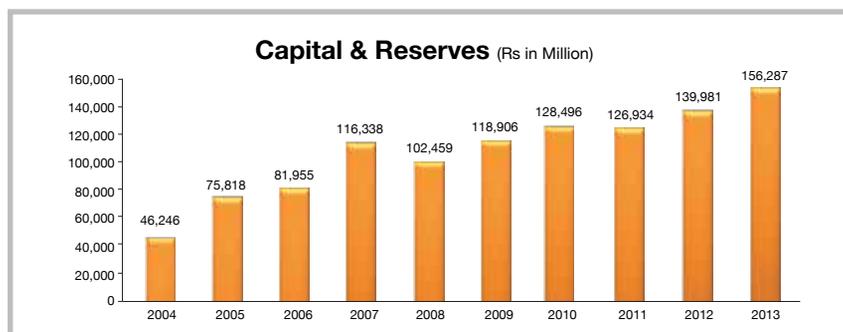
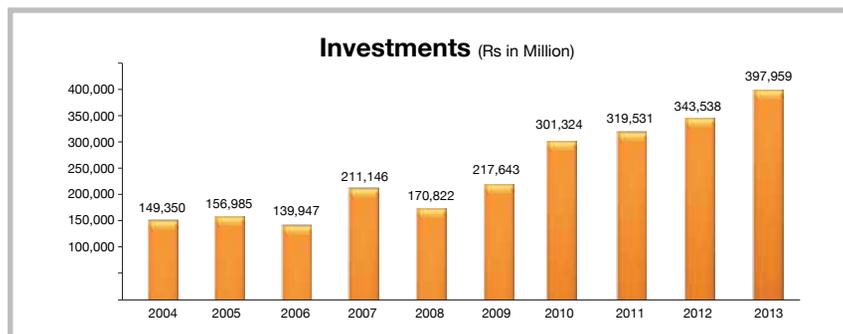
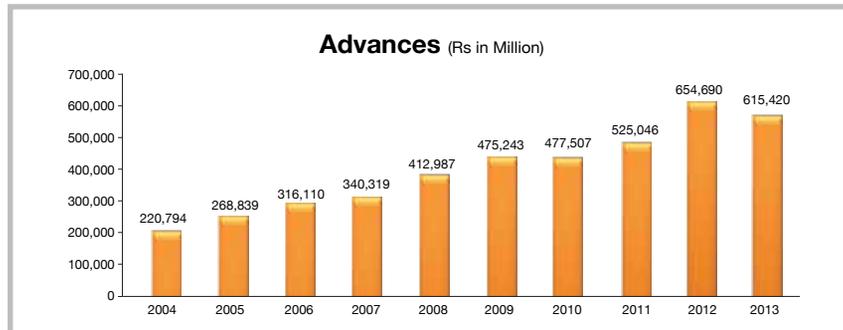
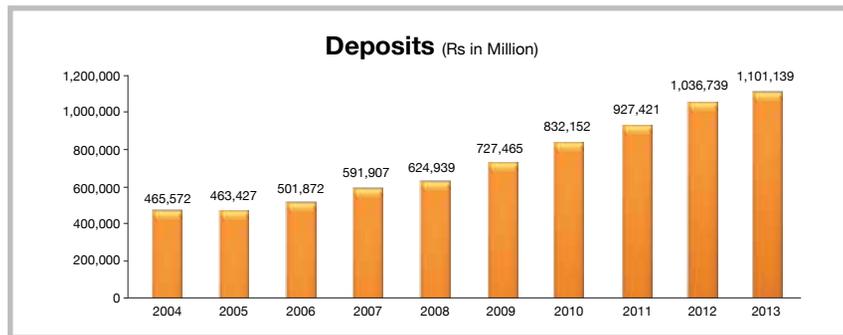
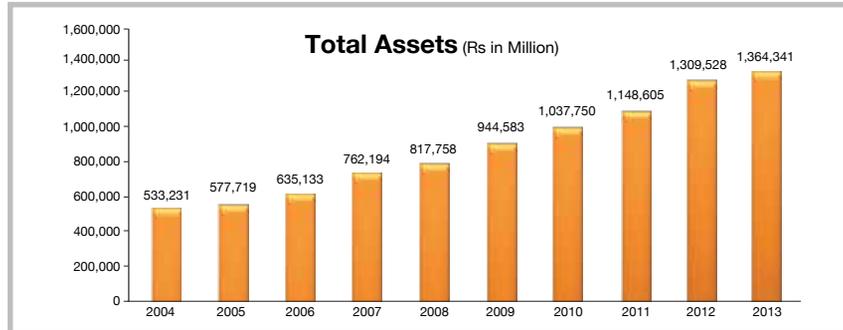
Total Assets	577,719
Deposits	463,427
Advances	268,839
Investments	156,985
Capital & Reserves	75,818
Per-Tax Profit	19,056
After-Tax Profit	12,709
Earning Per Share (Rs.)	5.97
Number of Branches	1,242
Number of Employees	13,824

## 2006

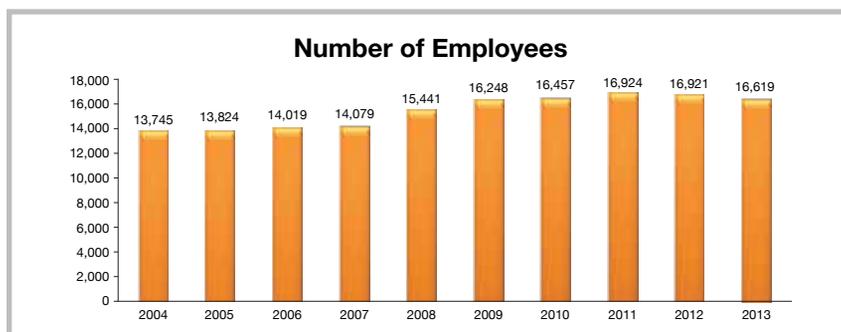
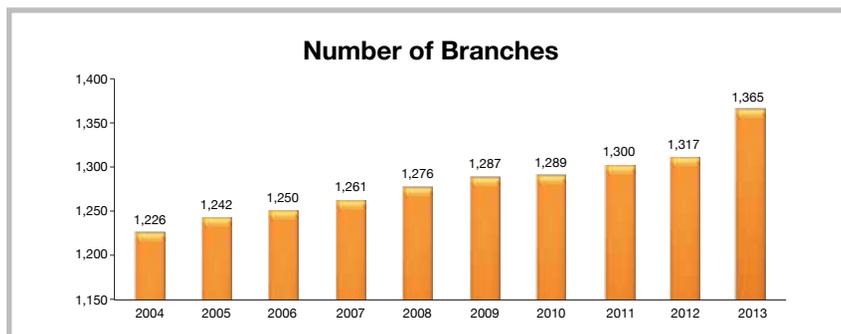
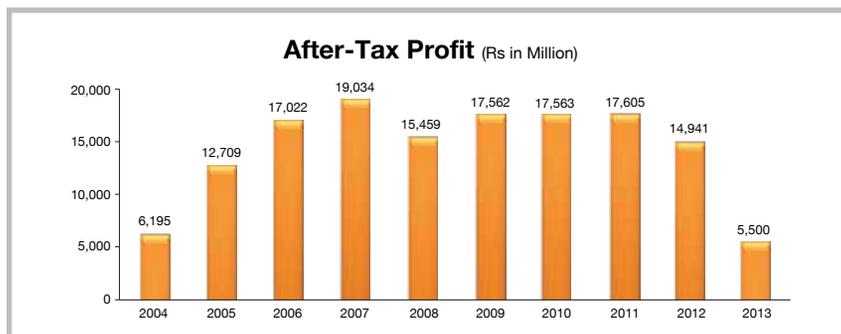
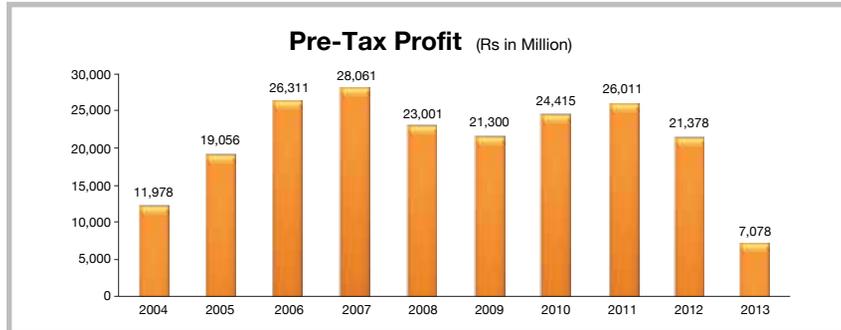
Total Assets	635,133
Deposits	501,872
Advances	316,110
Investments	139,947
Capital & Reserves	81,954
Per-Tax Profit	26,311
After-Tax Profit	17,022
Earning Per Share (Rs.)	8.00
Number of Branches	1,250
Number of Employees	14,019

\* Earnings per share have been restated to account for subsequent bonus shares issue.

# 10 Years Financial Highlights



# 10 Years Financial Highlights



# Board of Directors



**Mr. Muneer Kamal**  
Chairman



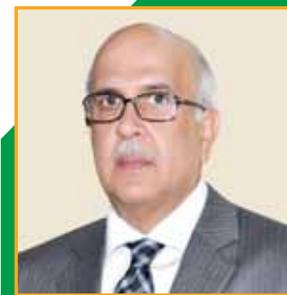
**Syed Ahmed Iqbal Ashraf**  
President



**Mr. Farrakh Qayyum**  
Director



**Rana Assad Amin**  
Director



**Dr. Shujat Ali**  
Director



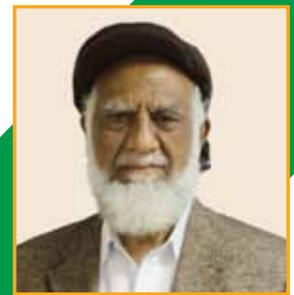
**Mr. Tariq Kirmani**  
Director



**Mr. Shahid Aziz Siddiqi**  
Director



**Mr. Zahid Hussain**  
Director



**Mr. Wasiq Mahmood**  
Director

## Mr. Muneer Kamal

Chairman

Mr. Muneer Kamal, the Chairman National Bank of Pakistan and Chairman of Karachi Stock Exchange, has over 33 years of extensive experience in banking and financial sector. His career started with Citibank where, between November 1979 and July 1994, he served locally and internationally on various senior positions including his term as Director, Head of Country Public Sector and Financial Institutions. During this association, he also attended a number of training courses / programs in Far East, Middle East and Africa.

Mr. Kamal then joined Faysal Bank Limited as President/CEO and led to spread out its operations from 3 branches to 11 and also expanded the balance sheet size from Rs.3 billion to Rs.30 billion.

Mr. Kamal also held position of President/CEO, and then as Vice Chairman and Chief Operating Officer (International) of the Union Bank Limited, where he had been instrumental in various acquisitions done by Union Bank Limited i.e. Bank of America, American Express Credit Cards, Emirates Bank International and Mashreq Bank, Sri Lanka. As a result, Union Bank emerged as a success story and was ably acquired by Standard Chartered Bank.

After his stint with Union Bank, Mr. Kamal, an MBA from University of Karachi, began his current association with KASB Group - first as President/CEO of KASB Bank Limited from November 2005 to August 2010 and now as Vice Chairman of KASB Group. For KASB Bank, he again oversaw the manifold expansion of operations coupled with acquisition of other entities and introduction of new and modern products, services, policies, procedures and systems.

Mr. Kamal also Trustee of Shaukat Khanum Memorial Cancer Hospital & Research Centre and as Director of Asia Care Health & Life Insurance Company Limited, New Horizon Exploration & Production Limited and Government Holdings (Private) Limited.

Besides holding the position of Chairman of the KSE Board, Mr. Muneer Kamal is also the Chairman of Human Resources & Remuneration Committee and Nomination Committee and as member of Voluntary De-listing Committee of KSE's Board.

### Other Directorships & Offices:

- Chairman, National Bank of Pakistan
- Chairman, Karachi Stock Exchange
- Director, Government Holdings (Private) Limited
- Trustee, Shaukat Khanum Memorial Cancer Hospital & Research Centre

## Mr. Syed Ahmed Iqbal Ashraf

President

Syed Ahmed Iqbal Ashraf has rich experience of over 34 years in domestic and international banking. Mr. Ashraf is a Fellow of Association of Chartered Certified Accountants (FACCA) from UK; from where he not only acquired his education but also started his career. His work experience spans three continents and he worked in the UK, USA and UAE for 19 years before he decided to return to Pakistan.

Prior to becoming the President of NBP, he was MD/CEO of PAIR Investment Company Limited. Mr. Ashraf has also enjoyed commanding positions in NBP; he was in-charge of International Operations and managed and revamped Corporate & Investment Banking Group. He played a pivotal role in the establishment of a network of branches in the UK and USA. Another high point in his career is the establishment of Investment Banking Group from scratch for Habib Bank Limited. He successfully established the largest DFI, a JV with China's largest Policy Bank in Pakistan. During his tenure as the Deputy Managing Director & COO-Pak China Investment Company Ltd. he successfully appraised multiple projects. He restructured, reformed and repositioned The Bank of Khyber as the Managing Director/CEO. He has also served as Country Head Investment Banking & Head of Financial Institutions for Societe Generale (SG) -The French International Bank from 1996 to 2002. Amongst his achievements at SG was the appointment as the Financial Advisor to Privatization Commission of Pakistan for the successful privatization of United Bank Limited. During his tenor with SG, he also successfully arranged numerous syndicated facilities as the Sole Arranger. He also helped the SG consortium to be appointed as Financial Advisor for privatization of PESCO, by the Privatization Commission.

## Mr. Farrakh Qayyum

Mr. Farrakh Qayyum has been appointed as Director of National Bank Pakistan by the Government of Pakistan with effect from 9th September, 2013.

Mr. Farrakh Qayyum retired as Secretary to Government of Pakistan. He served as Secretary Economic Affairs Division, Finance, Petroleum and Natural Resources, Telecommunications and Information Technology, Privatization, and Science and Technology. Mr. Qayyum has extensive experience in policy and strategy formation and implementation, institutional development, economic and financial evaluation, in managing multi-disciplinary teams for financial and development projects, and in working closely with commercial banks and multilateral and bilateral donor agencies. Mr. Qayyum has played an instrumental role in the government's financial sector and telecommunications sector reforms and successful privatization of PTCL and some financial institutions.

Mr. Qayyum holds a Master Degree in Economics with a major in International Trade and Finance from the University of San Francisco, USA. He has received certifications from the Kennedy School of Government, Harvard University, the Overseas Economic Cooperation Fund and several other prestigious organizations.

He has represented Pakistan as Alternate Governor World Bank and Asian Development Bank in their annual meetings. He also served as Executive Director on the Board of Islamic Development Bank. He also represented the Government on the Boards of Directors of State Bank of Pakistan and PIA. He has also been on the Boards of Directors of Allied Bank Ltd., Pak China Investment Company, and PAIR Investment Company Ltd. He is currently a Member of the Economic Advisory Committee, constituted by the Ministry of Finance.

Mr. Qayyum is, presently, the Chief Executive Officer of GEI Pakistan Pvt Ltd., a subsidiary of Global Energy Holdings Group, focused on delivering affordable and clean energy, water and power solutions to developing countries.

## Rana Assad Amin

Rana Assad Amin has been appointed as Director of National Bank of Pakistan by the Government of Pakistan with effect from 9th September, 2013. Rana Assad Amin has a vast experience gathered over a span of more than thirty five years in public service at key Government of Pakistan posts. He holds Master's degree in Project Management from Malardalens University, Sweden and MBA from Bradford University, United Kingdom. In addition, he also possess degrees in LLB (Law) and M.A. Political Science from Punjab University.

He brings with him a rich professional and academic experience and represented Pakistan at various national and international forums including Corporate Governance, Anti-Money Laundering and Countering Terrorist Financing etc. He has also been on boards of various Public Sector Organizations.

At present, he is Advisor to the Finance Division, Ministry of Finance, Government of Pakistan.

## Dr. Shujat Ali

Dr. Shujat Ali, Additional Finance Secretary, Government of Pakistan, has been appointed as Director of National Bank of Pakistan by the Government from 9th September, 2013. He has a Ph.D in Economics from Simon Fraser University, British Columbia Canada. He also holds a Masters in Economics from University of Waterloo, Ontario, Canada and a B.Sc. Economics (Hons) from the London School of Economics UK.

Dr. Shujat Ali possesses a vast experience gathered over a span of more than 25 years of public service at various provincial and federal assignments. He brings with him a rich professional and academic knowledge and has participated in various national and international conferences. At present, he is Additional Finance Secretary (Budget), Ministry of Finance, Government of Pakistan since Sept 2013. Earlier he has worked as Secretary, Industries, Commerce and Investment Department, Government of the Punjab from September, 2010 to June-2013, as Joint Secretary Finance Division from July 2008 to February, 2009, as Chief Economist, Planning and Development Board, Government of the Punjab and as Additional Secretary, Governor's Secretariat, Government of the Punjab from November 2001 to November, 2002. He has also served as Deputy Commissioner, Faisalabad and Bahawalnagar Districts and Additional Deputy Commissioner (General) Lahore District.

Dr. Shujat Ali has attended various trainings / seminars abroad. He has, individually or as a team member, authored some research papers / publications.

Dr. Shujat Ali is currently a Director on the Boards of National Highway Authority (NHA), Pakistan Broadcasting Corporation (PBC) and Pakistan Television Corporation (PTV).

## Mr. Tariq Kirmani

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

In April, 1999 he joined Pakistan State Oil (PSO) as Deputy Managing Director and went on to become the Managing Director in July 2001. He turned around this public sector organization and converted it into a customer focused entity, giving it a new brand image and making it profitable while aggressively competing with other multinational companies.

With PSO's successful turn-around and his 36 years of multi faceted experience in the corporate sector both domestic and international, the Government of Pakistan (GoP) appointed Mr. Tariq Kirmani, as Chairman, Pakistan International Airlines (PIA) in April, 2005. He served the airline for two years until April 2007 during which he introduced customer focus and identified and initiated implementation of programs in three key areas for improvement **a) Fleet Renewal b) Employee Rationalization c) Systems & Processes** through implementation of IT and **Enterprise Resource Planning (ERP)**.

Mr. Kirmani has served on the Boards of various companies like PTCL, PSO, Pakistan Steel, PIAC, Pakistan Refinery Limited, Karachi Stock Exchange, BYCO etc. and currently is serving as the Chairman of United Bank Fund Managers and as Director on the Board of National Bank of Pakistan, Marie Adelaide Leprosy Centre (MALC), National Academy of Performing Arts, Professional Education Foundation, Green Star Social Marketing.

## Mr. Shahid Aziz Siddiqi

Mr. Siddiqi holds a Master Degree from the Karachi University and a Post Graduate Degree in Development Studies from the University of Cambridge UK. Mr. Siddiqi topped the Civil Services examination of 1968. He is a Certified Board Director of Pakistan Institute of Corporate Governance (PICG).

He has formerly held the positions of Managing Director Rice Export Corporation of Pakistan, Chairman National Highways Authority, Director General Ports and Shipping and Director Labour, Sindh.

He has also been the Commissioner Karachi Division, Deputy Commissioner of the Districts of Thatta, Sanghar and Larkana. In addition, he has held the position of Director Excise & Taxation, Sindh and many other assignments in the Federal and Provincial Governments. He has served on the Board of various companies and currently serving as Director on the Board of Mirpurkhas Sugar Mills Ltd.

## Mr. Zahid Hussain

Zahid Hussain started his career with Pakistan Tobacco Company Ltd. and subsequently worked for British American Tobacco Co. Ltd, London. Later he joined Pakistan Automobile Corporation and served Suzuki, followed by Toyota as General Manager Marketing. He was promoted as Chief Executive MAZDA.

His services were transferred to Pakistan Industrial Development Corporation (PIDC) as Director/Chief Executive Indus Steel Pipes Ltd. He achieved the position of Chairman PIDC, Chairman Cement Corporation of Pakistan and Chairman Petroleum Corporation (PERAC).

He was made High Commissioner/Ambassador based in Kenya, with accredited assignments of ambassadorship in Tanzania, Uganda, Rwanda, Krundse, Ethiopia and Eritrea.

Mr. Zahid Hussain held the position of Chairman G-77 and China (UN Nairobi Chapter). He also served as permanent representative of United Nations Environment Program (UNEP) and United Nations, Human Settlement Program (UN-Habitat).

Mr. Zahid Hussain also held the position of MD /Chief Executive, Oil & Gas Development Co. Ltd.

Academically Mr. Zahid Hussain is BSc., LLB and M.A International Relations. He attended professional training programs in Japan, China, England, Malaysia as well from IBA & LUMS in Pakistan. He has represented his school and college cricket hockey and volley wall teams.

Mr. Zahid Hussain from time to time served as a Director on different Boards including Siemens, Sui Southern and Sui Northern Gas Company Ltd, Mari Gas Co. Ltd. General Tyres & Rubber Co., Clariant Pak Ltd., Fertilizer Corporation, Nishat Mills Ltd., Crescent Steel & Allied Products and many other organizations.

Mr. Zahid Hussain received fellow memberships of The Institute of Management, England, International Biographical Centre, USA and Institute of Marketing Management, Pakistan. Mr. Zahid Hussain was given Excellence Award, Marketing & Sales by the Marketing Association of Pakistan.

## Mr. Wasiq Mahmood

Mr. Wasiq Mahmood has extensive experience of telecommunications management, business development and operations. He holds Engineering degree from University of Engineering and Technology, Lahore. He commenced his career as engineer in WAPDA. He subsequently joined Pakistan Telegraph and Telephone Department and after professional training, worked in operations, management, strategic planning, marketing and business development for 35 years. Mr. Mahmood has represented Pakistan in several international seminars, administrative and development conferences and meetings in Switzerland, Indonesia, Thailand, UK, USA, Spain and Argentina.

He has attended foreign training courses in Japan, Norway, Australia and Germany. His last assignment in Pakistan Telecommunication Company was as Executive Vice President, Business Development. In this position, he established, organized and managed a new business development wing for formulation of new strategies, development of new businesses, preparation and implementation of business plans, improving revenue base and achievement of corporate objectives in competitive environment after privatization. He has also acted as advisor/consultant on telecommunications and IT business in private sector.

# Senior Management

**Asif Hassan**

Senior Executive Vice President

**Nausherwan Adil**SEVP & Group Chief  
Operations Group**Muhammed Nusrat Vohra**SEVP & Group Chief  
Treasury Management Group**Imam Bakhsh Baloch**SEVP & Group Chief  
Audit & Inspection Group**Kausar Iqbal Malik**SEVP & Group Chief  
Human Resources Management &  
Administration Group**Tahira Raza**SEVP & Chief Risk Officer  
Risk Management Group**Raza Mohsin Qizilbash**EVP & Divisional Head  
Legal Division**Khawaja M Amin-ul-Azam**EVP & Head (A)  
Islamic Banking Group**Shahzad A Shami**EVP & Group Chief (A)  
Compliance Group**Aamir Sattar**EVP & Financial Controller  
Financial Control Division**Ziaullah Khan**SEVP & Group Chief  
Assets Recovery Group**Nadeem Anwar Ilyas**SEVP & Group Chief  
Corporate & Investment Banking Group**Tariq Jamali**SEVP & Group Chief  
Commercial & Retail Banking Group**Khalid Bin Shaheen**SEVP & Group Chief  
Global Home Remittance Management Group**Zubair Ahmed**SEVP & Group Chief  
Logistics Support, Security & Engineering Group**Wajahat A.Baqai**EVP & Head  
Credit Management Group**Mahmood Siddique**EVP, Divisional Head & CIO  
IT Division**Nasir Hussain**EVP & Group Chief (A)  
Overseas Banking Group**S.M. Ali Zamin**

EVP, Secretary Board of Directors

**Mirza Babur Baig**

SVP &amp; PSO to the President

# Notice of 65<sup>th</sup> Annual General Meeting

Notice is hereby given that the **65th Annual General Meeting ("AGM")** of National Bank of Pakistan (the "**Bank**") will be held on **Friday the 28th March, 2014 at 09:30 A.M. (PST), at Ball Room "B" Pearl Continental Hotel, Karachi.**

The following business will be transacted in the meeting:

## **Ordinary Business:**

1. To confirm minutes of the Annual General Meeting held on 28th March, 2013, at Karachi.
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 31st December, 2013, together with the Directors' & Auditors' Reports thereon.
3. To appoint auditors for the year ending 31st December, 2014 and fix their remuneration. The Board of Directors has recommended appointment of Messrs KPMG Taseer Hadi & Company, Chartered Accountants and Messrs Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants to be the auditors of the Bank for the year ending 31st December, 2014 at the same fee as paid to the retiring auditors.
4. To consider and approve cash dividend at Rs.2/= per share, i.e. 20% as recommended by the Board of Directors for the year ended 31st December, 2013 (subject to Government of Pakistan's approval).
5. To elect one (01) Director from the Private Shareholders against a vacancy as fixed by the Board of Directors in accordance with the Section 178 (1) of the Companies Ordinance, 1984, for a term of three years in place of Mr. Tariq Kirmani who has completed his term of office of Director. The retiring Director is eligible for re-election.

## **Special Business:**

6. To consider and approve compensation package of Syed Ahmed Iqbal Ashraf, President of the Bank, as recommended by the Board of Directors.
7. To transact any other business with the permission of the Chairman.

Karachi

Dated: March 06, 2014

By Order of the Board

**Sd/-**  
President

- i) The Share Transfer Books of the Bank shall remain closed from March 20, 2014 to March 28, 2014 (both days inclusive). Transfers received at Central Depository Company of Pakistan Limited, CDC House 99-B, Block "B", SMCHS, Main Shahra-e-Faisal, Karachi – 74400, the Bank's Registrar and Share Transfer Agent, at the close of the business on March 19, 2014 will be treated in time for purpose of attending the meeting and entitlement of any Cash Dividend.
- ii) A person who seeks to contest the election for the office of director must hold in his/her own right unencumbered shares of the Bank to the nominal amount of ten thousand rupees at the least (1000 Shares of Rs.10/= each), and shall file with the Bank, not later than 14 days before the date of the meeting at which election is to be held i.e. upto 05:30 PM on March 13, 2014, a notice of his / her intention to offer himself/herself for election as a Director under Section 178(3) of the Companies Ordinance 1984. A declaration in accordance with the listing regulations, NBP ordinance and State Bank of Pakistan, BPRD Circular No. 4 dated 23-04-2007 is also required to be filed.
- iii) In terms of the State Bank of Pakistan ("SBP") circulars, notifications, directions, letters, instructions and other orders issued from time to time ("SBP Directives"), it is expressly required that any person who seeks to contest an election to the office of a director, should file with the Bank not later than 14 days before the date of this meeting, a specified affidavit required by the SBP, stating that he / she (i) is not / has not been associated with any illegal activity, especially related to banking business; (ii) in his / her individual capacity or a proprietary concern or any partnership firm or any private limited company or any unlisted public company or any listed public company (of which he / she has been a proprietor, partner, director or shareholder), has not been in default of payment of dues owed to any financial institution and / or in default of payment of any taxes; (such person to be a director with anomalies stated above is undesirable and against public interest in terms of the SBP Directives). Further he / she should not be a director of any other bank / DFI or working as Chairman, Director, CEO, CFO, Chief Internal Auditor, Research Analyst or trader (by whatever name / designation called) of a (a) Exchange Company (Firm or Sole Proprietorship), (b) member of stock exchange, (c) corporate brokerage houses or (d) any company / entity owned or controlled by the persons mentioned at (a) to (c) above.
- iv) A candidate must be qualified for election under sub section (1) and not disqualified under sub section (2) of Section 17 of the NBP Ordinance 1949.
- v) A confirmation to the effect that he / she meets the requirements of "Fit and Proper Test" prescribed for Directors under the SBP Prudential Regulations is also required to be filed alongwith Annexure-I and II of SBP, BPRD Circular No.4 dated April 23, 2007.
- vi) A member eligible to attend and vote at this Annual General Meeting is entitled to appoint another member as his/her proxy to attend and vote on his / her behalf. The Government of Pakistan, State Bank of Pakistan and any Corporation(s), being a member of the Bank, may nominate any person as its representative to attend the Annual General Meeting under authority of a Power of Attorney or a Board of Directors' Resolution or by an order in writing in case of Government of Pakistan. SBP and other Government shareholders shall not be entitled to cast their votes for election of Private Director. Proxies or nominations, in order to be effective and valid, must be received at the office of the Bank's Registrar / Share Transfer Agent, Messrs Central Depository Company of Pakistan Limited, CDC House 99-B, Block "B", SMCHS, Main Shahra-e-Faisal, Karachi – 74400, not later than 48 hours before the time fixed for holding the Meeting.
- vii) CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan:
- a. For Attending the Meeting:
- In case of individuals, the account holder or sub-account holder shall authenticate his / her identity by showing his / her original Computerized National Identity Card ("CNIC") or original Passport at the time of attending the meeting,
  - In case of corporate entity, the original or duly authenticated Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.
- b. For Appointing Proxies:
- In case of individuals, the account holder or sub-account holder shall submit the proxy form as per the above requirement.
  - The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be furnished with the proxy form.
  - The proxy shall produce his /her original CNIC or original passport at the time of the Meeting.
  - In case of corporate entity, the original or duly authenticated Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) along with proxy form to Messrs Central Depository Company of Pakistan Limited.

viii) Members are requested to immediately notify any change in their addresses to the Bank's Registrar / Transfer Agent, Messrs Central Depository Company of Pakistan Limited.

ix) All nomination papers after scrutiny shall immediately be submitted to SBP for clearance.

x) Persons not cleared by SBP to hold office as Bank's director shall not be allowed to contest in the election or assume office of the director, as the case may be.

Secretary Board of Directors, National Bank of Pakistan, NBP Head office Building, 2nd floor, I.I. Chundrigar Road, Karachi, Tel: 021-99220224 & 021-99220858 Fax No. 021-99220239.

{Notice of the AGM together with the statement of material facts in respect of the Special Business to be considered at the AGM is being sent to the members.}

**"STATEMENT OF MATERIAL FACTS":**

This statement sets out the material facts concerning the Special Business given in agenda item No. 6 of the Notice, to be transacted at the AGM of National Bank of Pakistan's Shareholders.

**Item No.6:**

**TO CONSIDER AND APPROVE COMPENSATION PACKAGE OF SYED AHMED IQBAL ASHRAF PRESIDENT OF THE BANK, AS RECOMMENDED BY THE BOARD OF DIRECTORS.**

Syed Ahmed Iqbal Ashraf has been appointed President of the Bank in terms of Section 11 (3) (a) of The Banks (Nationalization) Act, 1974, by the Federal Government for a term of three (03) years with immediate effect vide Finance Division (GoP) Notification No. F.3 (14)Bkg-III/2013-, dated January 21, 2014. Syed Ahmed Iqbal Ashraf assumed the charge as President on 22-01-2014.

For objective assessment of market practices in relation to President's compensation, a consultant's proposal was sought. Consultant determined both fixed and variable compensation on the basis of following parameters:

- a) The size, spread and complexity of the job
- b) The relative performance and challenges faced by the job incumbent
- c) The profile of the incumbent
- d) Of the total compensation, 60% will be fixed and 40% variable(performance based)

Consultant also provided two options:

- i) Compensation package to be reviewed every year
- ii) Fixed compensation package for complete 3 years of contract

The Board in its 233rd meeting held on March 03, 2014, reviewed the proposal of the Consultant and recommended the following compensation package of Syed Ahmed Iqbal Ashraf as President of the Bank, in terms of Section 11(3)(a) of The Banks (Nationalization) Act, 1974 to the General Meeting of the Shareholders for approval.

The shareholders are requested to approve the following compensation package of Syed Ahmed Iqbal Ashraf, President of the Bank as recommended by Board of Directors:

## Compensation Package:

The Compensation package will be as follows:

	Amount in Rs.
<b>Basic Pay</b> - per month	2,258,000/-
<b>House Rent Allowance</b> - per month (55% of Basic)	1,242,000/-
<b>Gross Salary per month (to be reviewed annually)</b>	3,500,000/-
	In case of fixed compensation for 3 years, monthly gross salary will be Rs. 4,000,000/- instead of Rs. 3,500,000/-
<b>Utilities</b>	Utilities (electricity, gas, water, residence telephone(s) / mobile phone(s) and any other utilities pertaining to his residence) at actual.
<b>Security</b>	Security arrangements to be provided by the Bank. Deployment of four (04) security guards i.e. two security guards on 12 hours shift basis at residence.
<b>Vehicles, Fuel and Maintenance</b>	Two cars (one 3.5 litres and one 2.5 litres) provided by the Bank - Both vehicles fully insured and maintained by the Bank. President to purchase the cars at 10% of cost on expiry of contract or at written down value on separation. Fuel for the Bank provided vehicles at actual.
<b>Drivers</b>	Two (02) Drivers or Salary of Two (02) Drivers in lieu thereof @ Rs.25,000/- per month = Rs.50,000/- per month (on reimbursement basis)
<b>Official Entertainment</b>	At actual
<b>Domestic Staff</b>	Salary of Five (05) persons @ Rs.18,000/- per month = Rs.90,000/- per month (on reimbursement basis)
<b>Mobile phones</b>	Mobile Phones provided by Bank.
<b>Business Travel Overseas:</b>	Business class fare, 5 Star Hotel expenses at actual. Per diem for overseas with a maximum of US\$ 325 per day.
<b>Domestic Travel:</b>	Economy Plus class fare, 5 Star hotel expenses at actual
<b>Annual Leaves</b>	Annual leaves 30 days and Medical / Sick leaves 18 days per annum. Annual leaves may be accumulated, which is en-cash able on the basis of last drawn gross salary.
<b>Medical/Dental</b>	Medical / Dental coverage for self and dependent family members within Pakistan and re-imburement of all expenses at actual. Full fledged dental treatment facilities at cost.
<b>Life Insurance</b>	Life insurance coverage to be provided by the Bank (Amount Rs.30.00(M)).
<b>House and Garden Maintenance</b>	House / Garden fully maintained by the bank at actual
<b>House Furnishing Allowance</b>	Amount equivalent to one gross salary payable once during tenure of three years.

<b>Performance Bonus</b>	Performance Bonus of up to Rs.28 million for the first year of contract. This will be reviewed each year of the contract (to be determined by the Board and approved by the shareholders) payable based on performance against key performance indicators to be mutually agreed.
<b>Club Membership</b>	Club Membership (entry fee) for two clubs of incumbent's choice to be paid by the Bank. Subscription / other charges of 3 clubs to be paid by the Bank
<b>House Building Loan</b>	As part of the employment arrangement, NBP will take over the unpaid portion of the existing house loan availed by him. Terms and conditions applicable as in NBP.
<b>Generator Facility at Residence</b>	One Generator to be provided by the Bank at residence. Cost of fuel and maintenance to be paid by NBP.
<b>End Service Benefits</b>	Gratuity to be paid at one month last drawn gross salary for each year of service. 6 months or more to be treated as completed year of service
<b>Annual Salary Review</b>	Salary will be reviewed every year on the basis of the Bank's performance determined by the Board and approved by the Shareholders.(if fixed compensation is opted for the full 3 years contract then no yearly compensation review)
<b>Separation from Bank's Service</b>	<p><u>In case of Termination of contract:</u> Six months' notice period or salary in lieu thereof.</p> <p><u>In case of Resignation:</u> Three months' notice period or salary in lieu thereof</p>

No perks and benefits other than mentioned above are admissible.

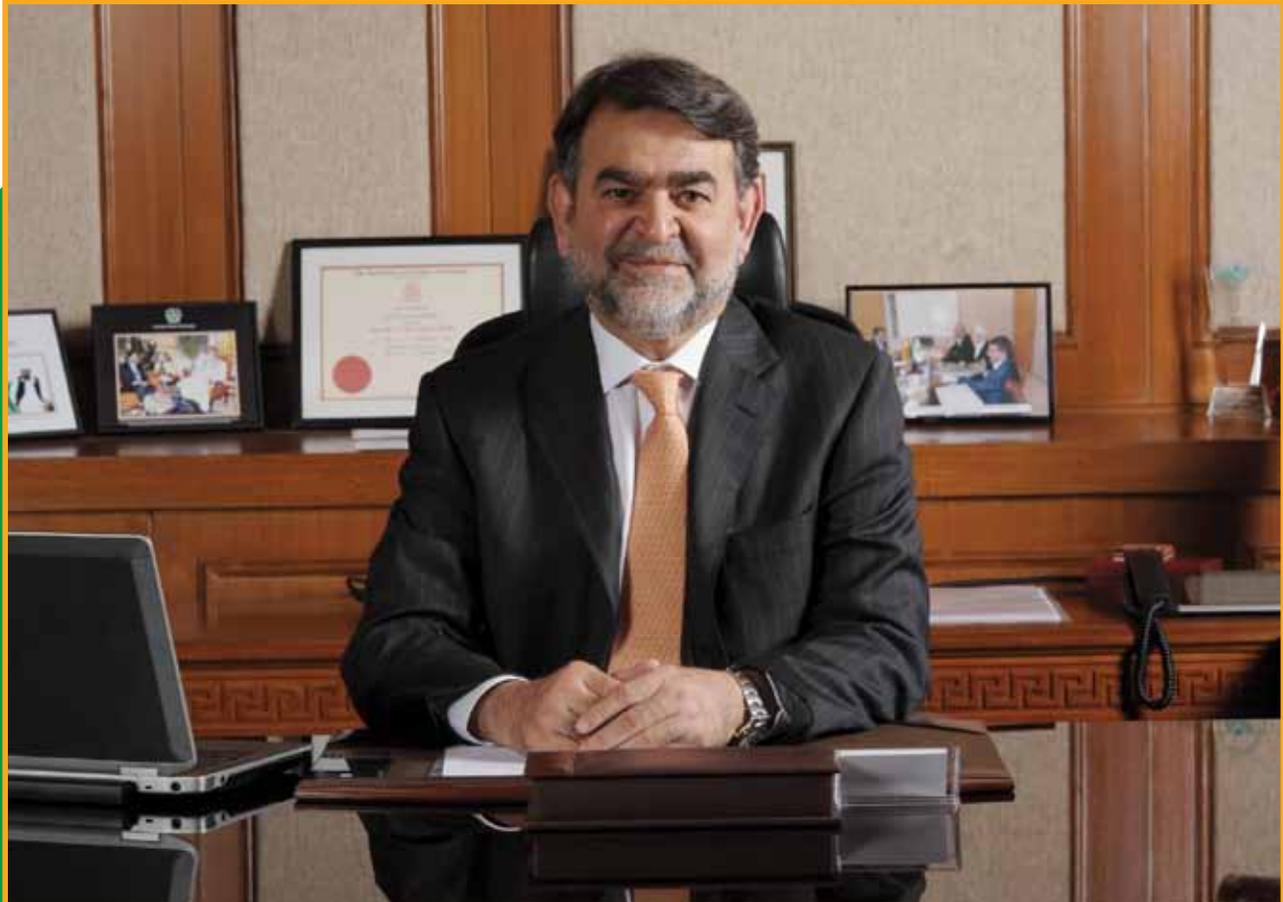
In this respect the following resolution is proposed to be passed:

**“RESOLVED THAT** the compensation package of Syed Ahmed Iqbal Ashraf, President of the Bank, as recommended by the Board of Directors of the Bank in its 233rd meeting held on March 03, 2014, with effect from the date he assumed the office of the President, NBP, as mentioned in Statement of Material Facts, be and is hereby approved in terms of Section 11 (3) (a) of the Banks (Nationalization) Act, 1974.”



# Directors' Report to the Shareholders

## Directors' Report to the Shareholders



On Behalf of the Board, I am pleased to present the 64th annual report of the bank for year ended December 31, 2013.

The Board has proposed final cash dividend of Rs. 2/- per share (20%) for the year 2013. This will be presented for approval of shareholders in the forthcoming annual general meeting of the bank.

The bank's profitability decreased steeply mainly due to lower net interest margins and higher provision charge. Net interest margins decrease is attributed to the impact of reduction of State Bank of Pakistan (SBP) discount rate in the first half of 2013 which impacted the yield on assets. On the other hand SBP increased the minimum profit rate on all remunerative deposits from 6.0% to 6.5% from October 1, 2013 and subsequently to 7.0% from December 1, 2013. SBP also changed the mechanism of calculating the profit on all remunerative accounts from minimum balance of the month to average balance of the month. These impacts on net interest margin were partially offset through volume increase especially in high yielding advance salary, agriculture financing and gold loans.

The Board of Directors of the bank was reconstituted during 2nd half of 2013. The Board emphasized on the objective loan assessment of the portfolio including international operations and advised the management to use prudent approach in identifying problem loans and accordingly create adequate provision against loans. This exercise though resulted in higher non-performing loans and provision charge compared to corresponding period December 31, 2012. However, we believe this will strengthen the balance sheet and benefit the bank once recovery efforts yield results in for years ahead.

The Board of Directors continued to guide the management in key areas of performance and emphasized on improvement in the bank's operations. The Board of Directors' also guided the management to bring about further improvement in internal controls, risk & compliance functions.

The Board welcomes Mr. Syed Ahmed Iqbal Ashraf as new President National Bank of Pakistan (assumed charge on January 22, 2014). The Board also welcomes Chairman Mr. Muneer Kamal and Board members Mr. Wasiq Mehmood, Mr. Farrakh Qayyum, Mr. Rana Asad Amin and Dr. Shujat Ali.

### Profit & Loss Appropriation:

The Profit for the year 2013 after carryover of accumulated profit of 2012 is appropriated as follows:-

	<b>Rs. in million</b>
Profit before taxation for year 2013	7,078
Taxation	
- Current year	6,083
- Prior year(s)	130
- Deferred	(4,635)
	1,578
Profit after taxation for the year 2013	5,500
Other comprehensive income-net of tax	1,820
Profit Brought Forward-Restated	57,419
Transfer from surplus on revaluation of fixed assets	132
Profit available for appropriation	64,871
Transfer to statutory reserve (20% of after tax profit)	1,100
Issue of bonus shares - year 2012	2,775
Cash dividend paid - year 2012	12,950
	16,825
Profit carried forward	48,046

## Directors' Report to the Shareholders

### Banking Industry

Pakistani banking sector profitability remained muted as the banks absorbed the impact of reduction in net interest margins and tried to off-set the impact of reduction in yield through volume growth. Overall industry performance remained steady aided by earnings, strong fund based liquidity and high capital levels. The balance sheet size of the banking industry grew, however, the sector remains exposed to credit risk, increasing concentration of government exposure on bank's balance sheets and decelerating interest margins.

### NBP performance

During the period as a result of change in accounting policy due to adoption of revised International Accounting Standard 19 (IAS 19) and restatement of provision charge as explained in notes 5.1.2 and 5.1.4 of the financial statements, pre and after tax profit for the period ended December 31, 2012 were restated at Rs. 21.4 billion and Rs. 14.9 billion as against previously reported amount of Rs. 23.3 billion and Rs. 16.2 billion. Balance sheet has also been restated accordingly.

Bank posted operational profit (pre-provision profit) of Rs. 27.5 billion compared to Rs. 32.4 billion (restated) last year registering a decline of Rs. 4.9 billion or 15% mainly due to downward movement of discount rate till August 2013 and higher cost of funds on account of linking deposit rates with discount rate and change in calculation of profit from minimum balance to average balance.

Net interest income was lower by 12.5% mainly due to reduction in discount rate in first half of 2013 and increase in cost of fund due to the reasons mentioned above. Non-interest income is higher by 7.2% mainly due to increase in higher fee income and capital gains to take opportunity of record KSE index.

Pre-tax profit stood at Rs. 7.1 billion compared to Rs. 21.4 billion last year mainly due to provision charge of Rs. 20.4 billion. The Board emphasized on the objective loan assessment of the portfolio including international operations and advised the management to use prudent approach in identifying problem loans and accordingly create adequate provision against loans. This exercise though resulted in higher non-performing loans and provision charge compared to corresponding period however, we believe, will strengthen the balance sheet and benefit the bank once recovery efforts yield results in years ahead. This charge includes around Rs. 9.4 billion on account of overseas operations. Administrative expenses were kept under strict check as these increased by 4 % mainly due to defined benefit charge and inflation.

Due to higher provisions, pre-tax return on equity stood at 5.4%, pre-tax return on assets at 0.6% while cost /income (excluding provisions) remained at 0.57. The bank is adequately capitalized with capital and reserves at Rs. 156.3 billion, higher by 12 % from last year. Higher revaluation surplus by Rs. 20.2 billion mainly on shares and mutual funds due to record stock market index and increase in revaluation surplus on properties by Rs. 5.2 billion due to fresh periodic valuation supported the capital. Despite the provision charge, capital adequacy ratio remained healthy at 15.24%.

## Directors' Report to the Shareholders

Performance of the Bank's various Groups/Divisions is given below:

### Corporate & Investment Banking

The bank continued to be a major player in the corporate banking in the country. Collaborating with our corporate customers by providing comprehensive and customized financial solutions for doing business has been the core strategy of our corporate banking group. The group manages relationships with a number of large and mid-sized corporates and multinational companies operating in the country. The group services the financial requirements of clients through products ranging from working capital finance, export finance, trade and commercial banking products to rupee and foreign currency loans, and structured finance products. Our corporate banking group is the front-end relationship team which services client requirements across businesses. The group offers syndication, project/infrastructure financing, along with mergers, acquisitions.



In the year 2013 bank's strategy was consolidation in terms of corporate advances that shows a decline of 5% as a result of repayments of some energy related loans on settlement of circular debt in 2013. The bank's corporate banking group remained committed to increase in trade and ancillary business volume with growth of around 30% in year under review. In line with the national priorities, the corporate group laid emphasis on alternative energy projects in addition to traditional power generation, fertilizer and other infrastructure projects. A separate Asset Rehabilitation Wing, within the group is focused on bringing in more settlements through cash recoveries, rescheduling and coordination for necessary litigation procedures.

Our investment banking designs innovative and customised products to meet the complex needs of our clientele. Our investment banking team is one of the leading arrangers and underwriters of structured finance transactions in Pakistan, combined with the bank's extensive experience, industry expertise and global presence.

## Directors' Report to the Shareholders

### Commercial & Retail Banking

Commercial & Retail Banking Group is the major contributor in the bank's profitability, which handles both liabilities and assets products. On liability side, the group manages procurement of deposits under different schemes/products. The group offers various financing products which include commercial, SME, agriculture, consumer & commodity financing. Under consumer financing the bank offers NBP Advance Salary, NBP Saibaan and Cash & Gold products. The bank has one of the largest branch networks in the country with most diversified branches locations. The bank's rural presence is most extensive of any bank. During the year, the bank increased its branch network by 48 branches, which helped in increasing its reach to its potential customers.



Domestic deposits of the bank increased by over 10% in 2013 with focus was on increasing share of CASA deposits in total deposits. CASA deposits constitute 69% of total deposits. In liability side, the bank besides offering traditional current and saving deposits, offers products for business accounts (National Income Daily Account) and small savers (NBP Premium Amdani Scheme). Interbank Fund Transfers (IBT) facility at all branches is successfully in operation. With all the branches now on on-line network, our customers have convenience of funds transfer in hassle free and cost effective manner. We are building our liability team to further improve our product offering and leverage the largest customer base in Pakistan besides improving existing products delivery.

NBP Advance Salary continued to perform well and is a major contributor in terms of growth and earnings. The product is the single largest consumer product in the country with low rate of default and excellent rate of return. During the year, the Advance Salary portfolio grew by 28%.

NBP always gives special emphasis to financing in agriculture sector. It is indeed heartening to note that NBP has the largest agriculture portfolio in the commercial banks in the country. The bank believes that agriculture is backbone of the economy and is committed to provide support to this sector which offers good returns in terms of earnings. The bank's agriculture portfolio increased by 30% during the year under review.

## Directors' Report to the Shareholders

Year 2013 was a challenging period for SMEs due to moderation in economic activity. While being cognizant of the subdued economic environment, we focused on judicious portfolio growth. We continued to focus on strengthening our delivery capabilities for SME customers. We believe that a strong SME sector is fundamental to building a resilient and dynamic corporate sector and view SME segment as integral to the country's growth and will continue to partner with them while building a healthy portfolio. The bank's SME portfolio grew by over 15% in year 2013.

### International Operations

NBP has largest overseas franchise amongst Pakistani Banks in terms of assets. These offices facilitate large part of our trade finance business and remittances. NBP, with its 23 overseas branches, one joint venture (United Kingdom) two wholly owned subsidiaries (Central Asia) and 3 representative offices covers regions from South Asia, Central Asia and Middle East, Europe and USA. Our exclusive coverage of Central Asia; energy corridor for the world, has placed us in strong position once the trade picks up in the region. In terms of profitability, 2013 was a challenging year, as the bank had to take a charge of around Rs. 9.4 billion on account of non-performing loans at certain branches/ locations. In order to improve the controls and recovery, the bank has taken a number of actions which include implementation of four-eye concept for improvement in transparency, control and better management decisions and initiation of a recovery team. Improvement and continuous monitoring in this area will be top priority for year 2014.

### Treasury Management & Capital markets

Treasury Management Group plays a pivotal role in optimally managing the foreign exchange, money market and capital markets and ensured optimal utilization of funds throughout the year. Besides optimally managing the cash flows, the bank made impressive capital gains in both money and capital markets. As an endorsement of our expertise in fixed income we have consistently been rated amongst the top primary dealers in the country by State Bank of Pakistan for the last three years. In liaison with other groups, treasury played its part in growing volumes of trade related business activities. It is the testament to the bank's superior expertise that its performance has consistently been outstanding amongst peer banks when it comes in terms of income from dealing in foreign currencies where the bank recorded FX income in excess of Rs. 3 billion. Treasury corporate desk played an important role in advising corporate clients about market trends and expectations of currency flows and interest rate movements. The group is in the process of implementing state of the art and world renowned treasury system. Implementation of the new system will make the group better equipped to undertake new business and become a one stop solution for our diversified client base.



## Directors' Report to the Shareholders

### Assets Recovery Group

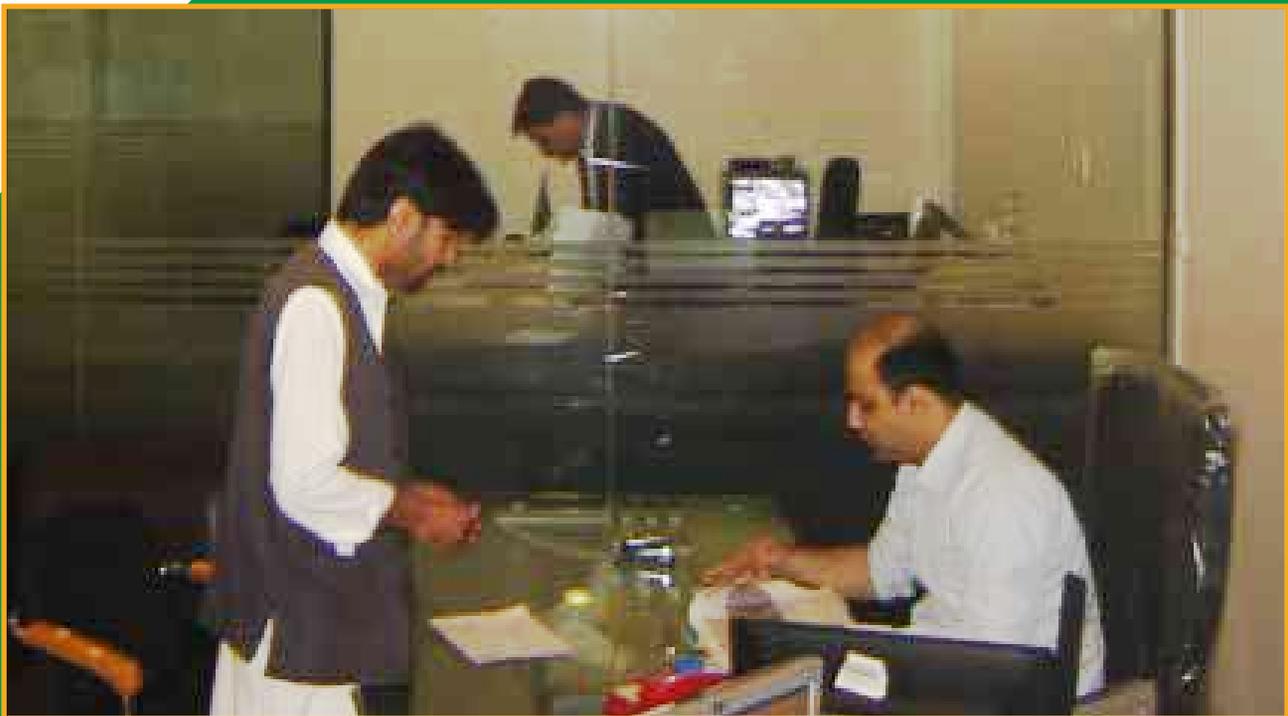
Primarily Assets Recovery Group is responsible to monitor and settlement of non-performing loans (NPLs). Despite energy crisis, deteriorating social conditions and muted economic growth, the bank managed to record some large recoveries/rescheduling during the year resulting in positive impact on bank's profitability. The bank took number of steps for reduction in NPLs inter alia merging of SME recovery group under asset recovery group for coordinated recovery efforts under one umbrella, focusing settlements through legal course as well as out of court negotiations.

With the provision coverage of around 80%, we believe that going forward, the group will make major contribution towards the bank's profitability through recoveries and reversal of provision as a result of declassification/rescheduling.

### Customer Services

During the year 2013 forty eight (48) branches were opened, out of which 10 were Islamic banking branches. With this addition, the total number of domestic bank branches were 1,342 by the year-end.

The bank is in process of computerizing government pension payment system with in-house expertise. Government pension system is a web based application which will automate all the tasks performed by existing manual procedures. The system is designed in such a way that it will not only reduce turn-around-time in dealing with pension payments but will also ensure availability and updating of pension payment data/pensioners' record on real time basis. This system is applied across the network for facilitating pension/benefits payments to EOBI registered pensioners (through Cash), whereas its prototype has been used to capture pension payment of pensioners of Federal, Provincials and Armed forces, at 200 selected branches. The system is targeted to be completely implemented in all pensioners dealing branches in the year 2014.



Our Call Centre is now working on 24/7 basis providing account information, facilitating lodgment of complaints and status of ATM card application. The call centre now receives more than 55,000 calls a month and the numbers are increasing.

## Directors' Report to the Shareholders

In order to offer alternate delivery channels and facilitating withdrawal through ATMs, NBP has increased its capacity to process ATM card applications and hassle-free card delivery to applicants. By virtue of process modification and improved quality of customer services, more than 470,000 cards were issued in 2013 whereas the total card population has crossed one million mark. We are now gearing-up to offer in collaboration of Islamic banking group, "Aitemaad ATM Card" to our Islamic banking branches account holders in addition to "Foree Remittance Card" that will be issued to recipient of home remittances.

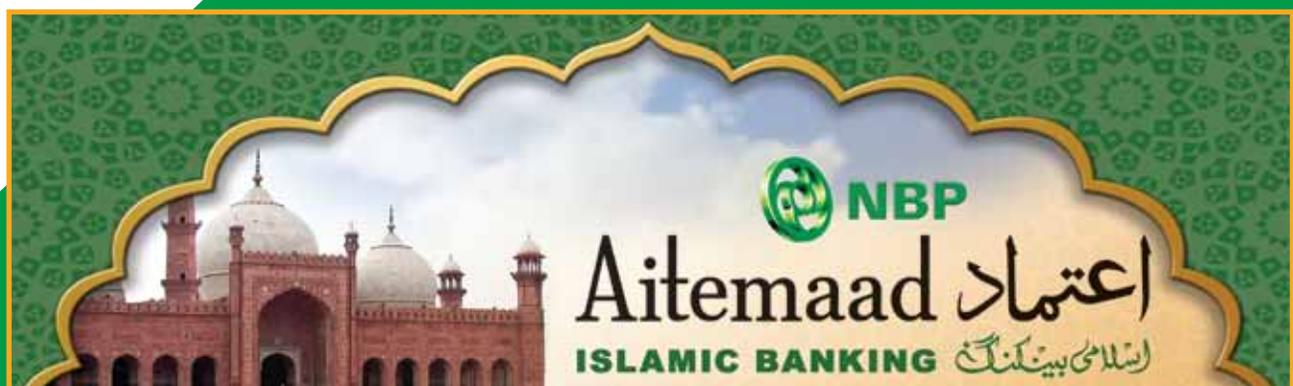
NBP collects Hajj applications from pilgrims on behalf of Ministry of Religious Affairs. This year, the bank received around 11,000 applications under the Hajj-2013 and ensured maximum facilitation to the pilgrims by offering round-the-clock services at Hajj Booths established at all eight Hajj camps in the country.

### Home Remittances

In pursuit of the national cause of providing fast, convenient, secured and reliable remittance services, NBP has encouraged the home remittance customers to use legal channels. NBP has established a dedicated "Global Home Remittances Management Group" which has made alliances with world's leading banks/financial institutions/money service business such as Al-Rajhi Bank, Xpress Money, Western Union, Bank Al Bilad, Arab National Bank etc. With advanced technology, enhanced global coverage, widest domestic network of 1,342 branches and improved service quality at branch level, NBP is now becoming the bank of choice for receiving over the counter payments of home remittances. NBP offers "NBP Foree Cash" through which customers can get the money sent from their loved ones within minutes without the requirement of having a bank account. Our "NBP Foree Transfer" allows remittances to be deposited directly into the customers' accounts.

### Islamic Banking

To make strong presence in Islamic banking industry in Pakistan and to boost Islamic banking business, NBP has developed 5-year comprehensive business plan incorporating strategies and goals. The plan proposes to increase the country-wide network of dedicated Islamic banking branches to over 100 in the next couple of years. This growth has been planned to make NBP Islamic a meaningful player in the market, in line with its robust profile. During the year under review the group successfully managed to expand its branch network from 8 to 18. The branch premises were identified & selected to cater wide target market for Islamic banking products. To ensure smooth functioning and adherence to Shariah compliant operations, NBP Islamic banking has taken on board Mufti Ehsan Waquar as Shariah Advisor. Mufti Ehsan is among the few scholars who possess a unique combination of religious and contemporary education. To create awareness among masses about Islamic banking services, NBP has re-launched Islamic banking with a new brand that is "Aitemaad", which is synonymous with the trust of people on NBP. To market Islamic products and services, NBP plans to capitalize on its strong brand recognition. This will help NBP to get closer to people who wish to do Islamic banking, by offering Shariah compliant innovative asset and liability products.



## Directors' Report to the Shareholders

### Credit and Risk Management

In line with the regulatory framework and bank's own business strategy, credit management has developed a credit policy document which is regularly updated to bring further refinement in credit rules and procedures with the changing need of the time.

Our specialized Industry Research & Analysis Wing analyses thirty four (34) key industrial sectors of the economy, in terms of relative risks and attractiveness, which help our business and risk management groups to set their goals and strategies. Our Economic Research Wing keeps track of national and global economic conditions and events, which helps making prudent lending decisions keeping in view the changing economic scenarios. The Credit Management Group manages efficient and specialized handling of corporate, commercial, agriculture, FIs, overseas, SME & consumer clients credit requests. Credit monitoring functions has also been further specialized by formation of a separate wing dedicated to monitoring of syndicated project loans.

NBP has been constantly striving to improve risk management standards. Considering the recent global crisis and the needs of the local macro-economic and banking landscape, the bank intends to further strengthen its risk management design and inculcate a culture of prudent risk management across its activities. Improvements have been noted in overall risk management function since 2010 due to implementation of a bank-wide Basel II programme. In its overall strive to adopt best practices; NBP procured the consultancy services of the market leader in Basel II implementation. The bank has recently hired the services of a top consultant to undertake a comprehensive BPR and COSO exercise aimed at overall business process improvement, advanced risk management and strengthening of the overall control environment.

With a view to further improve credit risk mitigation environment and to introduce proactive measures to combat risk, risk management group ensures that there is a framework in place for effective assessment/ measurement, mitigation and reporting of credit risks both on counterparty as well as portfolio level. In line with SBP's Risk Management Guidelines, NBP has constituted a dedicated Risk Review Wing which is responsible to independently review the approved credit cases pertaining to new proposals, renewals, restructuring/rescheduling loans etc, on a sample basis. In order to strengthen the risk environment across the bank, the consumer risk wing has also been established. The primary responsibilities include formulation / proposition of credit risk strategies, policies, credit assessment methodologies, credit portfolio management including limit setting, MIS and monitoring with respect to consumer/ programmed based SME lending. The market liquidity and risk management wing ensures that the market and liquidity risks are identified, measured, mitigated and controlled with the support and involvement of respective departments and in accordance with the regulatory requirements and internal policies. Broadly, it is responsible for formulation / proposition of market and liquidity risk management framework, investment portfolio monitoring, assessment / development of market and liquidity risk limit framework and associated limits, working on Basel II projects, coordinating with the core banking team in provision of required features and provision of necessary support in market risk capital calculation and other market and liquidity risk functionalities.

The Board is pleased to endorse the statement made by management relating to internal controls including management's evaluation of ICFR. The Management's Statement on Internal Control is included in the Annual Report.

## Directors' Report to the Shareholders

### Information Technology

Realizing the importance of new technology and its impact the bank places great emphasis on adoption of new technologies and close monitoring the performance of ongoing I.T. projects in the bank. In year 2013 NBP achieved a number of I.T. milestones like the entire branch network coming online, expansion of ATM network, enhanced features at call center, SMS and email alerts etc. NBP has embarked on implementing Core Banking Automation across all major areas of its business including consumer, corporate, treasury, trade, HR and MIS which shall enable the bank to provide customer services as well as ensuring efficiency across its various business functions. The main branch Karachi went live beside seventeen (17) other branches in various cities of Pakistan in 2013. In addition to local branches, international branches of Korea and Japan were also added on the new technology platform. Apart from "Fidelity Profile" various modules of SAP HCM went live. SAP-HCM system has been deployed to generate its countrywide payroll as well as perform other HR related functions within bank including personal administration, provident fund, pensions etc. with efficiency and control across its regions. NBP has increased its number of ATMs to 375 from 360 in 2012.



### Corporate Social Responsibility

National Bank of Pakistan, being the leading financial institution in the country has always been at forefront towards building a stable and sustainable economy by adapting to strategies and policies as per the needs of the stakeholders. NBP has taken various initiatives that very clearly depict its commitment towards its corporate social responsibility mission. The bank has formulated strategic areas of focus for the accomplishment of its corporate-social goals. The bank is running a full-fledged CSR program to benefit the community at large mainly by investing in projects related to development of critical socio-economic sectors. Additionally, the bank is also active in extending support to a number of recognized charitable institutions and is investing for bringing positive change and improving the quality of life of underprivileged members of our society. To serve the purpose, the bank identifies initiatives that are sustainable and have a meaningful impact on society and a strong connection with the business and core competencies. The foremost area of focus for CSR initiatives are directed towards promotion of education, health, woman and child welfare, special persons, culture, sports and relief for affected of natural disasters.

It is truly a matter of pride that, NBP has been recently awarded the "Gold Medal on CSR" by the President of Pakistan on the basis of overall contributions and donations for charitable, social, educational and public welfare efforts.

## Directors' Report to the Shareholders

### Awards & Recognitions

NBP was declared the “Top Bank in Pakistan” in “Top 1000 World Banks- 2013” by “The Bankers” magazine owned by Financial Times Group, London. The bank was also declared “Domestic Retail Bank of the Year 2013 – Pakistan” by “Asian Banking & Finance Magazine”, owned by Charlton Media Group, Singapore. Federation of Pakistan Chamber of Commerce and Industries (FPCCI) has also awarded 1st Achievement Award “Gold Medal on Banking and Financial Sector” to the bank. JCR-VIS Credit Rating Company has reaffirmed the entity ratings of the bank at ‘AAA/A-1+’ (Triple A/A-One Plus) with ‘stable’ outlook.



## Directors' Report to the Shareholders

### Future Outlook

Year 2014 will be a year of new opportunities and looming challenges for NBP as well as the banking industry. The bank will focus on consolidation and recoveries to bring down the non-performing loans. The bank will further diversify product offering to generate new streams of revenue and will reach new markets and customers for further growth in market share and retain market leadership position.

Going forward the bank shall focus on improving the internal controls and processes. We are building a liability team to procure low cost deposit, increase in average deposit per account, reduction in non-performing loans especially in overseas and increase in recoveries. NBP will also increase its branch network for both conventional and Islamic banking in urban and rural areas. The bank will also increase its customer base through liability and asset products and will also focus on Advance Salary, Agriculture and Gold Loans to customers. NBP has undertaken a number of plans in the areas of information technology upgradation with major projects like CBA implementation, expansion of ATM network, mobile banking, data centers, call center and BPR/COSO projects. The bank will also focus on branchless banking by providing alternate delivery channels like ATMs, internet and mobile banking services.

We intend to open new facilitation centers for pensioners and utility bills collection. NBP will continue to invest in HR capacity building through training. Trade finance and home remittances business will be increased through targeting new customers. Efforts will be made to improve 'expense management' and achieve greater operational efficiency.



## Directors' Report to the Shareholders

### Statement Under Code of Corporate Governance

The Board is fully aware of its responsibilities established by the Code of Corporate Governance issued by the Securities & Exchange Commission of Pakistan (SECP). The Directors are pleased to give the following declarations/statements to comply with the requirements of the Code.

- (a) The financial statements (Statement of Financial Position, Profit & Loss Account, Statement of comprehensive income, Cash Flow Statement, Statement of Changes in Equity and notes forming part thereof), prepared by the management of the bank give the information 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, 2013 and of the results of its operations, changes in equity and its cash flows for the year then ended.
- (b) Proper books of accounts have been maintained.
- (c) Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on the reasonable and prudent judgment.
- (d) The International Financial Reporting Standards, as applicable in Pakistan have been followed in preparation of the financial statements and departure there from, if any has been adequately disclosed.
- (e) The system of internal control is showing signs of improvement as compared to previous years. However, such a system is designed to manage rather than eliminate the risk of failure to achieve objectives, and provide reasonable but not absolute assurance against material misstatements or loss.

The process used by the Board to review the efficiency and effectiveness of the system of internal control includes, the following:

- The Board has formed various committees comprising of non-executive directors.
- Internal audit department of the bank conducts the audit of all branches, regions and groups at Head Office level on an ongoing basis to evaluate the efficiency and effectiveness of internal control system and proper follow up of irregularities and control weaknesses is carried out.
- The Board receives confirmations / representations from all groups and regional heads on annual basis confirming effectiveness of the internal control system established and maintained by them within their function.

The principal features of the bank's control framework include:

- The bank has clearly defined organizational structure, which supports clear lines of communications and reporting relationships.
- There exists a properly defined financial and administrative power of various committees and key management personnel, which supports delegations of authority and accountability.
- The bank has effective budgeting system in place. Annual budget of the bank is approved by the Board and monthly comparisons of actual results with the budget are prepared and reviewed by the senior management.

The bank has a comprehensive framework of written policies and procedures on all major areas of operations such as Credit, Treasury Operations, Finance, Internal audit and Compliance, duly approved by the Board.

- (f) There are no significant doubts about the bank's ability to continue as a going concern.
- (g) There has been no material departure from the best practices of the corporate governance as detailed in the listing regulations.
- (h) Key operating and financial data is available in the annual report.

The number of board meeting held during the year was 13 and attended by the directors as follows:

Dr. Asif A. Brohi (Till 10-09-2013)	Former President / Chairman	10
Mr. Asif Hasan (Till 26-12-2013)	Former President (Acting)	3
Mr. Muneer Kamal (From 9-09-2013)	Chairman	4
Mr. Aftab Anwar Baloch (Till 25-02-2013)	Director	3
Mr. Tariq Kirmani	Director	13
Mrs. Haniya Shahid Naseem (Till 25-02-2013)	Director	2
Mr. Zahid Hussain	Director	13
Mr. Shahid Aziz Siddiqui	Director	13
Mr. Wasiq Mahmood (From 6-05-2013)	Director	8
Mr. Farrakh Qayyum (From 9-09-2013)	Director	4
Rana Assad Amin (From 9-09-2013)	Director	4
Dr. Shujat Ali (From 9-09-2013)	Director	4

- (i) Value of investments of Employees' Pension Fund and Employees' Provident Fund as at December 31, 2013 (un audited) were as follows:

(Rupees in '000)

Employees' Pension Fund	31,011,262
Employees' Provident Fund	12,886,715

### Pattern of Shareholding

The pattern of shareholding as at December 31, 2013 is given in Annual Report.

### Earnings per share

The basic and diluted after tax earnings per share for the year 2013 is Rs. - 2.59/-

### Appointment of Auditors

The Board of Directors on the recommendation of the Board Audit Committee, has recommended KPMG Taseer Hadi & Co., Chartered Accountants and M/s. Ernst & Young Ford Rhodes Sidat Hyder & Co., Chartered Accountants to be the external auditors of the bank for the year ending December 31, 2014 at the existing fee subject to approval by the share holders at the Annual General Meeting. Both the firms, eligible, have offered themselves for appointment. An additional amount of Rs. 0.979 million in respect of audit fee 2013 will be paid to the external auditors resulting from levy of 4% sales tax on services provided by the external auditors. This amount is also being recommended to the shareholders for approval.

For and on behalf of the Board of Directors

**Syed Ahmed Iqbal Ashraf**

President

Karachi

Dated: March 03, 2014

## Risk Management Framework

Risk Management in any business entity is a critical function, which develops tools, formulates risk policies to keep exposures within manageable limits in conformity to the institutions risk taking appetite.

Risk Management Group at NBP has been suitably structured, with the required independent reporting, a well defined risk charter, staffed with professionals having the requisite technical skills. Simultaneously, a Basel II Implementation Project is in the process of being executed under the guidance of external professional consultants, to significantly enhance risk management capacity across the full spectrum of the institution. This has enabled Risk Management Group to play a more effective role in the achievement of its objectives and assisting the Board and Senior Management to fulfill their responsibilities of risk oversight. Risk management is viewed holistically, including Credit Risk, Market Risk, Liquidity Risk and Operational Risk.

National Bank of Pakistan is fully aware of its systemic and critical leading role in the sustainable economic development of Pakistan. Keeping this in mind, NBP's Board of Directors and Senior Management are fully committed to strengthening the risk management practices in NBP and an enabling risk structure as below:

- Board Risk Committee (BRC)
- Executive Risk Management Committee (ERMC)
- Independence of Risk Management Function from approvals.
- Representation of Risk Management in Asset Liability Committee (ALCO).
- Representation of Risk Management in Credit Committee (CC) is mandatory while discussing any policies, product plans, programs and portfolio reviews.

Under the umbrella of above, various initiatives were undertaken and achieved, some of which are listed below:

- Development of Internal Capital Adequacy Assessment Process (ICAAP) as per latest SBP guidelines.
- Performed both, the model and internally designed stress tests as per SBP guidelines.
- Development and implementation of Internal Risk Rating model(s) and scorecard(s) for Retail borrowers.
- Development and updating of the overall Risk Management Policy.
- Reviewed, refined and updated a wide range of policies and product programs.
- Regular portfolio reviews and analytics of diversified facets to apprise and facilitate Senior Management and Board in decision making and strategy formulation.
- Development of Credit Risk Tolerance Limits / Concentration Policy.
- Development of capital charge calculation tools.
- Performed post facto credit risk reviews of corporate, commercial and SME asset classes identifying gaps in credit granting process, to improve the quality of credit portfolio.
- Implementation of Operational Risk Management tools such as Risk & Control Self Assessment (RCSA) and Key Risk Indicators (KRIs).
- Development of Operational Risk Management Framework.
- Formulation of Operational Risk Management Strategy & Tolerance Level.
- Implementation of Loss Data Collection Mechanism directly from field functionaries.
- Continuous sanitizing and reconciliation of data mart for Basel-II, portfolio management, analytical reports and MIS for senior management and BoD.
- Refining and updating models for Duration, PVBP and Liquidity risk.
- Enhancement in data fields to support a broad range of analytics and models, such as VAR, Duration, Liquidity Management, Portfolio analytics etc.

RMG is in the process of testing the following key initiatives for the next year:

- Transition towards Basel III Capital Accord in-line with the regulatory directives.
- Implementation of Risk Adjusted Return on Capital (RAROC) model.
- Implementation of Capital Charge calculation tool.
- Development of stress testing framework and incorporating proprietary stress scenarios.
- Development of data collection mechanism for overseas portfolio.
- Enhancement and transition of F-256 & SCA data collection modules into web based applications for improved capital calculation and portfolio management.
- Enhancement of scope of post facto credit risk reviews in terms of asset class coverage.
- Monitoring of ORM Tolerance limit and conducting variance analysis.
- Mapping of Bank's business activities into 8 business lines as per the regulatory Basel II requirement.
- Tagging / Updation of Risk & Control Design Assessment (RCDA) with Historical Loss Data Collection (HLDC) gap data.
- Updation in existing Risk Appetite Statement.
- Kondor+ Implementation for Market and Liquidity Risk Management.
- Development of CAMELS model for proactively evaluating the bank's standing as assessed by the regulator and as a way forward will assist management and Board for strategic decisions.
- Implementation of Value at Risk model for daily monitoring and limit setting.
- Development of MRM and ALM Strategy and accordingly enhancing Market Risk limits.

# Statement of Internal Control

## Reporting of Internal Control System

Bank's Management has established and is managing an adequate and effective 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 management and the employees at all levels within the bank are required to perform as per these approved Internal Control System components. The Internal Control System ensures quality of external and internal reporting, maintenance of proper records and processes, compliance with applicable laws and regulations, and internal policies with respect to conduct of business.

The management ensures that an efficient and effective Internal Control System is in place by identifying control objectives, reviewing existing procedures and policies and ensuring that control procedures and policies are amended from time to time wherever required.

However, Internal Control system is designed to manage rather than eliminate the risk of failure to achieve objectives and provide reasonable but not absolute assurance against material misstatement or loss.

## Evaluation of Internal Control

The Bank has an independent Internal Audit & Inspection function in the name of Audit & Inspection Group with three Regional Audit & Inspection Offices that conduct audit of branches, Regions, Subsidiaries, Staff Colleges and Groups at Head Office on an on-going basis to evaluate the efficiency and effectiveness of Internal Control System. In addition to that Compliance set up is also in place with 152 independent branch compliance officers in category III Branches and 29 Regional Compliance officers with supporting staff to take care of Compliance related issues to strengthen the control environment.

For the year 2013 the Bank has made its best efforts to ensure that an effective internal control system continues to perform in letter and spirit. The observations made by the external / internal auditors in their respective audits / inspections are promptly reviewed and measures are taken by the Board, Board Audit Committee and management for rectification of such observations to safeguard the Bank's interest.

The bank is in process of completing various stages of ICFR in compliance with roadmap and other instructions issued by State Bank of Pakistan from time to time. In light of recent directive issue by SBP, the Board Audit Committee / Board of Directors would review the ICFR implementation plan to further strengthen the relevant controls and submission of requisite report(s) to SBP as per the timelines.

We assess that the internal control environment is showing signs of improvement as compared to previous years. The Bank is endeavoring to further refine its internal control design and assessment process as per guidelines issued by the State Bank of Pakistan. Accordingly, Bank is making all possible efforts to improve the professional skills and competency level of staff through need based training programs.

**Imam Bakhsh Baloch**

SEVP/ Chief of Audit & Inspection Group

**Shahzad Akhtar Shami**

EVP/ Chief of Compliance Group

Karachi

Dated: February 24, 2014

# Statement of Compliance with Code of Corporate Governance

For the year ended December 31, 2013

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the Regulation No. 35 of Chapter XI of listing Regulations of Karachi, Lahore & Islamabad Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practice of Corporate Governance.

The Bank has complied with the principles contained in the Code in the following manner.

- The Board of Directors of the Bank is appointed as per the provisions of the Bank's (Nationalization) Act, 1974. All the Directors (Except President /CEO) are non-executive Directors, including one independent Director representing minority shareholders as required by the Code. As at December 31, 2013 the Board includes: -

Category	Names														
Appointed by Federal Government under section 11(3)(a) of The Banks (Nationalization) Act, 1974.	<table> <tr> <td>Mr. Muneer Kamal</td> <td><b>Chairman</b></td> </tr> <tr> <td>Mr. Farrakh Qayyum</td> <td>Director</td> </tr> <tr> <td>Rana Assad Amin</td> <td>do</td> </tr> <tr> <td>Mr. Shahid Aziz Siddiqi</td> <td>do</td> </tr> <tr> <td>Mr. Zahid Hussain</td> <td>do</td> </tr> <tr> <td>Mr. Wasiq Mahmood</td> <td>do</td> </tr> <tr> <td>Dr. Shujat Ali</td> <td>do</td> </tr> </table>	Mr. Muneer Kamal	<b>Chairman</b>	Mr. Farrakh Qayyum	Director	Rana Assad Amin	do	Mr. Shahid Aziz Siddiqi	do	Mr. Zahid Hussain	do	Mr. Wasiq Mahmood	do	Dr. Shujat Ali	do
Mr. Muneer Kamal	<b>Chairman</b>														
Mr. Farrakh Qayyum	Director														
Rana Assad Amin	do														
Mr. Shahid Aziz Siddiqi	do														
Mr. Zahid Hussain	do														
Mr. Wasiq Mahmood	do														
Dr. Shujat Ali	do														
Director representing Private Shareholders and Minority Interest Elected in terms of 11(b) of The Banks (Nationalization) Act, 1974.	<table> <tr> <td>Mr. Tariq Kirmani</td> <td>Director</td> </tr> </table>	Mr. Tariq Kirmani	Director												
Mr. Tariq Kirmani	Director														
President (Acting)	Mr. Asif Hassan														

- Mr. Asif Hassan, assumed the charge as President (A) in terms of Government of Pakistan, Finance Division Notification F-1(5) Bkg-III-2013 dated 16-9-2013 vice Dr. Asif A. Brohi who resigned as President, NBP on 16-9-2013 and his resignation was approved vide Government of Pakistan, Finance Division (Internal Finance Wing) Notification No. F.1(5) Bkg.III/2013 dated 16-9-2013. The Federal Government in terms of Section 11 (3)(a) of The Banks (Nationalization) Act, 1974 appointed Syed Ahmed Iqbal Ashraf as President in terms of GoP, Finance Division, Notification No. F-3(14) Bkg-III-2013 dated 21-1-2014 who assumed the charge on 22-1-2014. Mr. Asif Hassan relinquished charge as President (Acting) NBP on 22-1-2014.
- Mr. Muneer Kamal was appointed as Chairman of NBP Board of Directors vide Notification No. F.10 (31) Bkg.III/2010-1376 dated 9-9-2013 with immediate effect.
- During the year Mrs. Haniya Shahid Naseem and Mr. Aftab Anwar Boloch, Directors were replaced by Ministry of Finance, Government of Pakistan vide Notifications No. F.10(31) Bkg.III/2010-328 and No. F.10(31) Bkg.III/2010-332 both dated 26-2-2013. Mr. Wasiq Mahmood was appointed as Director vide Notification No. F.10 (31) Bkg.III/2010-372 dated 1-3-2013 with immediate effect. Mr. Farrakh Qayyum, Rana Assad Amin and Dr. Shujat Ali were appointed as Directors vide Notification No. F.10 (31) Bkg.III/2010-1376 dated 9-9-2013 with immediate effect.

5. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Bank (excluding the listed subsidiaries).
6. All directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBF, or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
7. The Bank has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Bank as a guiding principle.
8. The Directors have confirmed that neither they nor their spouses are engaged in the Business of Stock Brokerage.
9. The Bank has prepared "Statement of Ethics and Business Practice" which is already approved by the Board of Directors.
10. The Board has approved the Vision, Mission, Core Values, Objectives and NBP Strategic Plan.
11. The Bank has comprehensive framework of written policies and procedures on all major areas of Operations such as Credit, Treasury Operations, Finance, Risk, Internal Audit and Compliance etc. Many of these policies have been approved by the Board and are being constantly reviewed.
12. There exists in the Bank a framework defining the limit of the authority of various Management levels. All the powers were exercised by the relevant authorities within the materiality thresholds.
13. All the Powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board.
14. During 2013, thirteen (13) meetings of the Board of Directors were held. Written notices including agenda of the Board meetings were sent to the Directors 7 days before the meeting except for emergent meetings. Nine (9) meeting were chaired by the President in term of Section 11 (8) of The Banks (Nationalization) Act, 1974. The Federal Government has appointed Chairman of the Board on 09-09-2013 who chaired the remaining four (4) meetings held from 9-9-2013 to 31-12-2013.
15. The CFO and the Company Secretary attended all meetings of the Board of Directors except for two meetings where leave of absence was granted to the CFO by the Board.
16. The appointment of Financial Controller, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment are duly approved by the Board. According to the Bank's organization chart, the Financial Controller is the top position in the finance department and therefore he performs the functions of Chief Financial Officer.
17. The Director's Report for the year has been prepared in compliance with the Code of Corporate Governance and fully describes the salient matters required to be disclosed.
18. The Financial Statements of the Bank were duly endorsed by CEO and Financial Controller before approval of the Board.
19. The Bank held orientation session for the directors in the year 2008 and two of its directors completed the PICG Training course, during 2014. The Bank will arrange training for two of its directors to cover 2013 and 2014 requirements.
20. The Directors, CEO and Executives have confirmed that they do not hold any interest in the shares of the Bank other than that disclosed in the pattern of shareholding.
21. The Bank has complied with all the Corporate and Financial Reporting requirements of the Code. In accordance with the requirement of 35 (x) of the listing regulations, all related party transactions have been reviewed and approved by the Board of Directors.
22. The 'closed period' prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
23. Material /price sensitive information has been disseminated among all market participants at once through stock exchanges(s).
24. There is Board Audit Committee which comprises of Non-Executive Directors and the chairman of the committee is an independent director.

25. An effective Internal Audit Group is in place at the Bank.. The Head of Internal Audit reports functionally to the Board Audit Committee and administratively to the President.
26. The Board Audit Committee held eleven (11) meetings as well as held meetings prior to the approval of Interim and Final Results as required by the Code. The minutes of each meeting were confirmed in the next meeting prior to circulation of the same to all members, directors, Head of Internal Audit and the CFO. The Charter of the Board Audit Committee has been duly approved by the Board of Directors and has been advised to the Committee for compliance.
27. The Board has setup an effective Internal Audit Function. All the Internal Audit Reports are accessible to the Board Audit Committee and important points arising out of audit are reviewed by the Board Audit Committee and important points requiring Board's attention are brought into their notice.
28. There is Board HR Committee comprising of four Non-Executive / Independent Directors and the Chairman of the committee is also an Independent Director. The Board HR Committee met eleven (11) times during the year.
29. The Statutory Auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review Program (QCRP) of the Institute of Chartered Accountants of Pakistan, that they or any partners of the firms, their spouses and minor children do not hold shares of the Bank and that the firms and all of their partners are in compliance with International Federation of Accountants ( IFAC) on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
30. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the Auditors have confirmed that they observed IFAC guidelines in this regard.
31. We confirm that all other material principles contained in the code have been complied.

For and on behalf of the Board of Directors

**Syed Ahmed Iqbal Ashraf**  
President

Karachi

Dated: March 03, 2014

## Overview of the Board of Directors' Committees

A brief overview of the various sub committees of the Board is as follows:

Name of the Committee	Number of Members	Number of Meetings held in 2013	Chairman of the Committee *
Board Audit Committee	4	11	Mr. Farrakh Qayyum
Board HR Committee	4	11	Mr. Tariq Kirmani
Board Risk Committee	5	8	Mr. Rana Asad Amin

\* As of December 31, 2013

### Board Audit Committee

The Board Audit Committee (BAC) is an advisory and assurance committee which assists the Board in fulfilling its oversight responsibilities. In performing its duties, the Board Audit Committee has maintained effective working relationships with the Board, the bank's management and the internal and external auditors. The Board Audit Committee ensured that a permanent and dedicated internal audit function exists in the bank which has adequate resources and staffing and is appropriately placed within the bank with related skills. The committee also ensured promotion of professional qualifications relating to discipline of internal auditing and that the audit staff has up-to-date knowledge of auditing techniques and banking activities.

The Board Audit Committee during the year 2013 held 11 meetings towards fulfillment of its oversight responsibilities entrusted by the Board. The committee followed / complied with calendar of responsibilities for the year 2013 and adopted a robust self-assessment methodology since 2009 which is based on extensive research of the top international firms and through consultation with the external auditors. Orientation on the bank's group's operations, product and services and areas of risk, quality of controls and financial reporting system was given by major groups to members of Board Audit Committee. The committee discussed their issues relating to internal audit / regulators, internal controls, and directed them future course of actions. The Board Audit Committee reviews frauds and forgeries on monthly basis and this report is also presented before the Board of Directors. The committee in order to reduce fraud & forgeries was instrumental in implementing and revising the Employee Disciplinary Policy (EDP). The committee critically reviews significant litigation or regulatory proceedings in which the bank is a party along-with additions and disposals on monthly basis.

The Board Audit Committee reviews status of NPL recoveries on monthly basis, which enhanced the coordinated efforts in order to reduce the quantum of NPLs by applying restructuring and rescheduling strategies as well as rigorous follow up for recovery by business groups.

The Board Audit Committee took various steps for independence and strengthening the internal audit function. The Board Audit Committee and Board Risk Committee managed joint session regarding rates to high risk borrowers, validation of data, proactive approach towards NPLs, criteria defining parameters, selective audit diarized irregularities and fraud & forgery in order to identify issues for effective and timely actions in the interest of the bank.

The committee discussed, monitored and reviewed the matters for improvement in internal audit, financial reporting, corporate governance, internal controls risk management, compliance with laws and regulations & code of conduct and external audit etc. The committee monitored the progress of Audit & Inspection Group towards the achievements of targets against audit plan and assessment on the internal control system of the bank on quarterly basis.

The committee ascertains the adequacy and effectiveness of the accounting systems and controls that could significantly affect the bank's financial statements. In this connection, the committee reviewed the scope of review of internal audit and external auditors over financial reporting, their significant observations and the management's responses thereto and reports to shareholders, any announcement of financial results prior to submission and approval of the board. The committee also reviewed the development and implementation of bank's policies relating to internal controls and compliance with corporate governance regulations.

## Overview of the Board of Directors' Committees

The Board Audit Committee reviewed that the accounting policies are in accordance with financial reporting framework and applied consistently, assessed changes therein if any and examined with the management and the external auditors, the annual and interim financial statements, annexed notes, significant financial reporting issues and judgments, major judgmental areas such as provisioning against bad and/or doubtful assets, classification of investments, valuation of assets, taxation and other contingencies, any significant legal matters, compliance with financial reporting standards, listing regulations and other Statutory requirements, changes in financial ratios and relationships, adequate and appropriate disclosures. The committee recommended the appointment / retention of the external auditors of the bank to the Board of Directors and also considered any questions regarding their removal and audit fees etc. taking into account the applicable regulatory requirements and also ensured coordination between internal and external auditors.

### **Board Human Resource Committee**

The committee is primarily responsible for human resource (HR) related issues in the bank. Various decisions were taken for improvement in the areas of HR policies and planning, compensation & pension, institutional discipline, overseas and other HR areas.

### **Board Risk Committee**

Board Risk Committee (BRC) is a Board level oversight committee that facilitates BoD in ensuring that the bank carries out its risk management activities as per the guidelines issued by State Bank of Pakistan. This is the highest forum in the bank that approves risk policies and supervises its implementation by the management especially covering credit, market, liquidity and operational risks. BRC played a vital role in creating the risk environment in NBP through active supervision of Basel II implementation, portfolio review / risk alerts etc. Major achievements of the committee during 2013 are development of internal risk rating models for SME, formation of risk management policy, development of risk appetite statement for 2013 covering stressed capital and RWAs etc. on bank-wide basis, formulation of credit risk tolerance limits / concentration framework etc. These developments would serve as foundation for strengthening the risk culture in the bank once these are rolled out for implementation.

The Board has kept focus on further strengthening the bank's internal systems & control. In 2013 the bank undertaken various steps to achieve milestones set for implementation of Basel II and BPR COSO projects.



# Corporate Social Responsibility

## Corporate Social Responsibility Initiatives (CSR)-2013

### INTRODUCTION

National Bank of Pakistan, being the leading financial institution in the country has always endeavored to build stable and sustainable economy by adapting to strategies and policies as per the needs of the stakeholders. Aside from excelling in financial numbers, NBP has taken various initiatives that very clearly depict its dedication towards its Corporate Social Responsibility (CSR) mission. The focus of the bank is on achieving commercial success in a manner that honors ethical values, respects society and communities in meeting their needs in such a manner that the ability of future generations to meet their needs with pride and dignity is not compromised.

The bank identified strategic areas of focus for the accomplishment of its corporate-social goals. The bank is running a full-fledged CSR Program to benefit the community at large mainly by investing in projects related to development of critical socio-economic sectors. Additionally, the bank is also active in extending support to a number of recognized charitable institutions and is investing for bringing positive change and improving the quality of life of underprivileged members of our society. To serve the purpose, the bank selects initiatives that are sustainable and have a meaningful impact on society and a strong connection with the business and core competencies.

The foremost area of focus for CSR initiatives are directed towards promotion of education, health, woman and child welfare, special persons, culture, sports and relief for affectees of natural disasters.

It is truly a matter of pride that, NBP has been recently awarded with the “Gold Medal on CSR” by the President of Pakistan on the basis of overall contributions and donations for charitable, social, educational and public welfare efforts.

### Health

Due to shortage of equipment, laboratory, doctors, paramedical staff and depleted infrastructure, the health care delivery system in Pakistan is short of standard health care facilities. Since the Government of Pakistan has limited resources, it is unable to fully meet medical needs of the population living in rural and urban areas of Pakistan. NBP, in partnership with various NGOs & institutions arranges various medical & eye camps in remote areas of each province of Pakistan and also helps in upgrading the infrastructure by providing financial & equipment support through concerned patients welfare societies of various hospitals.

## CSR Initiatives-2013

### NBP supporting Marie Adelaide Leprosy Centre (MALC) by adopting female ward

The bank has been supporting the MALC by adopting a female ward for the last 5 years through financial contribution of over a million rupees per annum so that leprosy patients belonging to underprivileged class living in remote areas of Pakistan can get free treatment at the hospital. Every year more than 210 female patients are provided free treatment that includes boarding, medicines and surgical facilities.



### NBP Contribution to SIUT Sukkur

Dr. Adeeb-ul-Hassan Rizvi is striving hard to open chapters of Sindh Institute of Urology and Transplantation (SIUT) in various parts of the country to provide free of cost treatment to underprivileged people all over the country. NBP supported the cause.

### Construction of Lab & X-Ray facilities at Noor Memorial Hospital Chakwal

The Bin Qutab Foundation Chakwal in partnership with NBP is developing the Noor Memorial Hospital. With the financial support of NBP, Trauma Centre has been completed, while the bank will provide financial assistance for the construction of Lab and X-ray facilities. The OPD will be in operation by the end of 2014 for the benefit of local population.



## CSR Initiatives-2013

### NBP Equipment Support

The bank provided financial assistance and equipment support to the following hospitals, NGO's and welfare societies.

#### Hospitals / NGOs

- Lady Willington Hospital
- Gulab Devi Chest Hospital, Lahore
- DHQ Hospital (Hazara Division)
- Sir Ganga Ram Hospital, Lahore
- Wajiah Thalassemia Centre, Swat
- DHQ Hospital, Skardu
- Civil Hospital, Sukkur

#### Equipment Support

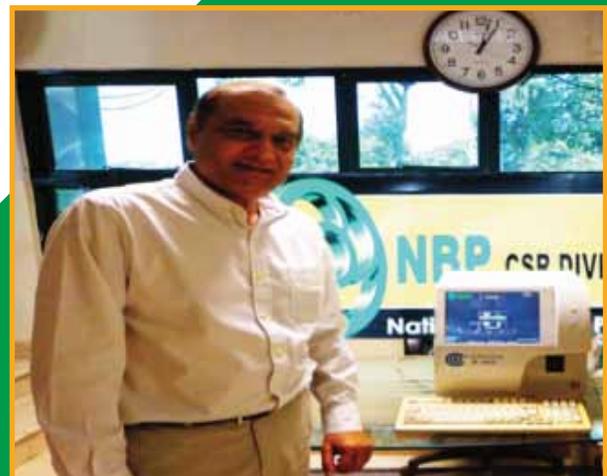
- 2 Auto Hematology Analyzer BC-2600
- ICU Monitor (Chest) Mature MT 8000
- Oxygen Concentrator Machines Pulse
- 6 Ultrasonic Nebulizer
- Blood Analyzer
- Life Saving Equipment
- ETT- Machine

#### NBP Donations

- Medical Aid Foundation (Cancer Center),
- Layton Rehmatullah Benevolent Trust
- Indus Hospital Korangi Crossing, Karachi
- Fatimid Foundation Kidney Centre, Quetta
- HASWA Karachi
- Nigaban Welfare Association at Civil Hospital
- Karachi Poor Patients Aid Society
- Child Aid Association



Equipment Support to DHQ Hospital Skardu



Blood Analyzer Donated to Wajiah Thalassemia Center Swat

## CSR Initiatives-2013

### Medical & Eye Camps

During 2013, NBP organized thirteen (13) Medical and Eye Camps in urban and rural areas. About 4000-5000 patients were examined, more than 250 patients were operated upon, 1200 eye sight glasses were distributed and more than 2500 patients received medicines free of cost. These Medical/Eye camps were held at Mubarak Village Karachi, Haroonabad, Uch-Shareef Tehsil Ahmedpur East, Jalala District Mardan, Village Pirakoot Tehsil Wazirabad, Jafferabad Baluchistan, and Hattian Bala & Pattika Muzaffarabad. In addition to medical and eye camps, a special camp with the help of Thardeep for fistula patients was held at Dadu. Surgery for all 30 patients was performed.



Medical Camp - Mubarak Village Karachi



Medical Camp at Sara-e-Mughal, Tehsil Pattuki, District Kasur



Eye Camp at Muzaffarabad-(AJ K)



Eye Camp at Haroonabad Bhawalpur



Eye Camp – Sherwan Abbottabad

## CSR Initiatives-2013

### Education

NBP believes that education plays a vital role for economic development and poverty alleviation. Pakistan has an urgent need for excellent academic facilities, to develop and prepare young people to acquire skills and help them to utilize their highest potential. NBP financially supported the construction of Hub School and adoption of The Citizen Foundation School at Nawabshah. The bank in partnership with Pakistan Center for Philanthropy took-up school improvement program at Ghotki and also sponsored 30 students of Jinnah Foundation School and 40 trainees of Hunar Technical Institute Tando Allah Yar under its scholarship scheme. Bank focused on educational activities and provided financial assistance to Bunyad-e-Fatima and Behbud Association of Pakistan and upgraded computer lab of Shaikh Zayed Islamic Centre and Government College for Women Karachi. To build a strong network of capable and motivated young volunteers, NBP in collaboration with Family Educational Service Foundation conducted MOVE (Motivational Volunteer Empowerment) Program at Islamabad, Lahore, Sukkur & Hyderabad. The bank supported educational events and sponsored 8th All Pakistan Declamation contest at St. Patrick's School, Karachi, 5th CSR Summit & Award Ceremony, participation of NED Students in international event at Korea and Sports Festival of Foundation Public School.



Speech Contest- St. Patrick's High School, Karachi



Motivational Volunteer Empowerment Program Lahore



Donation to Behbud Association of Pakistan, Rawalpindi



Scholarship to students of Jinnah Foundation School-Karachi

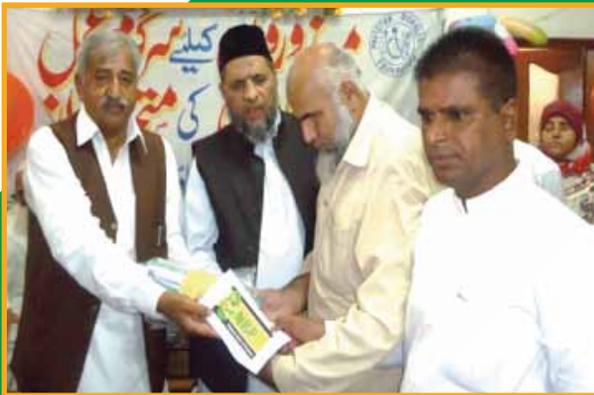
## CSR Initiatives-2013

### Special Persons

NBP through its CSR initiatives plays vital role for special persons as major sponsor, provides opportunities for the disabled persons to develop abilities, confidence, and fitness through participation in competitive sports activities. In this connection, the bank organized cricket tournament for blinds, disabled persons, wheel chair persons and deaf and dumb persons in addition to providing wheel chairs, tricycles, and white canes to such persons.



Wheel Chairs - Rehabilitation Center Muzaffarabad



Donation of Wheel Chair & White Canes to Pakistan Disabled Foundation-Karachi



T-20 Disabled Cricket Tournament-2013-Lahore



Blinds Cricket Tournament-2013



3rd NBP games for Special children Karachi

## CSR Initiatives-2013

### Culture

NBP through its initiatives sponsored various cultural events on different occasions with the support of NGOs & cultural events organizers. Among them were Naat competition for blinds, All Pakistan Folk Singing Mela, traditional songs competitions, cultural events and carol competitions on the occasion of Christmas. Other events included inauguration of books on culture and the traditional donkey cart race.



Signer Performing-Lok Mela at Al Hamrah Hall



Christmas Gala at Rawalpindi



Prizes given to winners of Quaid Day Donkey Cart Race

## CSR Initiatives-2013

### Women & Children

NBP provides support for events organized by different NGOs for the welfare of women & children who deserve due respect and recognition. Vocational training to help the needy and poor women and food distribution to orphan children are held on different occasions and at various locations.



Vocational Training for Women-Bahawalpur



Women Hockey Training Camp- Quetta



NBP Sindh Inter - District Women Hockey Championship-Karachi

## CSR Initiatives-2013

### NBP Teams Achievements-2013



NBP victorious Team - National Hockey Championship-2013



NBP Captain receiving winners cup



NBP Ladies Team receiving Cash Award on winning Badminton Ranking Tournament



Mohammad Sajjad won the NBP Snooker Ranking Championship-2013



NBP Hockey Players Represented Pakistan Team who won the Asian Champion-Doha



NBP Captain lifts Sona Cup held at Bahawalpur

# Shariah Advisor's Report

As of 31st December 2013

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الحمد لله رب العالمين والصلاة والسلام على سيد الأنبياء والمرسلين و على آله و صحبه اجمعين اما بعد

The Directors of NBP have entrusted the Shariah Advisor with the task to assess the overall Shariah compliance level and environment within the institution.

The objective of the report is to present a view about the overall Shariah compliance level and environment within the Bank.

In the capacity of Shariah Advisor, my services were engaged from 25th November 2013, to review the overall Shariah compliance level and environment within the Bank as of December 31, 2013.

## Shariah Advisor Opinion:

I have conducted the review in accordance with the regulatory requirement of State Bank of Pakistan for Islamic Banks and Islamic Banking Branches. This requires that a Shariah Advisor shall write a report for the term of service that shall be made a part of the Annual Report.

While confirming that the responsibility for compliance with the Shariah principles in the overall operation rests mainly with the management of the Bank who should create a conducive environment within the bank in order to comply with SBP Islamic Banking regulation and Shariah Advisor's pronouncement, I declare that the products and the bank's activities are by and large in conformity with the principles of Shariah.

I make this declaration based upon the review conducted on test check basis, each class of transaction, the relevant documentation and procedures adopted by IBI, the cases and justification presented to me, the information received from the management and the related research and observations made in this regard.

## Review & Development:

**Asset Review:** Bank's assets have increased by nearly 75% to Rs. 6.25 billion as compared to Rs. 3.55 billion of previous year. These mainly constitute of Balances with treasury, Investments, Islamic financing and related assets with Murabaha 59%, Diminishing Musharakah 33% and Ijarah 8% of the total financing portfolio.

However significant portion of the asset is constituted by the investment portfolio consisting of government Sukuk. The investment portfolio has increased by 300% from Rs. 1.2 billion to Rs. 4.8 billion.

**Liability Review:** The total deposits of the Bank were impressively increased by 72%, reaching Rs. 5 billion as at December 31, 2013 compared to Rs. 2.9 billion of last year.

**Profit Distribution Policy:** In the pool management and profit distribution mechanism, the allocation of funds, weightages, profit sharing ratios, profits and charging of losses related to PLS accounts conform to the Shariah rules and principles.

**Charity:** During the year Alhamdulillah no income was generated from sources prohibited by Shariah rules and principles. However an amount of Rs. 1221.00 was found excess cash on branch counters that has been credited to the Charity Account and an amount of Rs. 1190.00 was disbursed to welfare and charitable institutions.

**Branch Network Expansion:** A plan of overall 17 new branches this year was targeted that is under way to expand the outreach pan Pakistan. Islamic Banking has been observing phenomenal growth globally. Capitalizing the added benefit of our network with our presence in more than eighteen (18) different locations worldwide we can address the opportunity to reach the untapped market.

Management Review: “NBP Aitemaad” has recently developed a strategic plan aiming to address the future outlook with an objective to be among the top 3 Islamic Banking Window in terms of deposit through a branch network of 120 branches with a deposit base of Rs. 102 Billion by 2017 aiming to be recognized as a prominent player within the Islamic banking industry.

Product Development: Existing Products are scheduled for a review exercise. However NBP in order to cater customer need should enhance its product offerings.

Staff Training: Training on Islamic banking is vital for Shariah Compliance that is the key to success in Islamic Banking. More training programs with collaboration with NBP in house training facility will create a difference.

Shariah Compliance: “NBP Aitemaad” is in a process to develop a mechanism for Shariah compliance.

Shariah Audit: Internal Shariah Audit function is being planned to form a part within the internal audit department. A dedicated team for Shariah Audit having close coordination with the Shariah Advisor shall take up this task. This arrangement shall help developing better control and identifying gaps within the system as NBP Islamic Banking Branches is aimed increase in the future.

Risk Management: An exclusive risk management policy in line with the guidelines issued by the SBP for Islamic Banking operation is proposed for development.

والله سبحانه وتعالى اعلم

ربنا لا تؤاخذنا ان نسينا او اخطانا ربنا ولا تجعل علينا اصرًا كما حملته على الذين من قبلنا ربنا ولا تجعلنا ما لا  
طاقه لنا به واعف عنا وقرنا وارحمنا انك مولنا فانصرنا على القوم الكافرين

May Allah bless us with best Tawfeeq to accomplish his cherished tasks, make us successful in this world and in the Hereafter, and forgive our slip-ups.



Mufti Ehsan Waquar Ahmad  
Shariah Advisor  
Dated: March 03, 2014

# Review Report to the Members on the Statement of Compliance with the Code of Corporate Governance

**Ernst & Young Ford Rhodes Sidat Hyder**

Chartered Accountants  
Progressive Plaza,  
Beaumont Road  
Karachi 75530, Pakistan

**KPMG Taseer Hadi & Co.**

Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi 75530, Pakistan

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of National Bank of Pakistan (“the Bank”) for the year ended 31 December 2013 to comply with the requirements of Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges where the Bank is listed.

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

As part of our audit of 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 Code requires the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevailed in arm’s length transactions and transactions which are not executed at arm’s length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm’s length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank’s compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank for the year ended 31 December 2013.

Further, we highlight the contents of note 19 of the Statement of Compliance relating to directors’ training program.

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**Ernst & Young Ford Rhodes Sidat Hyder**

Chartered Accountants

**Engagement Partner:**

Arslan Khalid

Karachi

Date: March 03, 2014

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**KPMG Taseer Hadi & Co.**

Chartered Accountants

**Engagement Partner:**

Syed Iftikhar Anjum

# Auditors' Report to the Members

**Ernst & Young Ford Rhodes Sidat Hyder**

Chartered Accountants  
Progressive Plaza,  
Beaumont Road  
Karachi 75530, Pakistan

**KPMG Taseer Hadi & Co.**

Chartered Accountants  
Sheikh Sultan Trust Building No. 2  
Beaumont Road  
Karachi 75530, Pakistan

We have audited the annexed unconsolidated statement of financial position of National Bank of Pakistan ("the Bank") as at December 31, 2013 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year ended December 31, 2013, in which are incorporated the unaudited certified returns from the branches except for 80 branches which have been audited by us and 21 branches audited by the auditor abroad 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 our audit.

It is the responsibility of the Bank's Board of Directors to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards and the requirements of the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984). Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, which in case of loans and advances covered more than 60% of the total loans and advances of the Bank, we report that:

- a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:
  - i) the statement of financial position and the related profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied except for the change in accounting policies as disclosed in note 5.1 to the accompanying financial statements, with which we concur;
  - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;

- c) 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, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2013 and its true balance of profit, its cash flows and its changes in equity for the year then ended; and
- d) in our opinion 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.

The financial statements of the Bank for the year ended December 31, 2012 were audited by Anjum Asim Shahid Rahman, Chartered Accountants and KPMG Taseer Hadi & Co., Chartered Accountants who through their report dated February 25, 2013 expressed an unqualified opinion thereon.

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**Ernst & Young Ford Rhodes Sidat Hyder**  
Chartered Accountants

**Engagement Partner:**  
Arslan Khalid

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**KPMG Taseer Hadi & Co.**  
Chartered Accountants

**Engagement Partner:**  
Syed Iftikhar Anjum

Karachi  
Date: March 03, 2014