BUILDING RESILIENCE
CREATING OPPORTUNITIES



| ANNUAL REPORT 2020 |

NBP National Bank of Pakistan
نیشنل بینک آف پاکستان

NBP National Bank of Pakistan
نیشنل بینک آف پاکستان

MAY THEY REST IN PEACE!

Lives Lost in the line of Duty


M. Zulqarnain


Imran Awais

In the midst of the novel Coronavirus Pandemic, the real heroes are upfront and ready to face challenges. During these crucial times, the National Bank of Pakistan lost precious lives. They are not only dedicated to the Bank but to the whole Nation.


Abdul Aziz


Habibullah Khan


Syed Ibn-e-Hassan


Shazia Umer


M. Sadique


Jamshed Akhter


Yar M. Mughul

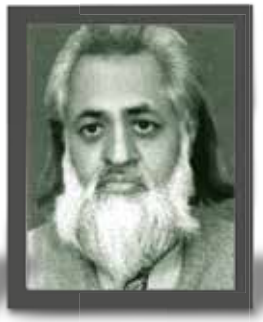

Sajjad Hussain


Mumtaz Ali


Zafar Sarfaraz


M. Toufique Pasha


Abdul Razak Kori


Muhammad Subhani


Tariq Aziz


Ghulam Rasool

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National Bank of Pakistan
نیشنل بینک آف پاکستان

Connecting Opportunities

Our Vision

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

Picture: Completed in 1932, the Sukkur Barrage is the pride of Pakistan's irrigation system as it is the largest single irrigation network of its kind in the world. Through its 10,000 kilometre long canal network, this barrage enables water to flow to more than 7.63 million acres of irrigated land, which forms about 25% of the total canal irrigated area of the Country.

National Bank of Pakistan
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Channeling Opportunities

Picture: Completed in 1958 on the Indus River for irrigation and flood control purposes, Taunsa Barrage serves 2.4 million acres of land besides diverting flows from the Indus River to the Chenab River through its 62 kilometre long Taunsa-Panjnad Link Canal.

Our Mission

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

Integrity is the cornerstone of everything we do

Market leadership is what we aim across all our target sectors

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

Good governance and transparency

Innovation to provide for the customer needs of tomorrow

Nation building remains our priority

Employee engagement through a merit-based culture

National Bank of Pakistan
نیشنل بینک آف پاکستان

Taking on the Challenges

1 Profile

General information about the Bank and its operations

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National Bank of Pakistan
نیشنل بینک آف پاکستان

About this Report

"NBP Annual Report 2020"

This Annual Report (this Report) of National Bank of Pakistan ("NBP", "the Bank"), covers the financial and non-financial performance for the year ended December 31, 2020 and any material subsequent events up to the issuance of this Report.

The Board of Directors, in its meeting held on February 24, 2021, has approved the release of this Report.

"Navigating Through This Report" given at page 362 will further facilitate the readers in comprehending this Report.

We wish you a pleasant read!

Our Strategic Orientation

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

Our Scope & Report Boundary

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

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

Operational and financial analyses and reviews are based on the financial information from the Audited Financial Statements for the year ended December 31, 2020 with the relevant comparative information, where necessary.

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

Significant Changes During the Year

There have not been any significant changes in the organisation type, structure, ownership or reporting boundaries since December 31, 2019. No changes in reporting or restatements have made in the comparative financial information. However, in line with our strategy stated in the Annual Report 2019, the Bank has initiated the process for closing certain overseas branches. Appropriate disclosures in this regard have been given in this Report.

An Integrated View

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

In the course of its operations, the Bank receives inputs i.e. CAPITALS (Financial Capital, Infrastructure Capital, Human Capital, Natural Capital and Social & Relationship Capital), and processes these for value creation in the Short, Medium and Long term. The Bank is moving towards an integrated reporting model that builds understanding and a holistic view about the Bank, its business model, external influences, the value creation process, business strategies, resource allocation for strategy execution, opportunities & risks, and performance against the defined strategic objectives. This form of reporting will further improve the quality of information about the inputs used by the Bank in the process of value generation.

This year, matters important for disclosure include:

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

Responsibility & Basis of Preparation

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

External Audit & Assurance

Our external auditors M/s Yousuf Adil, Chartered Accountants and M/s Grant Thornton Anjum Rahman, Chartered Accountants, "external auditors", have audited & assured both the Financial Statements and the other information provided in this Annual Report.

The Board of Directors and the management have no other relationship with the external auditors apart from their engagement as Independent Auditors of the Bank. M/s Grant Thornton Anjum Rahman, Chartered Accountants, is also the tax consultant of the Bank.

Information Quality

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

The Medium

1. This Report is circulated among shareholders in a digital format (on Compact Disk).
2. An online version of this report is available on our website and may be accessed at https://www.nbp.com.pk/InvestorInformation/index.aspx
3. A limited number of printed copies have been produced for those who request the same.

For reasons of environmental sustainability, we only produce a limited number of printed copies. Catering to the communication needs of the Bank's diverse stakeholders, this Annual Report is available in the following medium and formats.



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



Other Information: We also have a presence on:

https://web.facebook.com/NBPTheNationsBank/

https://www.instagram.com/nationalbankofpakistan/

https://www.youtube.com/channel/UCcI-feuO5V4sCcIm0xigzVg

Contact & Queries

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

The Chief Financial Officer
National Bank of Pakistan
2nd Floor, NBP Head Office Building, I.I. Chundrigar Road, Karachi.

Stakeholders may also contact our Investor Relations Office by email at:
investor.relations@nbp.com.pk

National Bank of Pakistan
نیشنل بینک آف پاکستان

Our Profile

The Nation's Bank

National Bank of Pakistan (the Bank) was established on November 09, 1949 under the National Bank of Pakistan Ordinance, 1949 and is listed on the Pakistan Stock Exchange. Its Registered and Head Office is situated at Karachi. The Bank is engaged in providing commercial banking and related services in Pakistan and overseas.

The Bank also handles treasury transactions for the Government of Pakistan as an agent to the State Bank of Pakistan. The Bank operates 1,514 (2019:1,509) domestic branches in Pakistan and 21 (2019:21) overseas branches (including the Export Processing Zone branch, Karachi). The Bank has wide local and international outreach through a network of branches and ATMs, subsidiaries, representative offices, agency tie-ups and correspondent banking relationships, etc.

With a total asset base of PKR 3.0 trillion, (USD 18.82 billion) and accounting for ~12% of total industry assets, the Bank has been designated a "Domestic Systemically Important Bank" by the State Bank of Pakistan.

In pursuit of its vision of enabling sustainable growth and inclusive development, the Bank is well-diversified across its major business segments of retail, commercial, corporate & investment, Islamic, treasury and international operations. The Bank's international operations exist in South & Central Asia, Middle East, Western Europe and North America. Demonstrating a strong franchise, 67.2% of total assets of the Bank are funded by customer deposits. The domestic current and savings account (CASA) ratio was 83.8% as at December 31, 2020.

7 Decades of Serving the Nation

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

The Bank's 15,109 employees serve over seven million customers through a wide local and international network of branches, subsidiaries, agency arrangements, business promotion offices in Europe, America, Central Asia, Far & Middle Eastern countries and correspondent banking relationships.

Strong Capitalisation and Risk Profile

With PKR 267.56 billion of Net Assets, NBP is the highest capitalised Bank in Pakistan. The Bank has been designated as "Category-C" Domestic Systemically Important Bank by the State Bank of Pakistan. Therefore, the Bank is required to hold an additional 2.0% loss absorbency surcharge over & above the minimum capital adequacy requirement. However, as a measure to alleviate the effects of COVID-19 and support the banking sector in extending credit facilities to its customers, SBP reduced the capital conservation buffer from 2.5% to 1.5%, for the time being. This resulted in minimum CAR requirement for the Bank being 13.5% at end 2020.

With the Common Equity Tier 1 (CET-1) ratio of 14.99% (2019: 12.11%) and overall Capital Adequacy Ratio (CAR) at 19.78% end 2020 (2019: 15.48%), the Bank is compliant with the enhanced regulatory requirements.

The Bank's leverage ratio at end 2020 was 4.06% (2019:3.36%). The Bank's liquidity and net stable funding ratios improved to 180% (2019:148%) and 256% (2019:233%), respectively against regulatory requirements of 100%.

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

Diversification & Coverage

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

Ownership Structure

There are 2,127,513,026 issued & outstanding Ordinary shares of the Bank, of which the Federal Government through the State Bank of Pakistan holds 75.2%. Other major shareholders include Foreign Companies (5.92%), Public Sector Companies (6.0%), and the general public (6.61%).

Group Structure

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

Shareholding in Associated Companies

Besides the subsidiary companies mentioned below, the Bank also has significant shareholding in several associated companies and a UK-based Joint Venture i.e. the United National Bank Ltd. "UNBL", which was formed in 2001 through the merger of the branches of UK National Bank of Pakistan and United Bank Limited. NBP holds 45% shares in UNBL. The principal business of UNBL is to provide retail banking products through its branch network in major cities in the UK; wholesale banking, treasury and money transmission services, and finance facilities to businesses of all sizes. Further details of associated companies are provided in Note 10 to the Financial Statements.

Subsidiaries

1. NBP Exchange Company Limited.

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

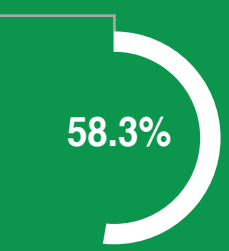


2. Taurus Securities Limited.

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

- Equity brokerage
- Financial and economic research

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



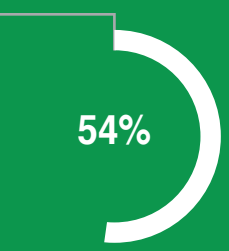
3. National Bank Modaraba Management Company Limited.

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



4. NBP Fund Management Limited.

Profile:
It is one of the leading Asset Management Company of Pakistan, managing over 175.0 billion of investors' savings in various investment solutions. The Company has been awarded the highest achievable investment management rating of AM1 (Very High Quality) by PACRA.



5. CJSC Subsidiary Bank of NBP in Kazakhstan

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

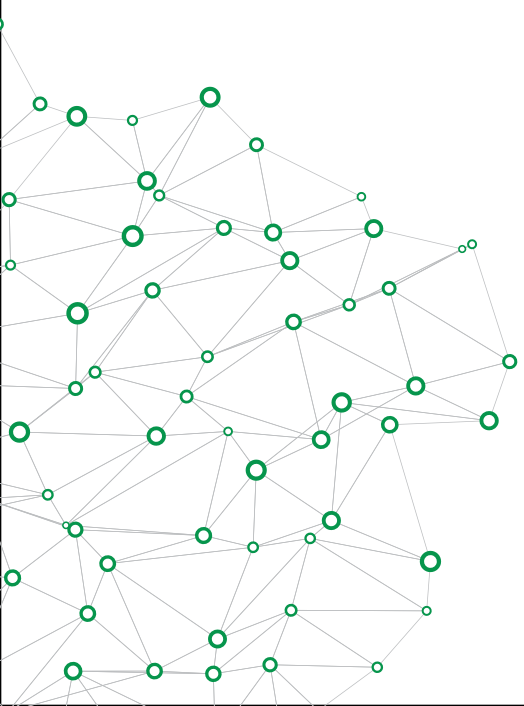


6. CJSC Subsidiary Bank of NBP in Tajikistan

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



** One more subsidiary (76.5%) M/s Cast-N-Link is defunct.*



National Bank of Pakistan
نیشنل بینک آف پاکستان

2020 at A Glance

Profitability

Total Income
PKR 140.2 Bn
▲ 29.7%

Pre-Provision Profit
PKR 77.1 Bn
▲ 82.5%

Profit After Tax
PKR 30.6 Bn
▲ 93.3%

Return on Equity
17.2%
2019:10.2%

Financial Position

Total Assets
PKR 3.0 Tn
▼-3.7%

Net Assets
PKR 267.6 Bn
▲ 15.0%

Total Deposits
PKR 2.42 Tn
▲ 10%

Gross Advances
PKR 1.2 Tn
▲ 0.7%

Financial Soundness

Total Capital
19.78%
2019:15.48%

CET-1
14.99%
2019:12.11%

Net Stable Funding
256%
2019:233%

Leverage
4.06%
2019:3.36%

Liquidity Coverage
180%
2019:148%

NPL Coverage
90%

Credit Rating

AAA
Long-Term

A1+
Short-Term

Our National Impact

Coverage Across the Nation

9+Mn Customers

1,514 Domestic Branches

1,500+ ATMs with 98% Up-time

750+ The Largest Rural Branch Network

>95% Branches Remained Open

Loan Deferrals

- PKR 40 Bn

13,000+ Borrowers



PKR 294 Bn Economic Value Distributed

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

Community Investment PKR 85 Mn



P2G and G2P PKR 7.0 Tn

Taxes to the Government PKR 21 Bn

Best Bank for Agriculture Award - 2020

PKR 61 Bn Agri Loans



Employment

Bank Staff 15,109

Outsourced 1,838

DECENT WORK AND ECONOMIC GROWTH

Credit to the Corporate Sector PKR 589 Bn



7 Decades for the Nation

(PKR 'Mn)	1950	1960	1970	1980	1990	2000	2010	2020
Assets	120	1,253	5,374	32,380	135,074	371,636	1,037,750	3,008,527
Advances	49	664	2,148	11,803	47,025	140,318	477,507	983,255
Deposits	56	885	3,343	21,384	87,900	316,493	832,152	2,418,966

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

2010 Till Today… Still Focused & Driven

- In 2020, the Bank recorded profit after-tax of PKR 30.6 billion i.e., the highest ever profit in its history.
- In 2019, NBP became "PKR Three trillion" Bank by closing its balance sheet at PKR 3,124 million.
- The Bank appointed proficient and dynamic Regional Heads to change the destiny of the Bank and help the economy of the country.
- In 2017, the Bank posted the highest ever after-tax profit of PKR 23.03 billion. NBP became the 'Two Trillion Rupee' Bank and is still growing strong.
- NBP is Awarded Agriculture Bank of the Year Award 2019
- Won Bank of the Year Award 2015
- In 2013, with the growing popularity of Islamic Banking, NBP successfully launched its brand 'Aitemaad' to offer the true spirit of Islamic Finance.
- NBP made it to the Guinness Book of World Records by installing the World's Highest ATM.
- Reaching the 71st year of this great institution, let us re-dedicate ourselves to our new Vision to become the Nation's leading Bank enabling Sustainable Growth and Inclusive Development.

2000 – 2009... The Millennium

- The decade witnessed a restructuring program, where un-profitable and loss making branches were closed or merged. No. of Regions were reduced to 29.
- National Bank of Pakistan went public with IPO of 23.2% shares and listing at all domestic stock exchanges (2001).
- In 2002, the Bank signed an agreement with Western Union.
- The Bank's wholly-owned Exchange Company commenced operations in February 2003.
- NBP gained market recognition and received over 30 international awards.

The 1990s… Initiatives & Reforms

- The 1990s was a decade of new financial reforms and initiatives.
- In 1997, the Bank launched a major reorganisation program and offered the Golden Handshake Scheme.
- The Bank became a SWIFT member in 1998. The facility provides modern technology to Bank customers for prompt and convenient cash transactions and remittances round the clock.
- In 1999, the Bank celebrated its Golden Jubilee. By the close of the decade, its market share had reached around 22% and it remained the largest financial institution in the country.

The 1980s… New Trends and Alliances

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

The 1970s… Restructuring & Growth

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

The 1960s… Dawn of Developments

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

The 1950s… The Beginning

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

Building Resilience. Creating Opportunities.

A Legacy of Recognition

2006

Best Emerging Market Bank from Pakistan for 2006 named by Global Finance

2007

Best Return on Capital for 2006 amongst all Banks in Asia by The Banker

2008

Bank of the Year awarded by The Banker

World's Best Foreign Exchange Bank 2008 awarded by Global Finance

2009

The only Pakistani Bank listed in the top 500 banks of the world by The Banker

Set a Guinness World Record for planting 532,887 mangrove saplings in a single day

2010

Bank of the Year for 2010 awarded by The Banker

Runner-up of Corporate Finance House (Fixed Income) Award for the Year 2010 presented by CFA Society Pakistan

President of Pakistan Trophy awarded by FPCCI in 2010

Prime Minister of Pakistan Trophy awarded by LCCI in 2010

2011

2nd Global Human Resource Excellence Award 2011 administered by Global Media Links in collaboration with Better Pakistan

Pakistan: Transaction of the Year Award for 2011 presented by Islamic Finance News

Transaction of the Year 2011 awarded by CFA Society of Pakistan for the private placement and offer for sale of Engro Foods Limited

Bank of the Year 2011 awarded by The Banker

Top Corporate Finance House (Fixed Income) for 2011 awarded by the CFA Association of Pakistan

The Best Earning Markets Bank 2011 awarded by Global Finance Magazine

2012

Bank of the Year awarded by The Banker

3rd Global Human Resource Excellence Award 2012 administered by Global Media Links in collaboration with Better Pakistan

Listed in Top 1000 Banks of the World for the Year 2012 by The Banker

2013

Domestic Retail Bank of the Year, Pakistan 2013 awarded by Asian Banking & Finance Magazine, owned by Charlton Media Group, Singapore

Listed in top 1000 banks of the world for the year 2013 by The Banker

1st Achievement Award – Gold Medal on Banking and Financial Services – presented by Federation of Pakistan Chamber of Commerce and Industries (FPCCI)

2014

2nd FPCCI Achievement Award for 2014 – Banking & Financial Services

37th FPCCI Award 2014 – Corporate Social Responsibility

2015

Bank of the Year 2015 awarded by The Banker

1-Link Certificate of Achievement 2015 awarded by Top Three Issuing Banks

3rd FPCCI Achievement Award 2015 presented by Banking & Financial Services

FPCCI Gold Medal Award 2015

2017

Set a Guinness World Record for installing the World's Highest ATM

Pakistan Domestic Project Finance Bank of the Year 2017 - by Asian Banking & Finance Magazine

Trade Deal of the Year awarded by Trade Finance Program (TFP)

2018

Asian Development Bank Annual Trade Finance Award for 2018

Gold Medal from FPCCI for Best Performance in Banking & Finance Sector

Consumer Finance Product of the Year awarded by Asian Banking & Finance

Rural Bank of the Year awarded by Asian Banking & Finance

2019

Best Bank for Agriculture 2019 - Pakistan Banking Awards

IJ Global Asia Pacific Award 2019 - Onshore Wind Deal

Awards 2020

- Asia Pacific Award for Onshore Wind Deal - by IJ Global Project Finance & Infrastructure Journal
- Corporate Client Initiative of the Year - by Asian Banking & Finance
- Best Bank for Agriculture Award - by Pakistan Banking Awards
- Best Corporate & Investment Banking Services - by The FPCCI
- Innovative Deal of the Year - by Asian Banking & Finance
- Contribution to National Economy Award - by The FPCCI
- Best Trade Finance Provider in Pakistan - by Global Finance Magazine
- Best Bank - Domestic - by The Triple Assets Asian Awards
- Best Presented Annual Report Award (Runners up) - by South Asian Federation of Accountants
- Best Deal - Equity Linked - by The Triple Assets Asian Awards
- Best Corporate Finance House of the Year (Runners up) - by CFA Society Pakistan


SAFA

SOUTH ASIAN FEDERATION OF ACCOUNTANTS

(An Apex Body of SAARC)

Committee for Improvement in Transparency, Accountability & Governance

Best Presented Annual Report Awards, Integrated Reporting Awards and SAARC Anniversary Awards for Corporate Governance Disclosures 2019

First Runner-up

Category: Public Sector Banks

National Bank of Pakistan, Pakistan

President — Chairman



NBP Ranked among Top-1000 World Banks



National Bank of Pakistan
نیشنل بینک آف پاکستان

Calendar of Key Events - 2020

MoU Signed with Worldwide Cash Express Limited to facilitate Home Remittance	January 7, 2020
NBP Won 'Award for the Best Bank for Agriculture in Pakistan'	January 13, 2020
Annual Financial Statements 2019 Approved by the BoD	February 22, 2020
71st Annual General Meeting	May 12, 2020
1st Quarterly Financial Statements Approved by the BoD	May 21, 2020
NBP Won the Best Corporate Client Initiative of the Year and the Innovative Deal of the Year Award, Pakistan	August 08, 2020
73rd Independence Day was Celebrated at the Bank's Head Office	August 14, 2020
Half-Yearly Financial Statements Approved by the BoD	September 01, 2020
NBP Signed MoU with the National Highway Authority to Plant Trees Along Different Motorways and Highways	October 04, 2020
3rd Quarterly Financial Statements Approved by the BoD	October 27, 2020
NBP Launched the Digital Mobile App for NBP Aitemaad Islamic Banking Customers	November 09, 2020
71st Anniversary Celebrations	November 13, 2020

Key Events - 2020

Awards and Accolades

The Bank was recognised by several prestigious Domestic and International bodies for providing sophisticated financial solutions to corporate clients.

Best Bank for Agriculture Award



National Bank of Pakistan win "The Best Bank for Agriculture" by the Institute of Bankers Pakistan in the 5th Pakistan Banking Award 2020.

Green Pakistan Drive



NBP has taken the initiative of planting trees under the Prime Minister Tree Plantation Drive. NBP signed the Memorandum of Understanding with the National Highway Authority. NBP will provide 11,000 Olive plants to NHA to be planted along the Islamabad-Peshawar Motorway and other highways.

NBP President Cup

The 5th Inter Group T-20 Tournament 2020 was held to promote the sports activities at grass-root level, to promote sports at their departmental levels.



NBP Snooker Championship



The 5th NBP Snooker Championship 2020 was held at the NBP Sports Complex. Around 36 players from all over the country participated. Muhammad Sajjad and Haris Tahir of NBP played the final, that was won by Muhammad Sajjad by 8-6 frames. The President NBP, Mr. Arif Usmani presented a trophy & cash prize to the winner and to the runner-up.

Kamyab Jawan Programme



The aim of the Kamyab Jawan Programme is to provide more opportunities to the youths across the country. National Bank of Pakistan also facilitate the youth via this programme. Small enterprises, both start-up and existing business can avail the PM's Kamyab Jawan Programme and benefit from it.

14th August Celebration



The 73rd Independence Day was celebrated at the Bank's Head Office. At the event, the President NBP Mr. Arif Usmani said that the Bank will provide all possible support for the uplift of the general public including the provision of very soft loan enabling them to easily own residences under the Prime Minister's Housing Scheme.

NBP Digital

NBP Digital Mobile App has been launch for NBP Aitemaad Islamic Banking customers.



National Bank of Pakistan
نیشنل بینک آف پاکستان

Corporate Information

Name of the Company: National Bank of Pakistan

Legal Form: A listed Public Limited Company established in Pakistan on November 09, 1949 under the National Bank of Pakistan Ordinance 1949.

Accounting Year End: December 31

Board of Directors

Mr. Zubyr Soomro, Chairman

Mr. Farid Malik, Director

Ms. Sadaffe Abid, Director

Mr. Imam Bakhsh Baloch, Director

Mr. Arif Usmani, President & CEO

Mr. Muhammad Sohail Rajput, Director

Mr. Tawfiq Asghar Hussain, Director

Mr. Asif Jooma, Director

Board Committees

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

Chief Financial Officer

Mr. Abdul Wahid Sethi

Company Secretary

Syed Muhammad Ali Zamin

Registered & Head Office

NBP Building
I.I. Chundrigar Road
Karachi, Pakistan
Phone: 92-21-99220100 (30 lines),
92-21-99062000 (60 lines),
Phone Banking: 111-627-627

Registrar & Share Registration Office

CDC Share Registrar Services Limited,
CDC House, 99-B, Block-B, S.M.C.H.S.,
Main Shahrah-e-Faisal, Karachi, Pakistan
UAN: 111-111-500

Auditors for 2020

Yousuf Adil
Chartered Accountants

Grant Thornton Anjum Rahman
Chartered Accountants

Legal Advisors

Mandviwalla & Zafar
Advocates & Legal Consultants

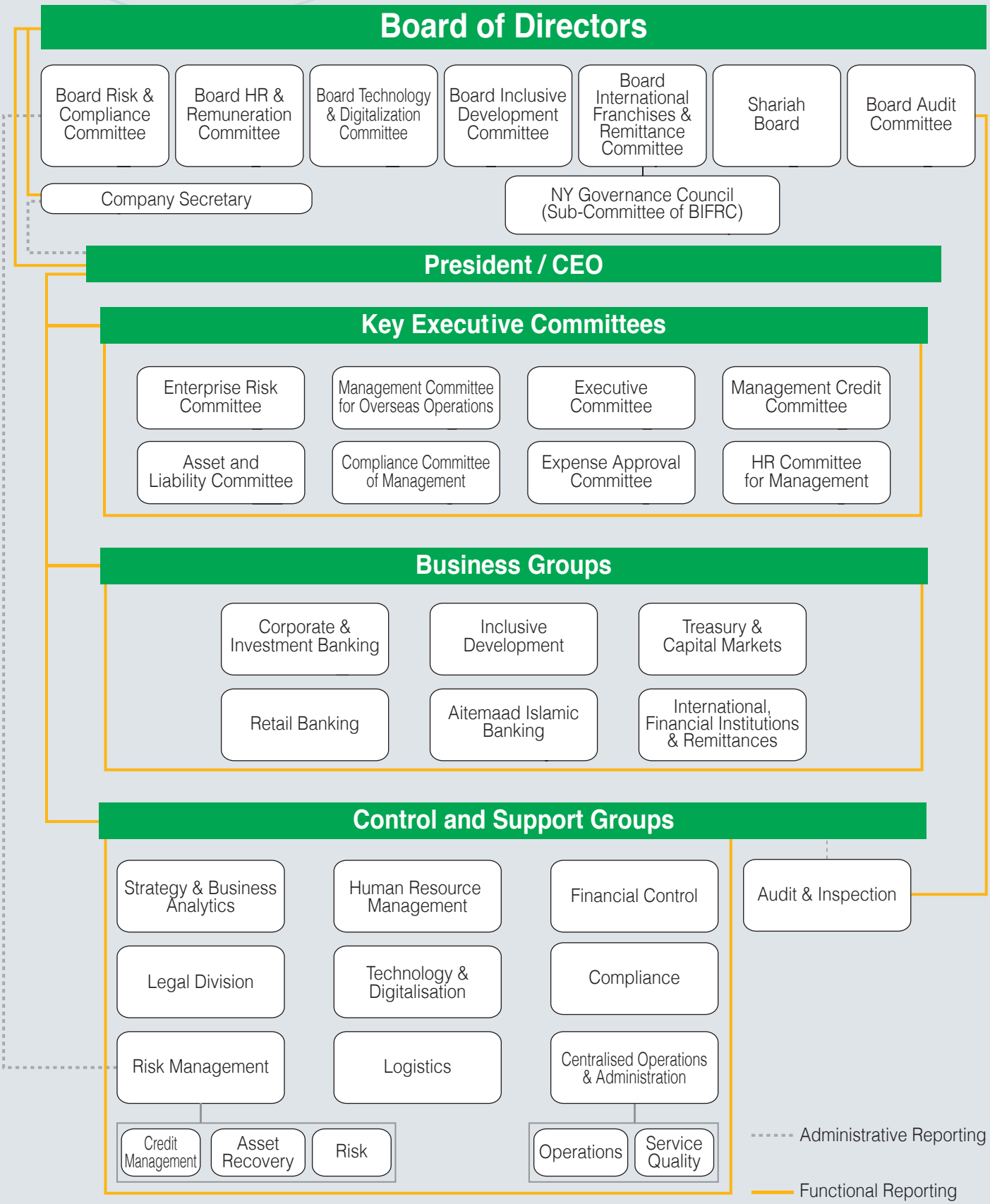
Website

www.nbp.com.pk

Stock Exchange Listing

Pakistan Stock Exchange Symbol "NBP"

Organogram


Board of Directors
Board Risk & Compliance Committee
Board HR & Remuneration Committee
Board Technology & Digitalization Committee
Board Inclusive Development Committee
Board International Franchises & Remittance Committee
Shariah Board
Board Audit Committee
Company Secretary
NY Governance Council (Sub-Committee of BIFRC)
President / CEO
Key Executive Committees
Enterprise Risk Committee
Management Committee for Overseas Operations
Executive Committee
Management Credit Committee
Asset and Liability Committee
Compliance Committee of Management
Expense Approval Committee
HR Committee for Management
Business Groups
Corporate & Investment Banking
Inclusive Development
Treasury & Capital Markets
Retail Banking
Aitemaad Islamic Banking
International, Financial Institutions & Remittances
Control and Support Groups
Strategy & Business Analytics
Human Resource Management
Financial Control
Audit & Inspection
Legal Division
Technology & Digitalisation
Compliance
Risk Management
Logistics
Centralised Operations & Administration
Credit Management
Asset Recovery
Risk
Operations
Service Quality
Administrative Reporting
Functional Reporting

National Bank of Pakistan
نیشنل بینک آف پاکستان

Enabling Opportunities



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Board of Directors



Mr. Zubyr Soomro has been a career international banker with 33 years at Citibank and senior level assignments in the Middle East, Turkey, UK and Pakistan. In 1997, he was appointed as Chairman and President of United Bank and tasked with restructuring it for privatization after which he re-joined Citibank in Pakistan as its Managing Director. He was awarded the Quaid-e-Azam Centenary Gold Medal by the State Bank of Pakistan in 2004 for leading reforms in the banking sector in his role as Chairman of the Pakistan Banks Association and his successful restructuring of United Bank. In recognition of this he was invited to speak by the World Bank in Washington D.C., the IMF in Egypt and the IFC in Bangladesh on the restructuring of public sector banks.

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

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

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

Other current directorships & offices include:

- Board Member, EFG Hermes, Cairo.
- Board Member of Sarmaya Pakistan, Chairman Nomination Committee.



The Federal Government announced the appointment of Arif Usmani as the President and Chief Executive Officer of National Bank of Pakistan for a term of three years with immediate effect. Mr. Usmani joined NBP on the 12th of February, 2019.

Mr. Usmani started his career with Citi Pakistan in 1981 in the Corporate Banking Group and since then held a number of positions with the company. He has over 39 years of experience across several geographies and markets in various banking disciplines. From 1989 to 1994, he was on deputation from Citi with Saudi Arabia's second largest bank SAMBA in Riyadh within the Corporate Banking business. In 1994, Mr. Usmani relocated to the Asia Pacific region, where for five years he held a number of positions in different countries, including Hong Kong and Singapore. Later, he moved as Citi Country Officer to Slovakia before taking over as Country Head Citi Nigeria and Regional Head West Africa. The latter role involved management of the Citi Franchises in Nigeria, Cote d'Ivoire, Cameroon, Gabon, the Republic of Congo as well as Senegal. In 2003, Mr. Usmani moved back to Samba Financial Group as the Chief Risk Officer and in 2008 re-joined the Citi franchise in Pakistan as CEO.

In 2012, Mr. Usmani left Citi and was appointed as Group Head for Wholesale Banking at Abu Dhabi Islamic Bank in Abu Dhabi where he spent 5 years establishing the bank as a premier player in the corporate finance space. In 2017, Mr. Usmani joined Mashreq Bank in Dubai as Chief Risk Officer which was his last assignment before moving to NBP in February 2019.

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



Mr. Farid Malik, CFA
Director

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

Mr. Malik has worked with organizations including ABN AMRO Bank; Tomen Power (Singapore) Pte. Ltd; Securities and Exchange Commission of Pakistan; and the Lahore Stock Exchange. During his various assignments, he has extensive exposure to green-field project based equity investments, limited recourse debt financing facilities, cross border project financing facilities including export credit agencies and multilateral lending agencies financing facilities, risk allocation & management techniques including hedging through derivative instruments, due diligence methodologies, portfolio management, equity and fixed income valuations, financial analysis, asset securitization and capital market operations and regulations.

He has served as the Chief Executive Officer/ Managing Director of LSE Financial Services Limited (formerly Lahore Stock Exchange Limited) and has also served on the Board of Central Depository Company of Pakistan Limited and National Clearing Company of Pakistan Limited. He is a Certified Director from Pakistan Institute of Corporate Governance.

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



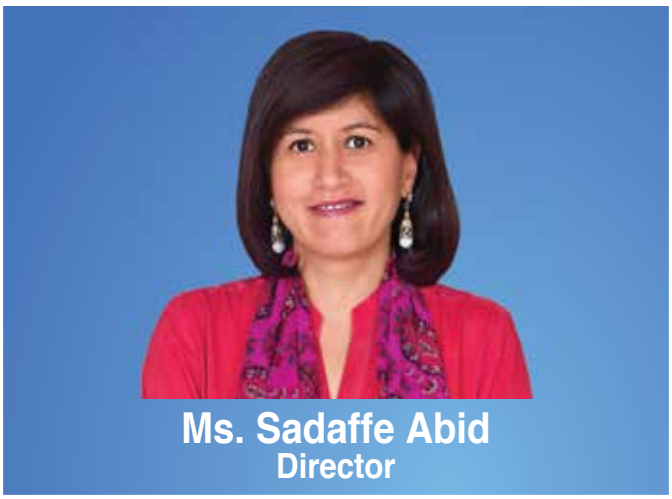
Mr. M. Sohail Khan Rajput
Director

Mr. Muhammad Sohail Rajput, Special Secretary, Ministry of Commerce, is a senior civil servant with expertise in financial management and project development and management. He has over 25 years of experience in Civil Service of Pakistan, which includes managing provincial government finances and handling diversified development projects.

Mr. Muhammad Sohail Rajput got an MBBS degree in 1988 from Liaquat Medical College, Jamshoro, Post Graduate Diploma in Business Administration in 2004 from Institute of Business Administration, Karachi and MPA in Economic Policy Management with concentration in International Energy Management and Policy from Columbia University, New York. He was also awarded Hubert H. Humphery fellowship by US Department of State, in recognition of his leadership skills, under which he attended academic courses at University of North Carolina, Chapel Hill and the Duke University and did an internship at the World Bank.

During his career in Civil Services of Pakistan he has received extensive training at Civil Services Academy, Lahore, National School of Public Policy, Lahore, University of Birmingham, England and Joint Vienna Institute, Vienna, Austria.

Mr. Rajput's core areas of expertise include Public Finance Management and Project Development and Management, particularly in Energy Sector. He has proven capacity to work in a challenging atmosphere with diversified stakeholders and against strict timelines. Mr. Rajput's key achievements include developing Thar Coal Mining and Power project, improving fiscal health of Government of Sindh through effective financial management and establishing a robust delivery and monitoring system at Chief Minister's Secretariat in Sindh.



Ms. Sadaffe Abid
Director

Sadaffe Abid is a social entrepreneur bringing extensive experience in start ups, women's empowerment, leadership development and financial inclusion. She is the founder of CIRCLE Women Association, a leading social enterprise working on women's empowerment and inclusion through technology, leadership development and entrepreneurship. CIRCLE's flagship initiative, Tech Karo brings digital skills like coding to youth, especially women from under served communities to bridge the digital gender divide and empower women through technology. Graduates of Tech Karo have joined the tech sector as software engineers or by becoming part of the gig economy.

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

Sadaffe is INSEAD's Social Entrepreneur-in-Residence. She chairs the Inclusive Development committee of National Bank of Pakistan to promote agriculture, SMEs, women's empowerment and financial inclusion.

She is also on the board of Pakistan Microfinance Network, UN Women Pakistan Civil Society Advisory Council and Indus Earth. She is an advisor to the global Dell Women Entrepreneurship Network (DWEN). She completed her Masters at the Harvard Kennedy School, Advanced Management Program at INSEAD and her B.A. at Mount Holyoke College. Sadaffe received the Mount Holyoke Alumni Achievement award in recognition for her services.



Mr. Tawfiq Asghar Hussain
Director

Mr. Tawfiq Asghar Hussain brings with him over 40 years of diverse & rich international experience in Commercial & Central Banking. He started his career in 1976 with American Express Bank (AEB) in Pakistan & was appointed its General Manager, Philippines in 1994. In late 1995, he became the first Pakistani Country Manager of AEB for Pakistan.

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

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

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

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



Mr. Imam Bakhsh Baloch
Director

He started his career as a teacher in Education Department, Balochistan for six months during 1971 to 1973. Mr. Imam Bakhsh Baloch joined National Bank of Pakistan (NBP) in 1974 after graduation from University of Balochistan, Quetta. Before joining NBP he served UBL as an officer from April 20th,1974 till October 22nd, 1974. He served NBP for 40 years in various capacities and remained posted in USA for 10 years. He served in Senior Management positions for 24 years in NBP and received various awards during his service in National Bank of Pakistan. During 2003 he served as first Group Chief Compliance Group in NBP and was assigned the task of establishing Compliance Group to make it fully functional. His last posting was as SEVP / Group Chief, Audit and Inspection in NBP Head Office. He served as Chairman Audit Committee, First Women Bank Ltd for 6 years. He has served as an Independent Director and Chairman Board of Directors of APNA Bank from August 18th 2017 to June 17th 2019.

Mr. Imam was on the Board of Security Leasing Corporation Ltd. for 1½ years. He also served as Caretaker Finance Minister, Government of Balochistan from June 12, 2018 to August 18, 2018. Mr. Imam has obtained a degree in Law from University Law College, Quetta in 1997. He also passed Institute of Bankers of Pakistan exam in 1988. He has qualified Professional Banking Examination of American Institute of Banker in 1985. He has received 21 awards / certificates for attending various courses / seminars in Banking & Finance.



Mr. Asif Jooma
Director

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

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

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

Chairman's Review

Rebuilding National Institutions



Dear Shareholders,

Your Bank has recorded strong and impressive results for 2020 with net income up by 93% to PKR 30.6 bn from PKR 15.8 bn in 2019. This was after creating additional provisions for another PKR 30.9 bn in the year. Operating expenses were also tightly managed and, in fact, showed a decline of about 4%. These are all positive indicators of performance. However, our restructuring program still has some way to go.

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

However, poor governance has adversely affected this institution over many years, and in a demanding environment, allowed it to weaken. Over the last 25 years there has only been an independent Chairman for about 6 years thus compromising effective oversight. Furthermore, in the last 10 years, there have been 6 Presidents and 3 Acting Presidents and such discontinuity undermines leadership. This Board has thus had to focus on a major rebuilding of your Bank.

To this end, we have continued to retain earnings and over 2019 and 2020 these retained earnings amount to PKR 46.4 bn. This has, of course, meant no dividend payouts but it has been essential to protect your Bank and thus your investment. Over and above this, after identifying and dimensioning the problems facing your Bank, we have created provisions and contingencies for a total of PKR 54.0 bn over the same period to cover potential portfolio losses, significant HR related exposures and operational vulnerabilities. Although some material threats remain, such as those involving our pensions case, our balance sheet has thus been reinforced considerably by about PKR 100 bn.

In this Covid 19 dominated period, your Board has worked on looking after the health and wellbeing of staff and customers while steadfastly continuing the process of reform so past problems do not recur. Specifically, to lead the restructuring process, a strong team of talented seniors have been inducted to head Risk, Compliance, Audit and Operations. These additions supplemented the heads of HR, and Legal who were brought in during the prior year. HR, in particular, which has led the reform process, has not only built up a solid second string, but led the development and upgrading of key policies in Performance Management and Compensation, as well as in addressing some major long standing employee litigation. Additionally, standards have been raised significantly relating to Recruitment and Promotions with the objective of emphasising merit. The latter is under implementation now with about 7,000 employees going through written tests or panel interviews stipulated to determine their eligibility. These steps will play a vital role in enhancing the corporate culture of the Bank.

However, government support is essential for the repealing of 1973 Staff Service Rules under which many employees have misused the statutory facility of direct access to the High Courts. Currently we face over 6,000 petitioners, many in frivolous cases, brought against the Bank by current and ex-employees. The laws allow the board to issue fresh policies/rules but we await repeal of the old rules in order to take that next step.

In the area of managing risk, after many years, credit approval structures have been materially changed driven by attention to expertise and controls. Improved policies, the introduction of independent senior credit officers and an enhanced role for independent risk in exposure approvals, should better protect the portfolio of the Bank. The leadership of Audit, Compliance and Operations has been significantly strengthened and issues relating to account reconcilements, data cleansing and frauds are receiving greater attention but much work remains to be done here, and technology platforms have to be updated to enable subsequent effective management.

Our International franchise covering 21 jurisdictions needs much attention. It is a small part of the institution's assets and revenues but has a disproportionate share of issues to address. Legacy problems resulting from a lack of strategy and management assignments that were not merit based, leave us exposed to regulatory risks. Our critical US franchise has thus been managed directly by the President through a qualified and experienced external hire. Seven other franchises are under various stages of closure and a number of others are under consideration for the same. In the face of these multiple challenges, we have not succeeded in attracting high calibre leadership to cover the full range of these operations that face compliance and portfolio problems. Our aim here is to manage down risks while retaining key franchises.

The whole area of technology has also posed material risks including those related to cyber security. The Bank has to be automated and digitised to be able to meet the regulatory, reporting and customer challenges of today. However, outdated infrastructure and software are major hindrances and the inability to on board oversight expertise, whether at the board or committee levels, continues to slow down our progress in this regard in the face of ongoing external investigations of past technology related implementations.

The heart of an institution like ours is its domestic network of 1,500+ branches. Its structure of 37 regions means that there are about 40 branches for each region to supervise and support. This is not only inefficient but leaves us open to risks of frauds. Our new Retail Head will look to revamp this network to enhance supervision and customer service.

On the balance sheet side our capital discipline has improved our Common Equity Tier 1 capital ratio to 14.99% (2019:12.11%) and Total Capital Adequacy Ratio to 19.78% (2019:15.48%) at the end 2020. This capital position enables the Bank to absorb shocks in the foreseeable future and leverage emerging opportunities to create value for its shareholders. It is pertinent to mention that your Bank is subject to a drag of about PKR 5 bn p.a. due to non-payment of mark up by public sector entities. Our strong results despite this indicate the potential of your Bank.

As we work to make the Nation's Bank more resilient, we look forward to continuing support from our key partners, the foremost of which is the Government of Pakistan and the State Bank of Pakistan, our primary regulator.

Our legacy of problems will take time to address but we have set our directions and declared our standards. We look to be fair, transparent in our actions and to operate on the basis of merit only.

The year 2020 has tested us in many ways, and I am happy to say we have responded very well. I would like to thank our executive management team and the 15,000 plus colleagues for remaining committed to helping the Nation's Bank through these uncertain times.

To my fellow Board members, I express heartfelt thanks for their untiring efforts and patience and their steadfastness in reinforcing the foundations of this institution that undoubtedly has great potential.

Thank you for your ongoing support and your patience as we build an institution of which you can be proud.

Zubyr Soomro
Chairman
Date: February 24, 2021
Karachi

CEO's Review



Strong Performance In a Difficult Year

As One with the Nation during unprecedented challenges, we are making the Bank more resilient for long-term success.

Dear Readers,

I must start by remembering all those NBP staff members who lost their lives while on duty during the Covid-19 pandemic. We recognize and remember their dedication and contribution towards providing safe and secure services through our branch network and alternate delivery channels. May Allah grant them the highest place in Jannah.

Economic & Operating Environment

Our operating environment has remained challenging during 2020. Following the devastating health and economic crisis caused by Covid-19, the global as well as domestic economy is now beginning a subdued recovery.

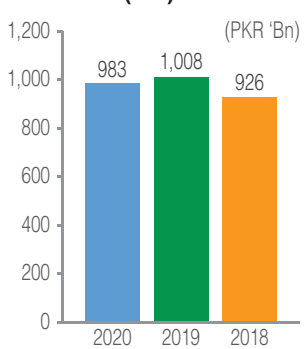
After recording a contraction of 0.4 percent during 2019-2020, the Pakistan economy is back on a growth trajectory. This is attributed to two main factors: the national strategy that contained the pandemic and the timely and well-calibrated support measures of the government and the SBP. Salient steps are monetary easing (slashing the policy rate by 625 bps from 13.25% to 7.0% within a period of 3 months), concessionary Temporary Economic Refinance Facility, SBP Rozgar Scheme, loan deferral and restructuring and relaxing the Credit Requirements for Exporters and Importers, etc. SBP left the policy rate unchanged at 7% on January 22, 2021, saying the domestic recovery has gained some further traction as most economic indicators and overall business activity have shown continued improvement.

Overall current account showed a surplus of US $1.13 billion for Jul-Dec (a deficit of $2.03 billion last year), increasing SBP's forex reserves to around $ 12.8 bn (highest level since Dec '17) and boosting the Country's import cover slightly above the global benchmark of 3 months. Situation is expected to remain stable as monthly exports and remittances have recorded a healthy trend. Average monthly home remittances remained around US$ 2.3 billion during the July-December 2020 period.

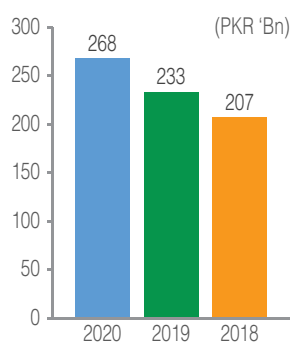
On the fiscal front, policy actions are primarily concentrated on relief measures to support businesses and to protect vulnerable segments of society. Despite higher non-interest current expenditures, the primary balance posted a surplus of 0.5 % of GDP during Jul-Nov, (0.2% better than the same period last year).

Encouragingly, large-scale manufacturing has grown by 7.4% during the first 6 months of this fiscal year, against a contraction of 5.3% during the same period last year. Improvement is also noted on the inflation front as headline inflation (CPI) is recorded

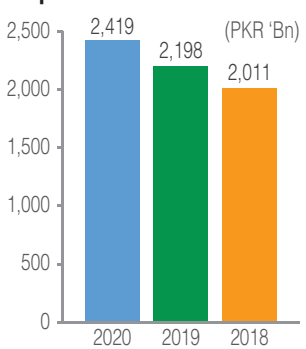
Advances (Net)



Net Assets



Deposits



at 8.6% for Jul-Dec (11.1% last year), whereas YoY inflation decelerated to 8.0% in Dec 2020 (12.6% last year).

The banking sector has navigated well through these difficult times. Profits increased due to better spreads given reduction in the policy rate. Deposits grew by 16% and the Banks continued to invest in government securities given the local economy (similar to global trends) contracted and there was reduced credit uptake. Asset quality however emerged as a key concern as banking sector NPLs rose to 9.2% of total loans at end of 2020.

The Pakistan Stock Exchange continued its upward trajectory, as the 100-index reached 43,777 points at the end of 2020 and the Pakistan stock market emerged as the 2nd best performing market in the region and 7th best performing market in the world.

NBP through the Year-2020

Responding successfully to the challenges posed by Covid-19 on the Bank's corporate, retail and consumer segment, your Bank emerged stronger at the end of 2020. When the economic lockdowns were brought in early 2020, we knew that we would have to work on the frontlines with the government and our regulator to support the economy and to ensure that our customers are serviced & supported during these critical times.

Healthcare Response to the Covid-19

Throughout the first and second wave of COVID we as an institution took all necessary steps to ensure the safety and well-being of employees, customers and the community at large and at the same time prevented any unnecessary discontinuities in our business service model. We swiftly implemented preventive SoPs and moved to working from home protocols where possible. We allowed a special healthcare and benefit package for our employees and their eligible dependents'.

Being a responsible corporate citizen, NBP adopted a cohesive and effective communication strategy to create necessary awareness for preventive measures against Covid-19. A Go-Digital campaign was launched with an aim to create awareness about banking through digital channels thus reducing customer physical visits to branches. The aforementioned strategy resulted in highest ATM withdrawals and exponential growth in use of our digital channels.

Delivering Sustainable Performance

Our strong financial results for the year 2020 demonstrate the underlying resilience of our business model, and efforts of our senior management team and 15,000+ staff. Our results have given us the flexibility to further strengthen our overall financial position by prudently creating reserves to ensure future earnings certainty and invest in strategic choices. I firmly believe our refreshed vision is what will continue to deliver reliable returns for our shareholders, in the future.

- **Earnings**

  The Bank reported profit after tax of PKR 30.56 billion (Rs. 14.36 per share), 93.3% up compared to the PKR 15.81 billion, or Rs. 7.43 per share, in 2019. This growth in net income was primarily driven by 44.8% higher net interest income "NII" of PKR 104.16 billion. Our non-interest income amounted to PKR 36.08 billion (0.3% drop YoY), total income was PKR 140.23 billion, 29.7% up YoY. This growth in total income was partially offset by higher provisions. Operating expenses despite inflation recorded a drop of 4.4% to close at PKR 62.8 billion.

- **Provisions Charge**

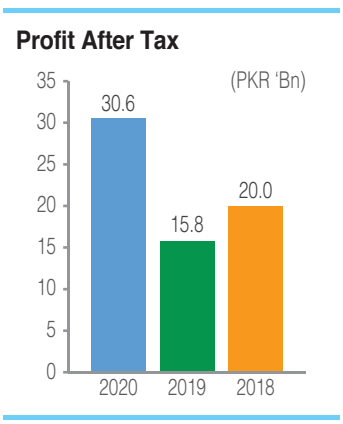
  To strengthen our balance sheet, we prudently booked provisions for credit losses and other claims for the year amounting to PKR 30.90 billion. This 116.8% increase was mainly driven by recognizing higher credit losses and general provisions given the impact of Covid--19 and resultant economic headwinds faced by the corporate sector and our retail customer base.

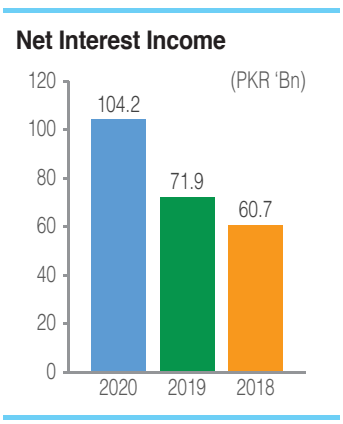
- **Balance Sheet**

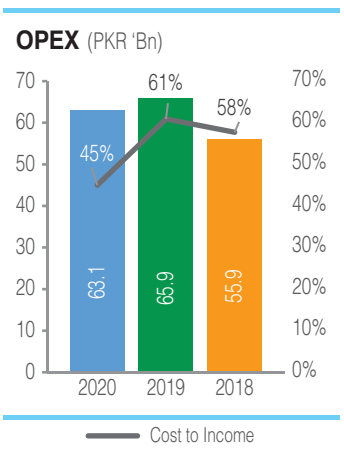
  The Bank's end of year total assets stood at PKR 3,009 billion, 3.7% down from PKR 3,124 billion at December 31, 2019. This drop is mainly driven by a considered reduction of PKR 333 billion in money market borrowings in line with our prudent funding and liquidity strategy.

- **Liquidity**

  Throughout the year, the Bank maintained optimum levels of funding and liquidity through a sufficiently diversified (by type and maturity) funding portfolio. The Bank's liquidity coverage ratio stood at 180% (2019:148%), and the Net Stable Funding Ratio stood at 256% (2019:233%), well above the statutory requirements of 100%.







- Capital

  Our Common Equity Tier 1 (CET1) Capital ratio stood at 14.99% as of December 31, 2020, compared to 12.11% as of December 31, 2019. Total Capital Adequacy Ratio (CAR) stood at 19.78% (2019:15.48%). The Bank's Leverage ratio also improved to close at 4.06% at end 2020 (2019:3.36%). These ratios are well above the regulatory requirements, and strong enough to absorb foreseeable shocks.

The stronger balance sheet and capital position mean your Bank is well placed to deliver its strategic intent of being the Nation's leading bank enabling sustainable growth and inclusive development.

Response to the Organisational Challenges

During the year, we took decisive actions to design and implement strategic responses to combat the long-standing issues e.g. internal controls, data cleansing and upgradation of internal HR policies among other initiatives.

- Risk Management

  Our balanced strategy includes sustainable growth within a clear risk appetite framework. In 2020, we reorganized our Risk function, making major strides in streamlining and modernizing our Risk Management process. These include (i) significant redesign of our Credit Approval Authority which introduces the Senior Credit Officer construct and increases credit approval authority delegations to field functionaries, (ii) a new Credit Concentration Framework to redirect our risk appetite over the next 3-5 years with the goal of improving asset quality, and (iii) enhanced industry specific portfolio reviews.

- Operations & Compliance

  Improving our governance standards, we separated and redefined reporting lines between Business, Operations, Risk Management, Compliance, Strategy and Audit, thus strengthening the governance framework. To bring operational efficiency, we streamlined the organization into new Groups for improved service delivery, span of control, rationalize activities, inclusive development, digital offering and to differentiate/ strengthen first and second lines of defence.

- Making the Bank More Digital

  The Bank embarked and delivered on a number of digital banking initiatives to remain competitive and gain a strong foothold in the digital arena. The Bank is excited to undertake further initiatives in the areas of technology, new digital offerings through Islamic and conventional banking branches for further growth in coverage and customer base. We continued expanding the NBP Digital Banking footprint in 2021 by Launching NBP DIGITAL "ibanking". Now NBP account holders, both Islamic and Conventional, can also use web channels for their banking needs and enjoy secure and convenient Digital Banking services 24/7.

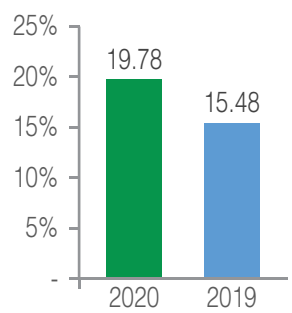
Our digital banking strategy is to capitalise on low banking penetration in Pakistan that suggests significant growth potential for financial inclusion. This is in line with the National Financial Inclusion Strategy by SBP which targets 65 million active bank accounts, with total deposits accounting for 55% of GDP, through increased use of mobile wallets, biometric verification systems, and QR codes.

Islamic Banking

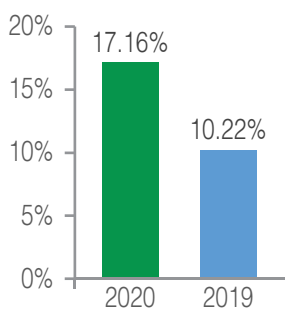
For the year 2020, NBP Aitemaad Islamic Banking posted a pre-tax profit of PKR 2.11 billion as compared to PKR 2.04 billion for 2019. NBP Aitemaad Islamic Banking continued its growth momentum, whereby during the year, deposits grew by 18.9% to PKR 75.27 bn. Aitemaad Islamic serves its customers through 191 Islamic banking branches present in almost 100 cities across Pakistan. Total assets of our Islamic banking operations are 17% up YoY at PKR 88.96 billion.

Aitemaad Islamic Banking has recently started delivering its services through the NBP Digital app and is moving confidently ahead to achieve the Bank's strategic goals and responding to the SBP's National Financial Inclusion Strategy that targets 25% market share for Islamic banking by 2023.

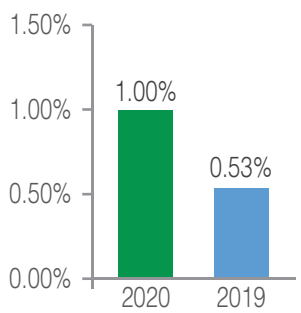
Capital Adequacy Ratio



Return on Equity



Return on Assets



Serving Our Customers and Communities

NBP is privileged to play a critical and systemically important role in the Country's economy. This brings with it, a greater responsibility to the communities we serve and to the wider society. That is why we have a refreshed Vision "To be the Nation's leading bank enabling sustainable growth and inclusive development".

Therefore, our priority remains to do all that we can to support our customers in combating financial impacts of the crisis. We won't get everything right every time, but this simple expression will be the standard to which we will hold ourselves. To provide immediate cash flow relief to households and businesses we have allowed loan deferrals to 13,000+ borrowers having aggregate outstanding exposure of about PKR 40 billion.

"Mera Pakistan Mera Ghar" is a low-cost housing scheme offering affordable house financing to low and middle income households and is for both salaried and non-salaried individuals. NBP with its vast nationwide network is providing a convenient and cost effective solution to every Pakistani household. To help communities rebuild through the pandemic, we have contributed PKR 85.44 million to support over 26,000 financially vulnerable households.

Our contribution to the National economy through employment, taxes, P2G and G2P payments, payment to suppliers and supply of credit to most economic sectors, is particularly important during these uncertain times. We managed PKR 7.0 trillion of P2G and G2P payments, paid PKR 17.0 billion to suppliers, PKR 40.75 billion as payments to employees and PKR 85.44 million into the community via donations and sponsorship.

For 2021, we will improve our service quality for positively impacting each 'customer's journey through NBP'. Our customers must 'want' to deal with us rather than 'have' to deal with us. In Sha Allah!

Recognition

The Bank's contribution towards recovery of economic activity in the country was well recognized by domestic and international bodies. A few of the awards we received, include:

- Best Bank for Agriculture 2020 - Pakistan Banking Awards
- 8th FPCCI Achievement Award for 2020 - Best Corporate & Investment Banking Services
- 8th FPCCI Achievement Award for 2020 - Contribution to National Economy
- Corporate Client Initiative of the Year - by The Asian Banking & Finance
- Innovative Deal of the Year - by The Asian Banking & Finance
- IJ Global Asia Pacific Award 2020 - Onshore Wind Deal
- Best Trade Finance Provider in Pakistan - by Global Finance Magazine
- Best Corporate Report Award (Runners up) - 2020 by SAFA

Future Outlook

Pakistan has fared better than several other countries, both in economic and health terms during the Covid-19 pandemic. Going forward, although the progress will be dependent on the Covid-19 vaccination drive, there are prospects for considerable improvement in economic activity in future years. There will also be external impacts from changes in the markets, driven by political and economic factors that largely remain unpredictable. The State Bank of Pakistan estimates Pakistan's GDP to grow slightly above 2% for FY '21 which continues to mean a challenging operating environment.

However, on the back of special financing incentives and schemes of the SBP, the Year 2021 will witness considerable growth in advances. Structured lending under housing finance may increase due to the government initiatives under the "Naya Pakistan Housing Scheme". Deposits are expected to grow considerably due to the ongoing efforts for financial inclusion, attracting FDI and some increase in interest rates improving marginal propensity to save. Banks will continue to invest in improving their technology infrastructure and branchless banking platforms for greater financial inclusion, greater coverage, low transactional cost and better expense management. Growth of physical branches will remain slow relative to banking through digital channels.

Based on the above premise, we will continue investing in our business, our people, and our communities because we understand that when our customers, communities and employees succeed, we all succeed.

Conclusion

By recognizing and tangibly responding to its organizational and operating challenges, your Bank has emerged as a stronger institution at the end of 2020 than it was at the beginning. This crisis will pass, and we are confident that we will not only weather the storm, but also be positioned and ready for growth as the economic cycle reverses. The Bank will further strengthen its role in a thriving Pakistan.

May all of you and your families have a safe, happy and healthy 2021.

Onward 'Naya' NBP!

کریں گے اہلِ نظر تازہ بستیاں آباد

Arif Usmani
President & CEO
Karachi
Date: February 24, 2021

Directors' Report to the Shareholders

Dear Shareholders,

On behalf of the Board of Directors "the Board", we have pleasure in presenting to you the Annual Report of the Bank together with the Audited Financial Statements for the year ended December 31, 2020 and the Independent Auditors' Report thereon. The accompanying financial statements, prepared by the management of the Bank, fairly present its state of affairs, the result of its operations, cash flows and changes in equity.

Macroeconomic Environment

The Bank's performance was greatly influenced by the economic environment. As covered at length in the CEO's review, the economic environment in 2020 was challenging as Pakistan economy was hit, first by the macro imbalances, and second, by the Covid-19 pandemic. The negative impact was fairly managed as the Government and State Bank of Pakistan introduced an array of stimulus measures. These included, inter alia, a fiscal relief package worth PKR 1.2 trillion; 625 bps cut in the policy rate from 13.25% to 7.0%; reduction in the capital conservation buffer for banks by 100 bps, etc. As a result, Pakistan's economy is showing signs of recovery with visible improvements in key macroeconomic indicators e.g. surplus current account balance, higher forex reserves, increased flow of remittances, exports and large scale manufacturing. Following a 0.4% contraction during FY '20, the State Bank of Pakistan estimates Pakistan's GDP will grow at around 2% for FY '21.

Despite pressures on interest margins and reduced business activity in the economy, the banking sector has stood reasonably resilient during these challenging times. Asset quality has emerged a key concern as banking sector NPLs rose to 9.2% of total loans at end 2020.

Principal Activities

We are one of Pakistan's leading commercial banks operating predominantly in Pakistan with branches in Europe, North America and Asia. Principal activities of the Bank include general branch banking services, consumer finance, corporate & investment banking, treasury and capital markets, transaction banking, cash management, digital banking, international trade & remittances, etc. The Bank's subsidiaries offer banking services, currency exchange, modarba, fund management and securities brokerage services.

Our Response to Covid-19

The Covid-19 pandemic outbreak posed health and financial risks on our workforce and tested the resilience & strength of the Bank's operations, its financial soundness as well as the financial security of our customers and the community. During these challenging times, the Board stood with the Management in framing responses to emerging risks related to e.g. (i) Employee Health & Safety; (ii) Customer Welfare; (iii) Operational Resilience; (iv) Financial Soundness of the Bank; and (v) effective AML/CTF/KCY monitoring, etc.

As the Covid-19 situation continues to evolve, your Board and the Management are actively monitoring the situation and adapting responses required to build resilience of the Bank, while creating opportunities for the Bank's customers and the communities it serves.

Performance During the Financial Year-2020
Despite a challenging environment, the Bank delivered strong financial results for the year 2020. This demonstrates the resilience of our business model, our agility and the efforts of our senior management and workforce.

Profitability

KPI (PKR 'Bn)	2020	2019	Better/(Worse)	
			Amount	%
Total income	140.2	108.1	32.1	29.7%
Operating expenses	63.1	65.9	2.7	4.2%
Profit before provisions	77.1	42.3	34.9	82.5%
Provisions	30.9	14.3	(16.6)	(116.8%)
Profit before tax	46.2	28.0	18.2	65.1%
Profit after tax	30.6	15.8	14.7	93.3%

The Bank recorded the highest ever after tax profit in its history. For the year under review, gross mark-up/interest income closed 7.7% higher YoY at PKR 257.81 billion "bn" (2019:PKR 239.48 bn); whereas the interest/mark-up expense amounted to PKR 153.66 bn, of which PKR 103.38 bn or 67.3% was paid to depositors. Accordingly, net interest/mark-up income "NII" was PKR 104.16 bn, 44.8% higher YoY. Despite limited economic activity during the year, the Bank succeeded in maintaining its non-mark-up / interest earning "NFI" stream that closed at PKR 36.08 bn (2019:PKR 36.20 bn)., Accordingly, total revenue of the Bank closed 29.7% up YoY at PKR 140.23 bn (2019: PKR 108.11 bn). As operating & other expenses dropped by 4.2% down YoY by closing at PKR 63.11 bn, the cost-to-income ratio improved from 60.9% in 2019 to 45.0% in 2020.

Profit before provision was 82.5% up at PKR 77.1 bn (2019:PKR 42.25 bn). However, this increase was significantly off-set by a similar trend in provisions that increased 116.8% YoY to PKR 30.90 bn as the Bank experienced a 15.2% increase in the non-performing loans (NPLs) at PKR 171.29 bn (2019:PKR 148.75 bn).

Accordingly, profit before tax was 65.1% higher YoY at PKR 46.22 bn (2019: PKR 28.00 bn); and profit after tax stood 93.3% higher YoY by closing at PKR 30.56 bn (2019: PKR 15.81 bn). This translates into Return on Average Assets and Return on Equity of 1.0% (2019:0.5%) and 17.2% (2019:10.2%), respectively.

Balance Sheet & Capital Strength

KPI (PKR 'Bn)	2020	2019	Better/(Worse)	
			Amount	%
Investments	1,463.4	1,449.6	13.8	1.0%
Advances	983.3	1,008.1	(24.9)	(2.5%)
Total Assets	3,008.5	3,124.4	(115.9)	(3.7%)
Deposits and other accounts	2,419.0	2,198.0	220.9	10.1%
Borrowings	138.5	471.8	(333.2)	(70.6%)
Net Assets	267.6	232.6	34.9	15.0%

The Bank's end of year total assets closed at PKR 3,008.53 bn which is 3.7% down from PKR 3,124.39 bn at end 2019. This drop is mainly driven by a reduction of PKR 333.22 bn in the money market borrowings in line with our prudent funding & liquidity strategy. Capital & reserve closed at PKR 267.6 billion i.e. PKR 34.9 billion or 15.0% up from PKR 232.6 billion on December 31, 2019.

The Bank's financial soundness also improved significantly during the year 2020. While Common Equity Tier 1 (CET1) Capital ratio improved to 14.99% (2019:12.11%), the Total Capital Ratio also improved at 19.78% (2019:15.48%). Similarly, the Bank's Leverage ratio was 4.06% at end 2020 (2019:3.36%). The Bank's liquidity and net stable funding ratios improved to 180% (2019:148%) and 256% (2019:233%), respectively against regulatory requirements of 100%. On a positive note, the Bank's CASA ratio also improved to 83.8% (2019:81.8%).

Detailed coverage of the financial performance and other organisational development is also given elsewhere in the Annual Report.

Appropriation of Profit

The Board is fully aware and conscious of the impact of Covid-19 on our shareholders, many of whom look forward to receiving dividends. We assure you all that our dividend payout decisions purely reflect the economic environment, regulatory guidelines and financial soundness of the Bank. A stronger balance sheet and capital position mean your Bank is well placed to deliver better and sustainable results over the long-term. As a principle, the Board will not lose sight of the actions to be taken to achieve healthy and sustainable returns for our shareholders.

The Board deliberated at length whether or not cash dividend should be recommended. However, given the potential impact of the pension case and other contingencies, despite some positive signals, there remain causes for concern. Accordingly, it is considered prudent to retain the profits. Thus, the Board does not recommend any dividend for the year 2020.

For the year 2020, after carryover of accumulated profit of 2019, and profits appropriated to reserves and movement in reserves have been disclosed in the Statement of Changes in Equity. The same is summarised as follows:

Appropriation	(PKR 'Million)
Profit after tax for the year ended December 31, 2020	30,558.9
Unappropriated profit brought forward	88,785.9
Other comprehensive income - net of tax	(497.9)
Transfer from surplus on revaluation of fixed assets	230.4
Profit available for appropriation	**119,077.3**
Appropriation:	
Transfer to Statutory Reserve	(3,055.9)
Unappropriated profit carried forward	**116,021.4**

Principal Risks & Uncertainties Facing the Bank

The Bank is exposed to internal and external principal risks & uncertainties. Principal risks include (i) Credit Risk; (ii) Treasury and Capital Risk; (iii) Market Risk; (iv) Operational Risk and (v) Information Security Risk.

The Bank follows a prudent path to risk management through developing/using effective tools to keep the Bank resilient, achieve corporate sustainability and minimize losses within the defined risk tolerance levels. The Board ensures that adequate policies and frameworks are in place to recognize all significant/material risks to which the Bank is / may be exposed to and that the required human resource, culture, practices, and systems are adequate to address such risks. The Board and its relevant committee i.e. Board Risk & Compliance Committee and the senior management along with its relevant committees i.e. Enterprise Risk Management Committee, Assets & Liability Committee, etc. are responsible to ensure formulation and implementation of a comprehensive risk management framework through its committees.

The Bank is continuously reviewing the portfolio, to identify accounts and industries susceptible to higher risk, resulting from the pandemic outbreak. Further, with respect to information security risk management arising as a result of Covid-19, the Bank took appropriate actions to monitor and respond to these evolving cybersecurity risks due to work from home environment, increase in business volumes on bank's digital channels and products and adopted a heightened state of cybersecurity.

A detailed indication of the principal risks and uncertainties as well as the future prospects is discussed in Note No. 47 to the financial statements.

The Board, Board Committees and Board Meetings

Following information is, inter alia, provided in the Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations:

- Names of the persons who, at any time during the financial year, were Directors of the Bank; and
- Detail of the meetings of the Board and its Committees attended by each Director.

Explanation in regard to modification in the Auditors Report
In their report, the external Auditors have included Emphasis of Matter by drawing attention to Note 25.3.3.1 to the financial statements which explains the contingency in relation to litigation by retired employees of the Bank for pension benefits.

Based on the advice of the legal counsels, the Bank has reasonably strong legal grounds to convince the Honourable Supreme Court for reviewing its earlier judgement. Therefore, pending the decision on the review petitions, financial impact of the subject case has not been included in the financial statements for the year ended December 31, 2020. For details, please refer to the said note.

Material changes subsequent to the Balance Sheet Date

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

Closure of foreign Subsidiaries and Branches

In line with our revised strategy on international franchises, the Board has approved closure of two (02) overseas subsidiaries being (i) Almaty-Kazakhstan), and (ii) Dushanbe-Tajikistan along with three (03) overseas branches being in (i) Baku-Azerbaijan, (ii) Bishkek-Turkmenistan, and (iii) Ashgabat-Turkmenistan. Further, the Board has also approved the management's recommendations more towards consolidating the Bank's operations in Afghanistan and Bangladesh to be limited to branches in the capital city Kabul and Dhaka, respectively.

Internal Control & Compliance

To our regulators both in Pakistan and around the world, we send the message that the Board is prioritising building best standards of governance across the range of our markets and activities, so they fully meet your expectations. The Bank remains committed to ensure compliance with all the applicable laws, rules, regulations, and codes in the spirit of good governance, and recognises the need to improve its compliance & control capacity within its domestic network. A revamping of the network structure is under implementation to strengthen the supervision of its 1500+ branches. To this end, we have given strategic directions to invest in new technological platforms for effective AML/KYC screening, data accuracy and authenticity, internal controls over the financial reporting, data cleansing and generating timely & quality MIS for efficient decision making.

Significant attention is being given by the Board to improving account reconciliation, data cleansing and building a culture of meritocracy & accountability. Additionally, priority is being accorded to the major task of upgrading the Core Banking Application. At the Board level, there is a need for greater expertise in technology to facilitate effective oversight. This has been highlighted to the government and an appropriate nomination made over six months ago but it remains un-responded. While significant talent at senior levels has been attracted into the Bank, outdated Staff Service Rules enable staff to file whimsical suits directly at the High Court levels and this results in the Bank facing a large number of nuisance suits that distract the management from pursuing necessary reforms. While a performance driven culture is being inculcated, its effectiveness is diluted by the same Staff Service Rules prevalence. To help the Bank reach its true potential, the government's assistance is needed to repeal and update these outdated Service Rules.

The international franchise of the Bank is being strategically streamlined to facilitate an enhanced level of compliance. To this end, work is underway to consolidate the Bank's international footprint and decision on the closure of certain branches is already being implemented.

In 2016 the Bank and its New York branch entered into a written agreement with the Federal Reserve Bank of New York and New York State Department of Financial Services (US regulators). This agreement, inter-alia, requires the Bank to address certain compliance and risk management matters relating to anti-money laundering and the US bank secrecy law requirements. This agreement also requires implementation of the requisite systems and controls and the allocation of adequate resources to ensure full compliance with such requirements. The Bank has undertaken significant personnel, systems and process changes in its New York operations to address the identified regulatory weaknesses and ensure senior attention at Board Committee and Board levels, but a historically weak compliance culture will take time to change effectively and meanwhile the Bank remains vulnerable.

Credit Ratings

NBP is rated as 'AAA' by both the recognised credit rating agencies in Pakistan. In June 2020, M/s VIS Credit Rating Company re-affirmed the Bank's standalone credit rating as "AAA", the highest credit rating awarded by the company for a bank in Pakistan. Similarly, M/s PACRA Credit Rating Company also assigned the Bank long-term entity rating as 'AAA' (Triple-A) and short-term credit rating as 'A1+' (A-one Plus).

Appointment of Auditors

The existing auditors of the Bank M/s Yousuf Adil Chartered Accountants and M/s Grant Thornton Anjum Rahman Chartered Accountants will be retiring this year. The Board is pleased to endorse the recommendation of the Board Audit Committee for appointment of M/s PwC A. F. Ferguson & Co, Chartered Accountants and reappointment of M/s Yousuf Adil Chartered Accountants as external auditors of the Bank for the year ending December 31, 2021 on existing remuneration subject to approval by shareholders in the 72nd Annual General Meeting to be held on March 29, 2021.

Impact of the Bank's Business on the Environment

The Bank is cognizant of the environmental consequences of its operations and its obligation to safeguard against environmental vulnerabilities. While the Bank's business operations do not have a direct impact on the environment, the Bank has taken measures for implementation of the Green Banking initiatives under the SBP's Green Banking Guidelines to provide finance to transform the economy into a resource efficient and climate resilient one. We are putting in place appropriate mechanisms to identify, assess and mitigate environmental risks.

Endorsement

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

- Statement of Internal Controls
- Pattern of holding of the shares
- CSR Report

Future Outlook

After a soft end to 2020 and a difficult start in 2021, the global economic recovery is projected to gain momentum in the coming year supported by the coronavirus vaccine rollout. Economic momentum in Pakistan is also expected to improve but remain below the pre-outbreak levels. Pakistan's economy is expected to return to modest growth of 1.5% to 2.0% in fiscal 2021 after activity picked up at the start of the fiscal year in July.

In this environment, private-sector lending is expected to grow modestly, by 5%-7% over the year. While policy responses are expected to soften the blow dealt to businesses by the pandemic outbreak, these may not fully offset its effects. Asset risk is projected to show a rising trend as the economic slowdown takes its toll on borrowers' repayment capabilities. Loan repayment deferral and other support measures will contain the deterioration, but will not eliminate the risks entirely.

Your Board is framing the post-crisis strategy on how the Bank will continue to play its systemically important role in the economy and serving its customers, while also maintaining a strong & resilient balance sheet to deliver performance for shareholders. For the year 2021 & beyond, the Bank's business strategy will continue to focus on financing and supporting underserved sectors including SME, Microfinance, Agriculture Finance and low cost housing on a priority basis.

Given the slow growth of brick & mortar relative to digital channels, our future business strategy will evolve around realigning ourselves with the emerging e-banking dynamics as business growth requires special attention to Digital Banking for offering comprehensive banking solutions. Building a digital banking capability and a technology platform will remain the central part of this strategy as will the inculcation of a performance driven culture within the institution.

Acknowledgement & Appreciation

We would like to take this opportunity to appreciate and acknowledge the Government of Pakistan, the State Bank of Pakistan, the SECP and other regulatory bodies for their continued support, and shareholders and customers of the Bank for their trust and our employees for their continuous dedication and commitment.

We look forward to their continued support in enabling the Bank to achieve its true potential to play its role in the socio-economic development of Pakistan as The Nation's Bank.

We would also like to thank our present teammates and the retiring teammates, Mr. Muhammad Naeem and Mr. Zafar Masud, for their contributions on the Board towards making the Bank resilient and capable of creating inclusive growth opportunities for the Nation.

For and on behalf of the Board of Directors

Arif Usmani
President & CEO
Karachi
Date: February 24, 2021

Zubyr Soomro
Chairman

ڈائریکٹرز کی رپورٹ برائے حصص مالکان

عزیز حصص مالکان ساتھیو!

بورڈ آف ڈائریکٹرز کی طرف سے 31 دسمبر 2020 کو ختم ہونے والے سال کے لیے بینک کی سالانہ رپورٹ کے ساتھ بینک کے آڈٹ شدہ مالیاتی گوشوارے اوران سے متعلق خودمختار آڈیٹرز کی رپورٹ پیش کرنے میں ہم خوشی محسوس کرتے ہیں۔ بینک کی انتظامیہ کی طرف سے تیار کردہ منسلک مالیاتی گوشوارے معاملاتی امور، کاروباری سرگرمیوں کے نتائج، کیش فلوز اور ایکویٹی میں تبدیلیوں کو منصفانہ طور پر پیش کرتے ہیں۔

مجموعی معاشی ماحول

بینک کی کارکردگی معاشی ماحول سے زبردست متاثر ہوئی۔ جیسا کہ سی ای او نے اپنے جائزے میں تفصیلاً احاطہ کیا ہے، 2020 میں معاشی ماحول آزمائشوں سے بھرپور تھا کیوں کہ پاکستان کی معیشت پہلے جامع عدم توازن سے، اور اس کے بعد عالمی وبا کووڈ-19 سے بری طرح متاثر ہوئی۔ منفی اثرات کو کافی حد تک سنبھال لیا گیا کیونکہ حکومت اور اسٹیٹ بینک آف پاکستان کی طرف سے گوناگوں محرک اقدامات متعارف کروائے گئے۔ دیگر امور کے علاوہ ان میں 1.2 ٹریلین روپے مالیت کا ایک مالی امدادی پیکیج؛ شرح سود میں 13.25 فیصد سے 7.0 فیصد تک 625 بنیادی پوائنٹس کی تخفیف؛ بینکوں کے لیے کیپٹل کنزرویشن بفر میں 100 بنیادی پوائنٹس کی کمی وغیرہ شامل ہے، جس کے نتیجے میں، پاکستانی معیشت کی بحالی کے آثار کی رونمائی کے ساتھ کلیدی مجموعی معاشی اشاروں میں نمایاں بہتری آئی ہے مثلاً کرنٹ اکاؤنٹ سرپلس، زرِمبادلہ کے بلند ذخائر اور غیر ملکی ترسیلاتِ زر، برآمدات اور لارج اسکیل مینوفیکچرنگ میں اضافہ۔ مالی سال 2020 کے دوران 0.4 فیصد تخفیف کے بعد، اسٹیٹ بینک آف پاکستان کا تخمینہ ہے کہ مالی سال 2021 میں پاکستان کی جی ڈی پی کی شرح 2 فیصد کے لگ بھگ بڑھ جائے گی۔

انٹرسٹ کی مد میں منافع جات پر دباؤ اور معیشت میں محدود کاروباری سرگرمیوں کے باوجود، بینکاری شعبے نے آزمائش سے بھرپور اس دور میں معقول مدافعت اور استقلال کا مظاہرہ کیا۔ اثاثوں کے معیار نے ایک اہم خدشے کی طرف اشارہ کیا، کیونکہ 2020 کے اختتام پر بینکاری شعبے کے غیر فعال قرضے بڑھ کر مجموعی قرضوں کا 9.2 فیصد ہوگئے۔

بنیادی سرگرمیاں

ہم عمومی طور پر پاکستان میں کام کرنے والے پاکستان کے اہم تجارتی بینکوں میں سے ایک ہیں جب کہ ہماری شناخیں یورپ، شمالی امریکہ اور ایشیا میں بھی موجود ہیں۔ بینک کی بنیادی سرگرمیوں میں برانچ بینکنگ کی عمومی خدمات، کنزیومر فنانس، کارپوریٹ اور انویسٹمنٹ بینکنگ، ٹریژری اور کیپٹل مارکیٹس، ٹرانزیکشن بینکنگ، کیش مینجمنٹ، ڈیجیٹل بینکنگ، بین الاقوامی تجارت اور ترسیلات وغیرہ شامل ہیں۔ بینک کے ذیلی ادارے بینکاری کی خدمات، کرنسی کا تبادلہ، مضاربہ، فنڈ مینجمنٹ اور سیکیورٹیز بروکریج سروسز پیش کرتے ہیں۔

کووڈ 19 پر ہمارا ردِعمل

عالمی وبا کووڈ-19 کے پھیلاؤ سے ہماری افرادی قوت پر صحت اور مالی خطرات لاحق ہوئے اور بینک کے آپریشنز کی قوتِ مدافعت اور مضبوطی، اس کے مالی استحکام کے ساتھ ساتھ ہمارے صارفین اور معاشرے کے مالی تحفظ کو آزمائش سے دوچار کیا۔ ان مشکل ادوار کے دوران، بورڈ، متعلقہ ابھرتے ہوئے خطرات سے نمٹنے کے لیے انتظامیہ کے ساتھ کھڑا رہا۔ مثلاً (i) ملازمین کی صحت اور حفاظت؛ (ii) صارفین کی فلاح و بہبود؛ (iii) کاروباری قوتِ مدافعت؛ (iv) بینک کا مالی استحکام؛ اور (v) مؤثر AML/CFT/KYC نگرانی وغیرہ۔

چونکہ کووڈ-19 کی صورتحال بدستور پروان چڑھ رہی ہے، آپ کا بورڈ اور انتظامیہ اس صورتحال کی مستعدی سے نگرانی کر رہے ہیں اور بینک کی قوتِ مدافعت بڑھانے کے لیے جوابی ردِعمل اپنا رہے ہیں، جبکہ بینک کے صارفین اور اپنی خدمات سے استفادہ کرنے والے طبقات کے لیے مواقع پیدا کر رہے ہیں۔

مالی سال 2020 کے دوران کارکردگی

آزمائشوں سے بھرپور ماحول کے باوجود بینک نے سال 2020 کے لیے زبردست مالیاتی نتائج پیش کیے۔ یہ ہمارے کاروباری ماڈل کی قوتِ مدافعت، ہماری مستعدی اور ہماری سینیئر انتظامیہ اور افرادی قوت کی کوششوں کی عکاسی کرتے ہیں۔

• منافع کمانے کی اہلیت

کارکردگی کے اہم اشاریے (ارب روپے)	2020	2019	بہتر/(بدتر)	
			تغیر	%
مجموعی آمدنی	140.2	108.1	32.1	29.7%
کاروباری اخراجات	63.1	65.9	2.7	4.2%
قبل از تموین منافع	77.1	42.3	34.9	82.5%
تموین کردہ رقوم	30.9	14.3	(16.6)	(116.8%)
قبل از محصول منافع	46.2	28.0	18.2	65.1%
بعد از محصول منافع	30.6	15.8	14.7	93.3%

بینک نے اپنی تاریخ میں سب سے زیادہ بعد از محصول منافع ریکارڈ کرایا۔ زیرِ جائزہ سال کے لیے، مجموعی مارک اپ/ انٹرسٹ انکم 257.81 ارب روپے پر 7.7 فیصد سال بہ سال اضافے پر بند ہوئی (2019: 239.48 ارب روپے)۔ جبکہ انٹرسٹ/ مارک اپ اخراجات کی مالیت 153.66 ارب روپے تھی، جس میں سے 103.38 ارب روپے یا 67.3 فیصد ڈپازٹرز کو ادا کیا گیا تھا۔ اسی کے مطابق، خالص انٹرسٹ/ مارک اپ انکم "NII" 104.16 ارب روپے تھی، جو 44.8 فیصد سال بہ سال اضافہ ہے۔ سال کے دوران محدود معاشی سرگرمیوں کے باوجود، بینک اپنی غیر مارک اپ/ انٹرسٹ انکم "NFI" کی روانی کو برقرار رکھنے میں کامیاب رہا جو 36.08 ارب روپے پر بند ہوئی (2019: 36.20 ارب روپے)، اسی کے مطابق بینک کی مجموعی آمدنی 29.7 فیصد سال بہ سال اضافے کے ساتھ 140.23 ارب روپے پر بند ہوئی (2019: 108.11 ارب روپے)۔

جیسا کہ کاروباری اور دیگر اخراجات 4.2 فیصد سال بہ سال کمی کے ساتھ 63.11 ارب روپے پر بند ہوئے، لاگت سے آمدنی کا تناسب 2019 میں 60.9 فیصد سے بہتر ہوکر 2020 میں 45.0 فیصد رہ گیا۔

تموین سے قبل منافع 77.1 ارب روپے پر 82.5 فیصد زائد تھا (2019: 42.25 ارب روپے)۔ تاہم یہ اضافہ تموین میں اضافے کے رجحان کے نتیجے میں نمایاں طور پر زائل ہوگیا جو 116 فیصد سال بہ سال اضافے کے ساتھ 30.90 ارب روپے رہا۔ جیسا کہ بینک کو 171.29 ارب روپے پر غیر فعال قرضوں (NPLs) میں 15.2 فیصد اضافہ برداشت کرنا پڑا (2019: 148.75 ارب روپے)۔

اسی کے مطابق قبل ازمحصول منافع 65.1 فیصد سال بہ سال اضافے کے ساتھ 46.22 ارب روپے رہا (2019: 28.00 ارب روپے) اور بعد ازمحصول منافع 93.3 فیصد سال بہ سال اضافے کے ساتھ 30.56 ارب روپے رہا (2019: 15.81 ارب روپے)۔ یہ اوسط اثاثوں اور ایکویٹی پر بالترتیب 1.0 فیصد (2019: 0.5 فیصد) اور 17.2 فیصد (2019: 10.2 فیصد) منافع جات کی عکاسی کرتا ہے۔

• بیلنس شیٹ اور سرمایہ جاتی استحکام

کارکردگی کے اہم اشاریے (ارب روپے)	2020	2019	بہتر/(بدتر)	
			تغیر	%
سرمایہ کاریاں	1,463.4	1,449.6	13.8	1.0%
قرضہ جات	983.3	1,008.1	(24.9)	(2.5%)
مجموعی اثاثہ جات	**3,008.5**	**3,124.4**	**(115.9)**	**(3.7%)**
ڈپازٹس اور دیگر اکاؤنٹس	2,419.0	2,198.0	220.9	10.1%
حاصل کردہ قرضہ جات	138.5	471.8	(333.2)	(70.6%)
خالص اثاثہ جات	**267.6**	**232.6**	**34.9**	**15.0%**

سال کے اختتام پر بینک کے مجموعی اثاثے 3,008.53 ارب پر بند ہوئے جو 2019 کے آخر میں 3,124.39 ارب روپے کے مقابلے میں 3.7 فیصد کم ہیں۔ یہ کمی بنیادی طور پر ہماری دانش مندانہ فنڈنگ اور لیکویڈٹی حکمتِ عملی کے مطابق منی مارکیٹ سے مالی اعانت کے حصول میں 333.22 ارب روپے کی کمی کا نتیجہ ہے۔ کیپٹل اینڈ ریزرو 267.6 ارب روپے پر بند ہوا یعنی دسمبر 2019 کو 232.6 ارب روپے سے 34.9 ارب روپے یا 15.0 فیصد زائد رہے۔

سال 2020 کے دوران بینک کے مالی استحکام میں بھی نمایاں بہتری واقع ہوئی۔ جبکہ کامن ایکویٹی ٹائر-1 (CET-1) کا سرمایہ جاتی تناسب 14.99 فیصد تک بڑھ گیا (2019: 12.11 فیصد)، مجموعی سرمایہ جاتی تناسب بھی 19.78 فیصد پر بہتر ہوا (2019: 15.48 فیصد)۔ اسی طرح، 2020 کے اختتام پر، بینک کا بیعانہ تناسب 4.06 فیصد تھا (2019: 3.36 فیصد)۔ 100 فیصد کے ریگولیٹری تقاضوں کے مقابلہ میں، بینک کی لیکویڈیٹی اور خالص استحکامی سرمایہ کے تناسب 180 فیصد (2019: 148 فیصد) اور 256 فیصد (2019: 233 فیصد) بالترتیب بڑھ گئے۔ مثبت پہلو پر، بینک کے CASA کا تناسب بھی بڑھ کر 83.8 فیصد ہوگیا (2019: 81.8 فیصد)۔

مالی کارکردگی اور دیگر تنظیمی پیش رفت کا تفصیلی احاطہ بھی سالانہ رپورٹ میں دیگر مقام پر موجود ہے۔

منافع جات کی تخصیص

بورڈ ہمارے حصص مالکان پر کووڈ-19 کے اثرات سے بخوبی واقف ہے اور اسے احساس ہے کہ حصص یافتگان ڈیویڈنڈ کے وصول کے منتظر ہیں۔ ہم آپ کو یقین دلاتے ہیں کہ ڈیویڈنڈ کی ادائیگی سے متعلق ہمارے تمام فیصلے خالصتاً معاشی ماحول، ریگولیٹری ہدایات اور بینک کے مالی استحکام کی عکاسی کرتے ہیں۔ ایک زیادہ مستحکم بیلنس شیٹ اور سرمایہ جاتی حیثیت کا مطلب یہ کہ بینک طویل مدت تک بہتر اور پائیدار نتائج دینے کے لیے عمدہ مقام پر فائز ہے۔ اصولی طور پر بورڈ ہمارے حصص مالکان کے لیے صحت مند اور پائیدار منافع جات کے لیے اقدامات کو نظر انداز نہیں کرسکتا۔

بورڈ نے گہرا غور کیا ہے کہ نقد منافع کی تقسیم کی سفارش کی جائے یا نہیں۔ تاہم کچھ مثبت اشاروں کے باوجود، پنشن کیس اور دیگر ہنگامی حالات کے ممکنہ اثرات ابھی بھی تشویش کا باعث بنے ہوئے ہیں۔ اسی کے مطابق، فی الحال منافع کو رکھنا زیادہ دانشمندانہ سمجھا گیا ہے۔ لہٰذا، بورڈ سال 2020 کے لئے کسی بھی ڈیویڈنڈ کی سفارش نہیں کرتا ہے۔

2019 کا جمع شدہ منافع آگے منتقل کرنے کے بعد سال 2020 کے لیے منافع بمطابق ذیل مختص کرنے کے لیے تجویز کیا گیا ہے۔

تخصیص منافع	(ملین روپے)
31 دسمبر 2020 کو ختم ہونے والے سال کے لیے بعد از محصول منافع	**30,558.9**
آگے منتقل کیا گیا، غیر تخصیص شدہ منافع	88,785.9
دیگر جامع آمدن۔ بعد از محصول	(497.9)
مقرر اثاثہ جات کے از سر نو تخمینہ پر فاضل سرمائے سے منتقلی	230.4
تخصیص کے لیے دستیاب منافع	**119,077.3**
تخصیص:	
قانونی ذخائر میں منتقلی (بعد از محصول منافع کا 10 فیصد)	(3,055.9)
آگے منتقل کیا گیا غیر تخصیص شدہ منافع	**116,021.4**

بینک کو درپیش بڑے خطرات اور غیر یقینی صورتحال

بینک کو داخلی اور خارجی طور پر بڑے خطرات اور غیر یقینی صورتحال درپیش ہیں۔ ان بڑے خطرات میں درج ذیل شامل ہیں:

(i) کریڈٹ رسک (ii) ٹریژری اینڈ کیپٹل رسک (iii) مارکیٹ رسک
(iv) آپریشنل رسک اور (v) انفارمیشن سیکیورٹی رسک۔

بینک قوت مدافعت برقرار رکھنے، کاروباری استحکام حاصل کرنے اور نقصانات کے خطرے کو قابل برداشت طے شدہ سطح کے اندر رکھنے کے لیے مؤثر آلات کی تیاری/استعمال کے ذریعے رسک مینجمنٹ کے ایک دانش مندانہ لائحہ عمل کی پیروی کرتا ہے۔ بورڈ اس بات کو یقینی بناتا ہے کہ بینک ان تمام اہم/مادی خطرات کو شناخت کرنے کے لیے مناسب پالیسیاں اور فریم ورک بروئے کار لاتا ہے جن سے بینک کو خطرہ لاحق/ممکن ہے اور ایسے خطرات سے نمٹنے کے لیے مطلوب مناسب انسانی وسائل، تہذیب، مشقیں اور نظام رکھتا ہو۔ بورڈ اور اس سے متعلقہ کمیٹی یعنی بورڈ رسک اینڈ کمپلائنس کمیٹی اور اعلیٰ مینجمنٹ اپنی متعلقہ کمیٹیز یعنی انٹرپرائز رسک مینجمنٹ کمیٹی، ایسیٹ اینڈ لائبلیٹی کمیٹی وغیرہ کے ذریعہ رسک مینجمنٹ کے ایک جامع فریم ورک کی تشکیل اور نفاذ کو یقینی بنانے کے ذمہ دار ہیں۔

بینک وبائی مرض کے پھیل جانے کے نتیجے میں خطرے کی زد میں زیادہ قریب آنے والے اکاؤنٹس اور انڈسٹریز کی شناخت کے لیے پورٹ فولیو کا مسلسل جائزہ لے رہا ہے۔ مزید برآں کووڈ-19 کے نتیجے میں انفارمیشن سیکیورٹی رسک مینجمنٹ کے سلسلے میں، بینک نے گھر سے کام کرنے، بینک کے ڈیجیٹل چینلز اور پروڈکٹس پر کاروباری حجم میں اضافے کی وجہ سے بڑھتے ہوئے سائبر سیکیورٹی کے خطرات کی نگرانی اور ان کا جواب دینے کے لئے مناسب اقدامات کیے ہیں اور اعلیٰ درجے کی سائبر سیکیورٹی اختیار کر رکھی ہے۔

مالیاتی گوشوارے کے نوٹ نمبر 47 میں بنیادی خطرات اور غیر یقینی صورتحال کے ساتھ ساتھ مستقبل کے امکانات کے بارے میں تفصیلی اشارے پر تبادلہ خیال کیا گیا ہے۔

بورڈ، بورڈ کمیٹیوں اور بورڈ کے اجلاس

درج ذیل معلومات، بشمول دیگر امور، لسٹڈ کمپنیز (کارپوریٹ گورننس کا ضابطہ اخلاق) کے قواعد وضوابط کی تعمیل کے بیان میں دی گئی ہیں۔

- ان افراد کے نام جو، مالی سال کے دوران کسی بھی وقت، بینک کے ڈائریکٹرز تھے۔اور
- بورڈ اور اس کی کمیٹیوں کے اجلاسوں کی تفصیل جس میں ہر ڈائریکٹر شریک ہوا۔

آڈیٹرز رپورٹ میں کسی بھی ترمیم کے متن کے سلسلے میں وضاحت

ایکسٹرنل آڈیٹرز نے اپنی رپورٹ میں، مالی گوشواروں کے نوٹ 25.3.3.1 کی طرف توجہ مبذول کرا کے معاملہ پر زور دیا ہے جس میں بینک کی پنشن سے متعلق واجبات کے سلسلے میں ہنگامی صورتِ حال کی وضاحت کی گئی ہے۔

قانونی مشیروں کی طرف سے مشورے کی بنیاد پر بینک معقول قانونی بنیاد رکھتا ہے کہ وہ معزز سپریم کورٹ آف پاکستان کو اپنے سابقہ فیصلے پر نظر ثانی پر قائل کرے۔

لہٰذا، نظر ثانی کی درخواست پر زیرالتواء فیصلے کے پیش نظر، 31 دسمبر، 2020 کو ختم ہونے والے سال کے مالی گوشواروں میں مذکورہ مقدمے کے مالی اثرات کو شامل نہیں کیا گیا ہے۔ مزید تفصیلات کے لیے مذکورہ نوٹ سے رجوع کریں۔

بیلنس شیٹ کی تاریخ کے بعد اہم واقعات

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

غیر ملکی ذیلی اداروں اور شاخوں کی بندش

بین الاقوامی فرنچائزز کے بارے میں ہماری نظر ثانی شدہ حکمت عملی کے مطابق، بورڈ نے بیرون ملک دو (02) ذیلی اداروں، (i) المالتی - قازقستان، اور (ii) دوشنبہ، تاجکستان کے ساتھ ساتھ بیرون ملک واقع تین (03) شاخوں کو بند کرنے کی منظوری دے دی ہے۔ (i) باکو، آذربائیجان، (ii) بشکک - ترکمانستان، اور (iii) اشک آباد - ترکمانستان۔ مزید برآں، بورڈ نے افغانستان اور بنگلا دیش میں بینک کی کارروائیوں کو زیادہ مستحکم بنانے کے لیے کاروبار کو بالترتیب دارالحکومت کابل اور ڈھاکہ میں قائم برانچوں تک محدود رکھنے کے لیے انتظامیہ کی سفارشات کو بھی منظور کرلیا ہے۔

اندرونی انضباط اور تعمیل (کمپلائنس)

ہم پاکستان اور دنیا بھر میں اپنے ریگولیٹرز کو یہ پیغام دیتے ہیں کہ بورڈ ہماری تمام منڈیوں اور سرگرمیوں میں نظم ونسق کے بہترین معیار پروان چڑھانے کو ترجیح بنا رہا ہے، تاکہ وہ آپ کی توقعات پر پورا اتر سکیں۔ بینک بہتری کے جذبے کے تحت تمام قابل اطلاق قوانین، قواعد وضوابط، اور ضابطوں کی تعمیل کو یقینی بنانے کے لئے پرعزم ہے، اور اپنے ڈومیسٹک نیٹ ورک سے متعلق تعمیل (کمپلائنس) اور انضباط کی صلاحیت کو بہتر بنانے کی ضرورت کو تسلیم کرتا ہے۔ اس کی 1500 سے زائد شاخوں میں نگرانی کو تقویت دینے کے لیے نیٹ ورک کے ڈھانچے کی اصلاح کا عمل جاری ہے۔ اس مقصد کے لیے، ہم نے موثر فیصلہ سازی کے لئے موثر AML/KYC اسکریننگ، ڈیٹا کی درستگی اور صداقت، فنانشل رپورٹنگ پر اندرونی انضباط، ڈیٹا کلینزنگ اور مستعد فیصلہ سازی کے لیے بروقت اور معیاری MIS کی تیاری کے لیے نئے تکنیکی پلیٹ فارمز میں سرمایہ کاری کے لئے تزویراتی ہدایات (Strategic Direction) دے دی ہیں۔

بورڈ کی طرف سے اکاؤنٹ میں مصالحت بہتر بنانے، ڈیٹا کلینزنگ اور میرٹ اور احتساب کے فروغ کی جانب خاطر خواہ توجہ دی جارہی ہے۔ مزید برآں، کور بینکنگ ایپلیکیشن کو اپ گریڈ کرنے کے بڑے کام کو ترجیح دی جارہی ہے۔ بورڈ کی سطح پر، موثر نگرانی کے لیے ٹیکنالوجی میں زیادہ سے زیادہ مہارت کی ضرورت ہے۔ حکومت کی اس طرف توجہ دلائی گئی ہے اور چھ ماہ قبل ایک مناسب نامزدگی کی گئی تھی لیکن ابھی تک اس پر کوئی جواب نہیں ملا۔ جبکہ اعلیٰ سطح پر اہم ٹیلنٹ کو بینک کی طرف راغب کیا گیا ہے، فرسودہ اسٹاف سروس رولز بینک کے عملے کو ہائیکورٹ کی سطح پر براہ راست فضول مقدمے دائر کرنے کے قابل بناتے ہیں اور اس کے نتیجے میں بینک کو بڑی تعداد میں پریشان کن مقدمات کا سامنا کرنا پڑتا ہے جو انتظامیہ کو ضروری اصلاحات پر عمل کرنے سے روکتے ہیں۔ جہاں کارکردگی پر مبنی ثقافت کو رائج کیا جارہا ہے، اس کی تاثیر کو اسی اسٹاف سروس رولز کی موجودگی نے وسیع پیمانے پر کمزور کردیا ہے۔ بینک کو اپنی اصل صلاحیت تک پہنچنے میں مدد کے لیے، حکومت کے تعاون کی ضرورت ہے تاکہ ان فرسودہ سروس رولز کو منسوخ اور ان کی تجدید تجویز کی جاسکے۔
کمپلائنس کی ایک بلند سطح کے حصول کے لیے بینک کی بین الاقوامی فرنچائز کو حکمت عملی کے ساتھ مربوط کیا جارہا ہے۔ اس مقصد کے لیے، بینک کے بین الاقوامی موجودگی کو مستحکم کرنے کے لیے کام جاری ہے اور کچھ شاخوں کی بندش کے فیصلے پر پہلے ہی عمل درآمد ہورہا ہے۔

2016 میں بینک اور اس کی نیویارک کی شاخ نے فیڈرل ریزرو بینک آف نیویارک اور نیویارک اسٹیٹ ڈپارٹمنٹ آف فنانشل سروسز (یو ایس ریگولیٹرز) کے ساتھ تحریری معاہدہ کیا۔ یہ معاہدہ، دیگر امور کے علاوہ، بینک سے اینٹی منی لانڈرنگ اور یو ایس بینک سیکریسی قانون کے تقاضوں سے متعلق تعمیل اور رسک مینجمنٹ سے متعلق مخصوص معاملات سے عہدہ برآ ہونے کا تقاضا کرتا ہے۔ یہ معاہدہ ایسے تقاضوں کی مکمل پاسداری یقینی بنانے کے لیے مطلوبہ سسٹمز اور کنٹرولز کے اطلاق اور معقول وسائل مختص کرنے کا بھی تقاضا کرتا ہے۔

بینک نے نشاندہی کی جانے والی ریگولیٹری کمزوریوں کو دور کرنے کے لیے اپنے نیویارک آپریشنز میں افراد، سسٹم اور طریقہ کار میں اہم تبدیلیاں کی ہیں اور بورڈ کمیٹی اور بورڈ کی سطح پر سینئرز کی توجہ کو یقینی بنایا ہے، لیکن تاریخی طور پر کمزور کمپلائنس کی ثقافت کو موثر طریقے سے تبدیل ہونے میں وقت لگے گا اور اس دوران بینک بدستور غیر محفوظ رہے گا۔

کریڈٹ ریٹنگ

نیشنل بینک آف پاکستان، پاکستان کی دونوں تسلیم شدہ کریڈٹ ریٹنگ ایجنسیز کی طرف سے 'AAA' ریٹنگ کا حامل ہے۔ جون 2020 میں میسرز VIS کریڈٹ ریٹنگ کمپنی نے بطور "AAA" بینک کی اسٹینڈ الون کریڈٹ ریٹنگ کی توثیق کی ہے جو پاکستان میں کسی بینک کے لیے کمپنی کی تفویض کردہ سب سے بلند کریڈٹ ریٹنگ ہے۔ اسی طرح میسرز PACRA نے بھی بینک کو طویل مدتی اینٹیٹی ریٹنگ 'AAA' (ٹرپل اے) اور مختصر مدتی کریڈٹ ریٹنگ 'A1+' (اے ون پلس) تفویض کی ہے۔

آڈیٹرز کی تقرری

بینک کے موجودہ آڈیٹرز میسرز یوسف عادل چارٹرڈ اکاؤنٹینٹس اور میسرز گرانٹ تھورنٹون انجم رحمٰن چارٹرڈ اکاؤنٹینٹس، اس سال ریٹائر ہورہے ہیں۔

بورڈ آف ڈائریکٹرز، بورڈ آڈٹ کمیٹی کی سفارشات پر، میسرز **PwC اے ایف فرگوسن اینڈ کمپنی**، چارٹرڈ اکاؤنٹینٹس اور میسرز یوسف عادل چارٹرڈ اکاؤنٹینٹس کی 31 دسمبر، 2021 کو اختتام ہونے والے سال کے لیے بینک کے ایکسٹرنل آڈیٹرز کی حیثیت سے دوبارہ تقرری کی تجویز، موجودہ مشاہرے (Existing Remuneration) پر پیش کرتے ہیں، جو کہ 29 مارچ 2021 کو منعقدہ 72 ویں سالانہ اجلاس عام میں حصص مالکان کی جانب سے منظور کی جائے گی۔

بینک کے کاروبار کا ماحولیات پر اثر

بینک اپنی کاروباری سرگرمیوں کے ماحولیاتی نتائج اور ماحولیاتی خطرات کے مدمقابل حفاظتی اقدامات کے لیے اپنی ذمہ داری سے واقف ہے۔ اگرچہ بینک کی کاروباری سرگرمیوں کا ماحول پر براہ راست اثر نہیں پڑتا ہے، بینک نے معیشت کو وسائل سے معمور اور آب و ہوا کے خلاف قوت مدافعت سے مالا مال معیشت میں تبدیل کرنے کے لئے سرمایے کی فراہمی کے لیے اسٹیٹ بینک کی گرین بینکنگ گائیڈ لائنز کے تحت گرین بینکنگ اقدامات پر عمل درآمد کے لئے اقدامات اٹھائے ہیں۔ ہم ماحولیاتی خطرات کی شناخت، تشخیص اور تخفیف کے لئے مناسب تکنیکی نظام کے کوشاں ہیں۔

توثیق

بورڈ آف ڈائریکٹرز اس سالانہ رپورٹ میں شامل مندرجہ ذیل بیانات کی بخوشی توثیق کرتے ہیں:

- اندرونی انضباط کا بیان - حصص کی ملکیت کا اسلوب - سی ایس آر رپورٹ

مستقبل کی توقعات

2020 کے آسان خاتمے اور 2021 میں ایک مشکل آغاز کے بعد، کورونا وائرس ویکسین متعارف کرائے جانے کی بدولت آئندہ سال عالمی معاشی بحالی کی رفتار تیز ہونے کا امکان ہے۔ توقع ہے کہ پاکستان میں معاشی رفتار میں بھی بہتری آئے گی لیکن وبا سے پہلے والی سطح سے نیچے ہی رہنے کی توقع ہے۔ جولائی میں مالی سال کے آغاز پر سرگرمی میں اضافے کے بعد مالی سال 2021 میں پاکستان کی معیشت 1.5 فیصد سے 2.0 فیصد کے معمولی اضافہ پر واپس آنے کی توقع ہے۔ اس ماحول میں، نجی شعبے کے قرضے میں معمولی حد تک اضافہ متوقع ہے، سال بھر میں اس میں 5 فیصد تا 7 فیصد تک اضافہ ہوگا۔ اگرچہ پالیسی کے ردِعمل کے نتیجے میں توقع کی جارہی ہے کہ عالمی وبا سے کاروباروں کو پہنچنے والے دھچکے کے اثرات کم ہوں گے، لیکن اس کے اثرات پوری طرح زائل نہیں ہوسکتے۔ اثاثہ جات کو لاحق خطرے کے بڑھتے ہوئے رجحان کی پیش گوئی کی جارہی ہے کیونکہ معاشی سست روی قرض داروں کی ادائیگی کی صلاحیتوں پر اثرات مرتب کرتی ہے۔ قرض کی ادائیگی مؤخر ہونے اور دوسرے معاون اقدامات سے غیر فعالیت محدود ہوگی، لیکن اس سے خطرات پوری طرح ختم نہیں ہوں گے۔

آپ کا بورڈ بحران کے بعد کی حکمت عملی تیار کررہا ہے کہ بینک کیسے معیشت میں اپنے نظامی طور پر اہم کردار کی ادائیگی اور اپنے صارفین کی خدمت جاری رکھے گا، جبکہ حصص یافتگان کو کارکردگی کی فراہمی کے لیے ایک مضبوط اور مستحکم بیلنس شیٹ کو بھی برقرار رکھے گا۔ سال 2021 اور اس سے آگے، ہماری کاروباری حکمت عملی کم خدمات کے حامل شعبوں بشمول ایس ایم ای، مائیکروفنانس، ایگریکلچر فنانس، اور مائیکرو ہاؤسنگ کے لئے فنانس کو ترجیحی بنیادوں پر رسائی اور معاونت کے ذریعہ جامع ترقی پر مرکوز ہوگی۔ ڈیجیٹل بینکاری کی صلاحیت اور ٹیکنالوجی پلیٹ فارم کی تعمیر اس حکمت عملی کا مرکزی حصہ ہوگی کیونکہ اس کے تحت ادارے میں کارکردگی پر مبنی روایت کو فروغ دیا جائے گا۔ ڈیجیٹل چینلز کے مقابلے میں روایتی بینکاری کی سست شرح نمو کو دیکھتے ہوئے، ہماری مستقبل کی کاروباری حکمت عملی خودکوای بینکاری کی ابھرتی ہوئی حرکیات سے منسلک کرنے کے اردگرد تیار ہوگی کیونکہ بینکاری کی جامع سہولیات پیش کرنے کے لئے ڈیجیٹل بینکنگ پر خصوصی توجہ دینے کی ضرورت ہے۔

اعتراف اور ستائش

ہم اس موقع سے فائدہ اٹھاتے ہوئے حکومتِ پاکستان، اسٹیٹ بینک آف پاکستان، سیکیورٹی اینڈ ایکسچینج کمیشن آف پاکستان اور دیگر ریگولیٹری اتھارٹیز کو ان کے مسلسل تعاون کے لیے، بینک کے حصص مالکان اور کسٹمرز کو ان کے اعتماد کے لیے اور اپنے ملازمین کو ان کی مسلسل جاں فشانی اور لگن کے لیے خراج تحسین پیش کرتے ہیں اور اعتراف کرتے ہیں۔

ہم قوم کا اپنا بینک ہونے کی حیثیت سے بینک کو اپنی اصل صلاحیت کے مطابق پاکستان کی سماجی و اقتصادی ترقی میں اپنا کردار نبھانے کے قابل بنانے کے لیے ان کے مسلسل تعاون کے لیے پُرامید ہیں۔

ہم اپنی ٹیم کے موجودہ ساتھیوں اور ریٹائر ہونے والے رفقائے کار جناب محمد نعیم اور جناب ظفر مسعود کا بینک کو مستحکم اور قوم کے لیے نمو کے ثمر آکتی مواقع پیدا کرنے کے قابل بنانے کے لیے بورڈ میں ان کے کردار پر اظہارِ تشکر کرنا چاہیں گے۔

منجانب بورڈ آف ڈائریکٹرز

عارف عثمانی
صدر اور چیف ایگزیکٹو آفیسر
تاریخ: 24 فروری 2021

زبیر سومرو
چیئرمین

Corporate Governance

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

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

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

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



Board Composition

Non-Executive and Executive Directors

Independent - 5
Non-Executive - 2
Executive - 1

Chairman

CEO

Board's Gender Composition

7 Male

1 Female

Directors' Industry Experience

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

Governance & Stewardship

Board of Directors (Setting Strategy and Oversight)

Main Board

- Chairman
- Executive Director
- Independent / Non-Executive Directors

Board Committees

- Board Audit Committee
- Board Technology & Digitalization Committee
- Board HR & Remuneration Committee
- Board Inclusive Development Committee
- Board Risk & Compliance Committee
- Board International Franchises & Remittance Committee
- NBP – NY Governance Council (Sub-Committee of BIFRC)

Key Management Committees (Strategy Execution)

- Management Committee for Overseas Operations
- Management Credit Committee
- Equity Investment Committee
- Assets Liability Committee
- Enterprise Risk Committee
- Compliance Committee of Management
- Expense Approval Committee

Executive Management (Conducting Operations and Managing Risk)

- Business Groups
- Compliance Groups
- Support Groups

Shareholders and Regulators

Directors' Participation

Directors' Attendance in Meetings held during 2020:

Sr. No.	Body	BOD		BAC		BHRRC		BRCC		BTDC		BIDC		BIFRC		NBP – NY GC	
	Total Meetings Held	14		8		9		7		9		7		5		3	
	Name of Director	Status	A	Status	A	Status	A	Status	A	Status	A	Status	A	Status	A	Status	A
1	Mr. Zubyr Soomro	Chairman	14			Chairman	9										
2	Mr. Arif Usmani	President	14			Member	8	Member	6	Member	9	Member	7	Chairman	5	Member	3
3	Mr. Farid Malik	Director	13			Member	9	Member	7	(A) Chairman	9						
4	Mr. Tawfiq A.Hussain	Director	14	(A) Chairman	8			Chairman	7					Member	5	Chairman	3
5	Mr. Muhammad Sohail Rajput	Director	14	Member	6							Member	7				
6	Ms. Sadaffe Abid	Director	11							Member	9	Chairman	7				
7	Mr. Imam Bakhsh Baloch	Director	14					Member	7			Member	7				
8	Mr. Asif Jooma*	Director	11	Member	6	Member	7										
9	Mr. Zafar Masud*	Director	6			Member	4			Member	3			Member	2		
10	Mr. Muhammad Naeem*	Director	3	Member	2			Member	1								

BAC - Board Audit Committee **BHRRC** - Board HR & Remuneration Committee **BRCC** - Board Risk and Compliance Committee **BTDC** - Board Technology & Digitalization Committee

BIDC - Board Inclusive Development Community **BIFRC** - Board International Franchises & Remittance Committee **NBP** – NY Governance Council - Sub Committee of IFRC

A: Attended

Chairman **Member**

* Meetings of Particular forum attended by the concerned director during his/her tenure		
1.	Mr. Muhammad Naeem	Mr. Muhammad Naeem retired as director and member on the Board Audit Committee and Board Risk and Compliance Committee.
2.	Mr. Asif Jooma	Mr. Asif Jooma replaced Mr. Muhammad Naeem as director and member on the Board Audit Committee and Board HR & Remuneration Committee with effect from March 09, 2020.
3.	Mr. Zafar Masud	Mr. Zafar Masud retired as director and member of the BHRRC and BTDC.

Committees of the Board

The Board has seven (07) committees, details of which are given below.

1. Board Audit Committee (BAC)

1) Name of the Chairman of the Committee: Mr. Tawfiq A. Hussain, Acting Chairman BAC

2) Number of meetings held during the year 2020: 08

BAC Members and their attendance in 2020

Names of Directors	Status	# of Meetings Attended	Non-Executive/ Independent
Mr. Tawfiq A. Hussain	Chairman	08 out of 08	Independent Director
Mr. Muhammad Sohail Rajput	Member	06 out of 08	Non-Executive Director
Mr. Asif Jooma	Member	06 out of 08	Non-Executive Director
Mr. Muhammad Naeem	Member (Retired)	02 out of 02	Independent Director

The Board Audit Committee ensured the existence of an independent internal audit function in the Bank with adequate resources and staffing. The Committee reviewed the progress of the approved annual internal audit plan 2020 on a quarterly basis, reviewed and approved the updated / revised internal audit manual, A&IG & BAC Charters and Audit Policy during the year 2020.

The Committee ensures effective coordination between internal and external auditors, recommends the appointment of external auditors, reviewed the external audit plan for 2020, discussed the financial results with the external auditors, including significant issues of the audit and giving direction to management for its resolution. The Committee reviewed and recommended the quarterly financial results to the Board of Directors for approval.

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

2. Board HR & Remuneration Committee (BHRRC)

Names of Directors	Status	# of Meetings Attended	Non-Executive/ Independent
Mr. Zubyr Soomro	Chairman	09 out of 09	Chairman
Mr. Arif Usmani	Member	08 out of 09	President / CEO
Mr. Farid Malik	Member	09 out of 09	Independent Director
Mr. Asif Jooma	Member	07 out of 07	Non-Executive Director
Mr. Zafar Masud	Member	04 out of 04	Independent Director

No. of meetings held during the year: 09

ToRs of the Committee include the followings:

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

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

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

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

v) Review and guide management on industrial relations issues.

vi) Review the appropriateness of and recommendations for organizational restructuring as and when deemed necessary.

vii) Review and recommend policy changes in Pension Benefits.

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

ix) To review and recommend appointments to the Boards of NBP subsidiaries, affiliates and other institutions where NBP Boards' representation is required.

x) Review diversity & inclusion strategy.

xi) Review succession planning of key executives and KPIs.

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

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

3. Board Risk & Compliance Committee (BRCC)

Names of Directors	Status	# of Meetings Attended	Non-Executive/ Independent
Mr. Tawfiq A. Hussain	Chairman	07 out of 07	Independent Director
Mr. Arif Usmani	Member	06 out of 07	President / CEO
Mr. Farid Malik	Member	07 out of 07	Independent Director
Mr. Imam Bakhsh Baloch	Member	07 out of 07	Independent Director
Mr. Muhammad Naeem	Member	01 out of 01	Independent Director

No. of meetings held during the year: 07

ToRs of the Committee include the followings:

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

i) Recommend the Risk Management Group Policies for approval by the BoD.

ii) Review the Risk Management Policy on a periodic basis to ensure that it remains updated with regards to changes in the Risk Management activities of the Bank as and when they are implemented.

iii) Oversee that the Bank has appropriate systems, tools, techniques, methodologies and controls to measure (as far as possible), to monitor and manage all significant risks embedded in the Bank's books.

iv) Review and recommend to the Board the Bank's overall Risk Appetite and associated limits / concentration in respect of credit, market, liquidity and operational risks.

v) Periodically review Risk Management strategies developed and recommended by RMG / ERMC and propose it to the Board for approval.

vi) Monitor the impact of significant risk issues on the Bank's strategy and monitoring alignment of the strategy, appetite, business plans, budgets and policies etc. to address the existing or potential risks.

vii) Recommendation / ratification of tolerable deviations to the portfolio risk limits and the risk management policies as recommended by ERMC / any other competent authorities.

viii) Monitor the Bank's progress towards Basel-related implementation as per SBP / regulatory guidelines / directives and review the acquisition of Risk Management Systems duly recommended by the management.

ix) Formulate an overall view of the adequacy of the Bank's capital with a prudent risk management perspective ensuring that overall risk exposure stays at adequate level and consistent with available / planned capital.

x) Review the performance of the Risk Management Group.

xi) Review various exception and MIS reports prepared by RMG.

xii) Review TORs for functions and committees responsible for credit, market, liquidity and operational Risk Management and establishing minimum risk reporting criteria.

xiii) Monitor that the resources allocated for risk management are adequate given the size, nature and volume of the business.

xiv) Ensure that the Committee members participate in the orientation and training program to educate and enhance the knowledge of new / existing members on their areas of responsibilities and ensure participation of members in continuing professional development programs / workshops to enhance Committee members' understanding of relevant areas.

xv) Review FI Placements Limits on a regular basis.

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

i) Review and recommend for approval to the BoD Compliance Risk Strategy (as part of the Bank's overall risk strategy) and allied policies of the Compliance Group and oversee its implementation across the entity in letter and spirit.

ii) Ensure the establishment of a robust Compliance Framework compatible with the Bank's overall Risk Management Strategy, risk profile and complexity of operations, with the required authority, independence, financial resources and quality human resources.

iii) Review and recommend for approval to the BoD an end-to-end Compliance Program that promotes and supports Compliance Risk Management across the organization, at every hierarchy level of NBP.

iv) Maintain and promote a high compliance culture and values of honesty and integrity in NBP.

v) Discuss compliance issues regularly, ensuring that adequate time and priority is provided in the agenda to deliberate compliance issues and that such issues are resolved effectively and expeditiously.

vi) Evaluate the effectiveness of NBP's overall management of compliance risk, at least annually; keeping in view the regulatory observations in on-site examinations, regulatory enforcement actions, internal assessments / feedback from internal audit, compliance reviews, as well as interactions with the Group Chief/Head of Compliance Group.

vii) On the advice of the President, recommend approval to the BoD for the appointment of Group Chief/Head of Compliance Group with sufficient experience, expertise, skills and qualifications to perform Group Chief/Head of Compliance Group's functions in an effective manner.

viii) Recommend to the BoD for any disciplinary action or termination of the Group Chief/Head of Compliance Group.

ix) Ensure that the position of the Group Chief/Head of Compliance Group does not remain vacant for more than 60 days.

x) Ensure that the Group Chief/Head of Compliance Group has the appropriate stature, authority, resources (physical, financial and human) and support to fulfill the duties, is sufficiently independent of line departments, and has the capacity to offer objective opinions and advice to Senior Management and the Board on matters of Compliance Risk.

xi) Engage with Group Chief / Head of Compliance Group on a half-yearly basis to provide him the opportunity to discuss issues faced by the Compliance Framework in implementation of Board-approved Compliance Program.

xii) Review the minutes of the Compliance Committee of Management (CCM) meetings to ascertain its effectiveness in managing Compliance Risk.

xiii) Review the progress in implementing remedial actions taken with respect to instances or non-compliance or control weakness, as identified by the Compliance Framework through its regular compliance reviews and / or various other sources.

xiv) Satisfy itself of receiving accurate as well as comprehensive information required to perform compliance risk oversight responsibilities, including seeking assurances from Senior Management that the Compliance Risk controls have been implemented and are working effectively.

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

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

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

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

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

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

vi) Reviewing Suspicious Transactions Reports (STR) submitted to the Financial Monitoring Unit.

vii) Updating status on staff trainings on AML/KYC/Sanctions Compliance.

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

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

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

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

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

4. Board Inclusive Development Committee (BIDC)

Names of Directors	Status	# of Meetings Attended	Non-Executive/ Independent
Ms. Sadaffe Abid	Chairman	07 out of 07	Independent Director
Mr. Arif Usmani	Member	07 out of 07	President / CEO
Mr. Muhammad Sohail Rajput	Member	07 out of 07	Non-Executive Director
Mr. Imam Bakhsh Baloch	Member	07 out of 07	Independent Director

No. of meetings held during the year: 07

ToRs of the Committee include the followings:

i) Advise and report to the NBP Board on the status of development finance activities and initiatives in the Bank.

ii) Review and recommend Development Finance Strategy and relevant policies for the Bank in the sectors related to low cost housing, SME, agriculture, livestock and fisheries, financial inclusion and women's empowerment, education financing, etc. before submission to the NBP Board.

iii) For the SME Sector, evaluate and recommend policies to promote Value Chain Financing leveraging existing and new corporate relationships.

iv) For financial inclusion, plan how to equip NBP to understand and grow lending to the microfinance banks and institutions, including tapping funding routed through the State Bank and multilateral agencies.

v) Review and monitor progress on the above initiatives and recommend policy changes needed to enable growth in underserved segments in alignment with the Bank's vision and strategic goals and the country's overall needs.

vi) Review and ensure that necessary capacity and resources are available to deliver the Development Finance mandate of the Bank, including organizational structuring necessary to promote NBP as a leader in the relevant segments.

vii) Receive periodic updates from the Bank staff to monitor all Development Finance related projects approved by the NBP Board.

viii) Review the Bank's CSR strategy and align it with the Financial Inclusion and Development Finance mandate. Receive periodic updates on the CSR activities.

ix) Determine and advise on what research may be needed to direct the Bank's approaches most effectively and what means the Bank should deploy to monitor progress thereof.

x) Study Micro, Small and Medium Enterprise strategies that have been successfully implemented by network banks in other markets including through specialized vehicles such as leasing and factoring.

xi) To work with the Government of Pakistan and SBP to promote low cost housing and reduce impediments.

xii) Evaluate and review the existing agriculture financing structure and "Farm-to-Fork" financing.

xiii) To explore financial intermediate in underserved areas including healthcare.

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

5. Board Technology & Digitalization Committee (BTDC)

Names of Directors	Status	# of Meetings Attended	Non-Executive/ Independent
Mr. Farid Malik	Chairman	09 out of 09	Independent Director
Mr. Arif Usmani	Member	09 out of 09	President / CEO
Ms. Sadaffe Abid	Member	09 out of 09	Independent Director
Mr. Zafar Masud	Member	03 out of 03	Independent Director

No. of meetings held during the year: 09

ToR of the Committee include the followings:

i. Advise and respond to NBP Board on the status of technology activities and digital initiatives in the bank.
ii. Review overall need of businesses and resources available to meet these needs.
iii. Review and recommend IT and Digital strategies and relevant policies before submission to NBP Board.
iv. Access technology resources including hardware. software, security and networking are up-to date to meet the requirement on an up-to-date basis.
v. Ensure that risk management strategies are designed and implemented to achieve resilience, such as the ability to effectively respond to wide scale disruptions including cyber-attacks and attacks on multiple critical infrastructure sectors.
vi. Review and monitor technology policies and plans such as Strategic Technology Implementation Plan, DR Plan, Cyber-Security Implementation Plan, etc.
vii. Receive periodic updates from IT steering Committee to monitor all technology-related projects approved by NBP Board.
viii. Review BCP arrangement; in particular, DR and Backup arrangements in an on-going basis.
ix. Ensure that technology procurement are aligned with the IT strategy approved by the Board.
x. approve terms of reference or any change in the constitution of IT Steering Committee.
xi. Board ratification of the decisions taken by BITC, to be subsequently obtained, wherever applicable.
xii. If deem necessary, the committee may seek expert opinion from independent sources.

6. Board International Franchises & Remittance Committee (BIFRC)

Names of Directors	Status	# of Meetings Attended	Non-Executive/ Independent
Mr. Arif Usmani	Chairman	05 out of 05	President / CEO
Mr. Tawfiq A. Hussain	Member	05 out of 05	Independent Director
Mr. Zafar Masud	Member	02 out of 02	Independent Director

No. of meetings held during the year: 05

ToRs of the Committee include the followings:

i. Addressing concerns and ensuring compliance with all applicable laws and regulatory instructions of the respective host jurisdictions of all international offices.

ii. Periodically reviewing, monitoring and placing to the BoD the jurisdiction-wise Board-approved strategic plan with well-defined and measurable deliverables.

iii. Overseeing and regularly evaluating the financial and operational performance of its overseas subsidiary, joint venture operations, and that of overall overseas branch operations. Conducting a thorough variance analysis for subsidiaries, JV and / or branches / jurisdictions.

iv. Providing strategic guidance on expansion or reduction of operations in any jurisdiction and ensuring that such overseas operations are in line with the Bank's overall business model & strategic plan.

v. Reviewing the detailed "Review Report" submitted by the Bank's Management on the financial and operational performance of the Bank's overseas operations in each jurisdiction on a periodic basis (preferably twice a year).

vi. Reviewing the minutes to remain aware of the issues being faced by overseas subsidiaries as well as evaluating the performance of the overseas subsidiaries' board and taking necessary actions/decisions to address deficiencies.

vii. Ensuring that comprehensive policies, procedural manuals / SOPs, competent staff and proper system support are put in place in all critical areas of operations in such jurisdictions including i) Risk Management, ii) Credit Approval, Documentation & Disbursements, iii) Investments, iv) Internal Controls, v) IT Security, vi) AML & CFT, vii) Internal Audit, viii) Compliance, and ix) Human Resources.

viii. Ensuring that a proper Human Resource Rotation Policy is developed and implemented in letter and spirit on employees posted at overseas branches / jurisdictions at all hierarchal levels.

ix. Reviewing a cost benefit analysis of overseas Representative Offices on a periodic basis and shall consider closing those offices that do not provide any net financial benefit to the Bank. In cases where the Bank wants to continue those offices despite the fact that they do not provide any net financial benefit to Bank, proper reasons & justifications will be recorded for such a decision at Board level.

x. Periodically reviewing; 1) major litigations of overseas operations, 2) host regulator inspection reports and resolution of outstanding critical issues, 3) conflicts of interest (if any) in organizational structure of overseas operations and their removal.

xi. Reviewing the Bank's performance on Home Remittances vs Industry.

xii. Reviewing Technology Improvement for Home Remittances.

xiii. Reviewing strategic expansion plans which includes deployment of resources in key target markets. Resources may include human resources, physical as well as digital infrastructure.

xiv. Reviewing of plan for revamping, revisiting overseas branches and opening of new specialized branches wherever necessary.

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

Names of Directors	Status	# of Meetings Attended	Non-Executive/ Independent
Mr. Tawfiq A. Hussain	Chairman	03 out of 03	Independent Director
Mr. Arif Usmani	Member	03 out of 03	President / CEO

No. of meetings held during the year: 03

ToRs of the Committee include the followings:

i. Addressing concerns and ensuring compliance with all applicable laws and regulatory instructions of the respective host jurisdictions of all international offices.

ii. Periodically reviewing, monitoring and placing for the BoD the jurisdiction-wise Board-approved strategic plan with well-defined and measurable deliverables.

iii. Overseeing and regularly evaluating the financial and operational performance of overseas subsidiaries, joint venture operations, and that of overall overseas branch operations. Conducting a thorough variance analysis for subsidiaries, JV and / or branches / jurisdictions.

iv. Providing strategic guidance on expansion or reduction of operations in any jurisdiction and ensuring that such overseas operations are in line with the Bank's overall business model & strategic plan.

Role of the Board of Directors

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

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

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

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

Performance Evaluation of the Board of Directors

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

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so. The Board of Directors is responsible for overseeing the Bank's financial reporting process.

Directors' Remuneration Policy

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

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

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

The details of compensation of directors in 2020 are disclosed in Note 41 to the unconsolidated financial statements.

Matters Delegated to the Management

The Board of Directors approves the strategic plan/objectives and takes the overall responsibility of overseeing its implementation. The Board performs its duties by giving timely guidelines to the Management, setting performance targets and monitoring their achievements. The Management is primarily responsible for implementing the strategies as approved by the Board of Directors in effectively conducting the operations of the Bank. Tactical and operational matters are delegated to the Management. Further, under the direction and oversight of the President & CEO of the Bank, the Senior Management carries out and manages the Bank's activities in a manner consistent with the strategic plan, business goals, risk appetite and other policies approved by the Board of Directors.

Related Parties and approved Policy for Related Party Transactions

The Board of Directors has approved a Policy for Related Party Transactions. The Bank's policy is to conduct all the related party transactions on an arm's length basis in the normal course of business. The policy specifies that all transactions entered into with related parties shall require the Board's approval on the recommendation of the Board Audit Committee of the Bank, which is chaired by an independent director of the Bank. If a transaction is not conducted on arm's length basis then specific approvals or ratifications are required by the Board on recommendation of the Board Audit Committee in order to avoid any potential conflict of interest.

Every Director (including spouse, children, step children and parents) of the Bank who is in any way, whether directly or indirectly, concerned or interested in any contract or arrangement entered into, or to be entered into, by or on behalf of the Bank shall disclose the nature of his concern or interest at a meeting of the board. No Director of the Bank shall, as a Director, take any part in the discussion of, or vote on, any contract or arrangement entered into, or to be entered into, by or on behalf of the Bank, if he/she is in any way, whether directly or indirectly, concerned or interested in the contract or arrangement, nor shall his/ her presence count for the purpose of forming a quorum at the time of any such discussion or vote.

During the year, the Bank has entered into transactions and contracts with the related parties e.g. subsidiary and associate companies, post-employment benefit plans for the Bank's employees and other related entities. The Bank has made detailed disclosures about related party transactions in its financial statements annexed with this annual report. During the year, no contract or arrangement were entered into with the related parties other than on an arm's length basis.

Shares held by Directors, Chief Executive Officer, their Spouses and Minor Children

Shares held by Directors, Chief Executive Officer, their Spouses and Minor Children have been disclosed in "Categories of Shareholders" section of the Annual Report.

Covid-19 Response Plan

The Board and the management of the Bank are fully cognizant of the health and financial impact of Covid-19 pandemic on the Banks, its employees, its customers and the communities in general. From the very onset of the pandemic, the Bank remained particularly focused to ensure continuity of uninterrupted delivery of banking services to its customers while ensuring health safety of its frontline workforce. Efforts are being made to keep maximum branches operational during Covid-19, while ensuring that all SoPs are followed and necessary safety measures are effectively placed in all business premises of the Bank.

In recognition of the health risks of Bank's frontline workforce in a very tough operating environment, the Bank enhanced medical coverage to the extent of entire screening/testing and hospitalisation costs for those impacted by the virus and their dependent family members as per the Bank's policy. Realising its National role, the Bank also remained on forefront in providing financial assistance to the business community as per guidelines of the State Bank of Pakistan. Loan deferrals of about PKR 40 billion were allowed to 13,000+ customers.

While certain relaxation and restructuring measures have been announced by SBP to dampen the adverse impact of Covid-19 on the economy, the banking sector may still face a rise in non-performing portfolio. While measures are introduced to prudently manage risk profile of the Bank by optimising fund placement into low-risk assets, the Bank has also proactively started strengthening its balance sheet by creating adequate provision on expected credit loss basis to thwart the adverse impact of a possible rise in NPLs due to impact of Covid-19 on the businesses and retaining profits. During the past two years (2019-2020), the Bank has buttressed its balance sheet by about PKR 100 billion through provisions and retaining profits.

Whistle-Blowing / Speak-Up Policy

Whistle-Blowing covers reporting of incidents of misconduct, involving or affecting an organization to enable the organization to take appropriate action. It is a window to obtain feedback on issues bordering on both corporate governance, as well as reputational risk related issues. This policy consists of responsible and effective procedures for disclosure or reporting of misconduct and impropriety seen by any employee, vendor or any stakeholder within the country or in our overseas operations. In case of reporting any incident, it will enable the Bank to take appropriate remedial action, if the concerns or complaints are deemed legitimate.

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

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

Brief on Complaint Handling Mechanism

The Bank has undertaken various measures as strategic responses for ensuring a sustained improvement in physical layout and customer friendly ambiance at branches. To maintain and ensure customer facilitation and bring an impactful change in the service culture of the Bank, some officials have exclusively been deputed as 'service quality officers' who are assisting branch management in meeting service quality challenges, thus ensuring customer loyalty and satisfaction.

Special attention is paid to improve customer understanding and knowledge in respect of the changing regulatory environment, potential risk of frauds, and safeguards / precautionary measures against card skimming.

Efforts are also being made to increase customer awareness regarding the available channels in the Bank for feedback (web link, e-mail, letter or call centre), suggestions, or lodgement of grievances. The Service Quality Group manages complaint management system that is meant to facilitate in quick lodgement of customer grievances, SMS acknowledgement of lodged complaints and their resolution on a fast-track basis. Now the complainants can track the status of their lodged complaint in a click at link activated on Bank's website. As an outcome of coordinated efforts, there is a drastic reduction in the number of customers' complaints lodged with the Bank during 2020. Against 72,036 lodged complaints, 71,483 complaints were resolved with a resolution rate of 99%.

As a result of our focused approach with alternate power supply solutions, improved operational effectiveness, and efficient surveillance, NBP ATMs uptime has significantly improved, and the volume as well as number of transactions have reached new heights.

Stakeholders Engagement

The value we create through our business processes is our distribution to our stakeholders. We connect with our stakeholders to identify and address their lawful concerns to maintain a desired balance in the distribution of value created. Listening to our internal and external stakeholders helps us stay connected to our environment, understand the expectations of each stakeholder. This leads us in setting our strategic priorities in the short & medium term and accordingly allocate resources to successfully deliver & translate these strategies into numbers.

The Bank has formal mechanisms in place for proactively engaging with key stakeholder groups to understand their views. For this, responsibility is shared across the organisation.

The Nation's Bank aims to create value for its stakeholders, balanced across both the short and the long term. We engage with our stakeholders to better inform them of our activities and to create mutually supportive opportunities and outcomes.

Our stakeholders are categorised into two primary groups

Direct relationship with the Bank

Our Customer, Our People and Our Shareholders

Indirect relationship with the Bank

The governments, regulators & policy makers, society at large, professional bodies, analysts, researchers and non-governmental organisations, etc.

Steps to Encourage Minority Shareholders

Participation in General Meetings also provides a forum for two-way engagement with the shareholders, particularly the minority shareholders. The Bank takes the following measures to ensure meaningful participation of minority shareholders in General meetings:

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

Proceedings of the 71st Annual General Meeting

The 71st Annual General Meeting of Shareholders of NBP was held on Tuesday, 12th May, 2020 at 10:30 a.m., through electronic means (Zoom Online Conferencing). The Bank's Shares Registrar Messrs. CDC Share Registrar Services Limited arranged the meeting and recorded the attendance.

The meeting was well attended by Board members of the Bank, the Chief Executive Officer along with the Chief Financial Officer and the Company Secretary.

During the question / answer session, shareholders appreciated the overall growth in the Bank's financial performance for year ended December 31, 2019. The shareholders discussed various aspects of the financial position, operational efficiencies and organisational effectiveness of the Bank. The shareholders inquired about the impact of pending HR related litigations on future performance and strength of the Bank. They also raised questions on how further change in policy rate or a movement in the exchange rate would impact the Bank's performance. The CFO comprehensively addressed these questions.

While responding to different queries of the shareholders, the President of the Bank stated that at the bottom line, the Bank posted healthy financial results. He further explained that the Bank remained well-capitalized and appropriate plans are in place to address the impact of an adverse outcome of the pending litigations. He explained that the first priority of the Board was to maintain continuity of the Bank's business which is very much dependent upon the strong capital base of the Bank. Accordingly, the Board had considered it more prudent to retain and plough back entire profits for the time being and once the position becomes clearer and positive, the Bank may consider declaration of dividend at a later stage.

The shareholders unanimously confirmed / approved minutes of the Annual General Meeting held on March 28, 2019 and other agenda items of the meeting.

Investor Grievances

The Bank ensures safeguarding the interests of its stakeholders by effective communication at regular intervals through multiple mediums. However, the Bank acknowledges that there may be instances where the stakeholders may have unaddressed concerns which if unresolved may become a grievance. To timely address any untoward incident, the Bank has a well-functioning grievance resolution mechanism that provides a transparent and credible process resulting in outcomes that are seen as impartial, effective, and durable.

The Bank ensures quality services with uncompromising focus on investors' concerns and transparency in execution thereby extending respect to the trust placed. The Bank is rigorously following the complaints of investors received from any regulatory forum and designates exclusive resources to resolve the matter both effectively and efficiently. A centralized function namely the Shares department in the Company Secretary Office manages any such investor grievances in consultation with the share registrar.

Investors can lodge complaints by contacting the shares registrar, or write a letter or send an email to the Share department of the Bank. A designated e-mail address, (investor.relations@nbp.com.pk) has been created to timely address the same and is readily available through our website and annual reports. The Bank ensures resolution of any grievances within statutory timelines. In case shareholders' grievances are not addressed in a timely manner, they may also contact the Bank's shares registrar M/s CDC Company Ltd. as well as the SECP.

Annual Corporate Briefing

Annual Corporate Briefing is yet another interactive-session of the management with the shareholders, research analysts, fund managers, financial journalists and such other stakeholders of the Bank. These briefings help the investors make informed investment decisions. Last year, the Analysts' briefing was held on February 28, 2020 which was well-attended by a large number of stakeholders. The President, along with his senior aides briefed the audience on business strategy and financial position & performance of the Bank. Key areas of interest for the analysts included our business strategy, pension related contingencies, capital adequacy, provisions and dividend payout.

Investor Relations Section on the Bank's Website

The Bank disseminates information to its investors and shareholders through a mix of information exchange platforms, including its corporate website, under the applicable regulatory framework. The website is updated regularly to provide detailed and latest Bank information including but not limited to financial highlights, investor information, dividend and other requisite information. The "Investor Relations" and "Investors Information" section at the Bank's website can accessed at https://www.nbp.com.pk/InvestorInformation/index.aspx

If-I-were-CEO@nbp.com.pk

As the name suggests, this address is made available to the NBP staff to post suggestions, ideas, changes in procedures or amendments in policies, etc. that they would like to introduce if they were the CEO of the Bank. Areas of focus should include revenue generation, new products, customer service, brand building, training, CSR, organizational structures and cost management.

Recommendations are evaluated by the Management Committee based on their practicality and viability. A spot award is given for those ideas which are approved for implementation.

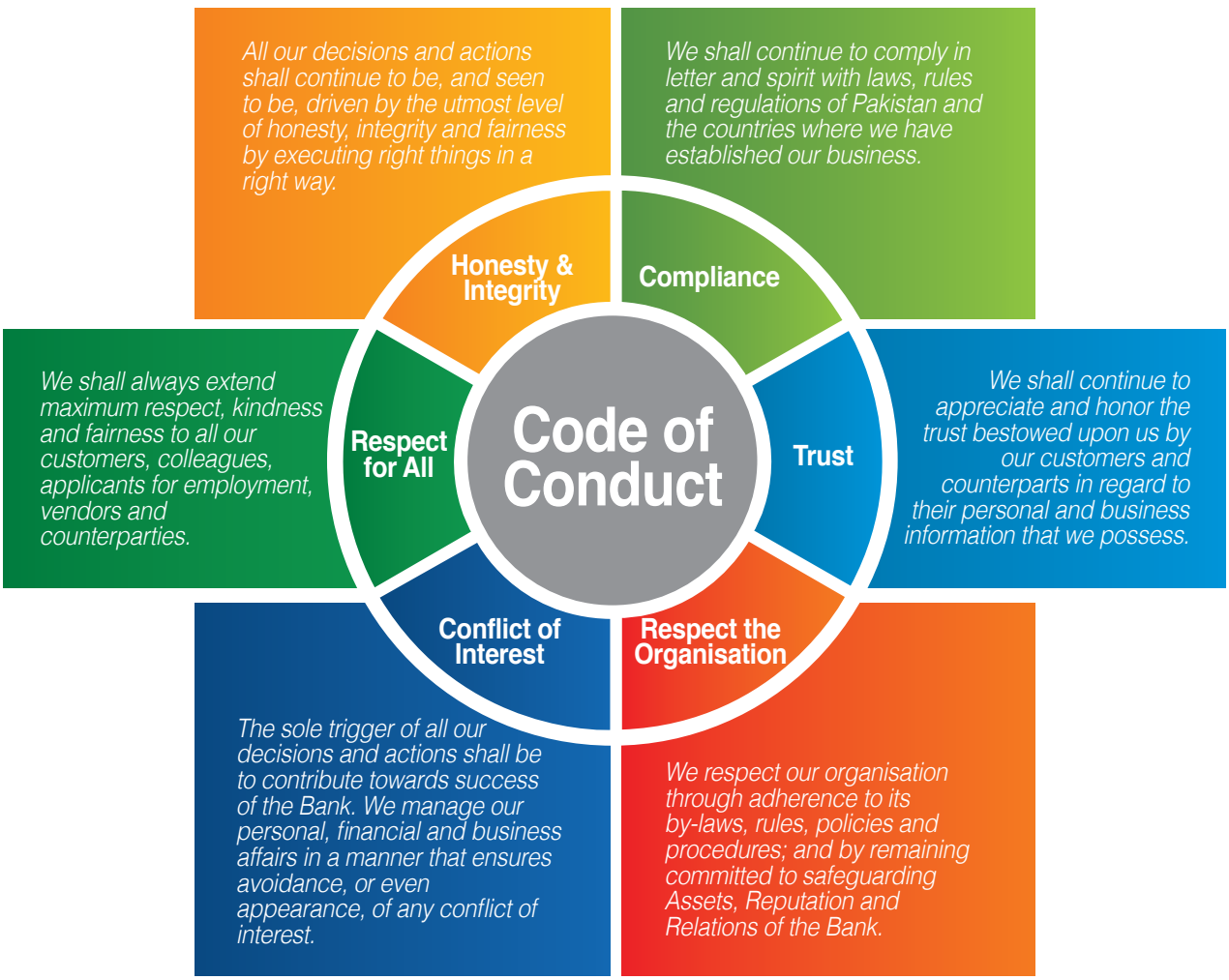
Stakeholders' Engagement Process

Stakeholders	Why We Focus on Them	What Their Aspirations Are	How We Respond to Their Aspirations	Frequency of Engagement
Customers	Our customers and clients are at the heart of our business.	• Customer Service, Security and Privacy • Fair Treatment & Service Quality • Financial Inclusion • Convenience & Affordability of Products • Grievance Handling Mechanism • Financial Education and Literacy	• Visits by Relationship Managers • Complaint Management Centre • Branch Managers • Call Centers • Bank's Website • Media Advertisements • SMS Alerts	As Required 24/7 As Required 24/7 24/7 As Required As Required
Shareholders and Analysts	Growing shareholders' value and retaining their trust is the key to our very existence. The financial capital they have provided enables us to continue and grow our business. We are under a fiduciary responsibility to manage their investment with care and diligence.	• Financial Position & Performance • Corporate Governance • Transparency & Disclosure • Business Strategy & Growth • Risk Management • Organisational Sustainability	• Annual Reports / AGM • Quarterly Financial Statements • Extraordinary General Meetings • Corporate / Analyst Briefings • Investor Relations Office • Analyst Discussions / Calls • Press Release / Announcement to PSX	Annual Quarterly As Required At Least Annual As Required As Required As Required
Employees	Our human capital is our most valuable asset. Engaging our people is critical to deliver on our strategy to meet our customers' requirements.	• Performance and Reward Management • Training and Development • Career Advancement Opportunities • Work-Life Balance • Retirement Benefit Plans • Perception of a Prosperous Bank	• Groups' Off-Site Conferences • Town Hall Meetings • Training & Development Programs • Internet • Instructions' Circulars / Newsline • Employee Satisfaction Survey	As Required Frequent On-going On-going As required As required
Government & Regulators	Regulatory compliance is key to ensure consistency and long-term continuity of the process of value creation for our stakeholders.	• Regulatory Compliance • Network Expansion & Growth • Microfinance and SME Development • Soundness of the Financial Sector	• On-Site Monitoring / Periodic Returns • Regulatory Directives and Circulars • Meetings and Briefings • Announcements / Press Releases • Consultation on Draft Regulations	As Specified under Related Laws and Regulations
Community & Environment	We have to be socially responsible to promote financial inclusion and the socio-economic upbringing of the underprivileged people, thus reducing inequalities.	• Responsible and Inclusive Financing • CSR to Community • Financial Inclusion • Environmental Performance • Employment Opportunities	• Branch Network & Delivery Channels • CSR Initiatives • Media Advertisements • Public Events • Bank's Website	On-going As Required As Required On-going 24/7

Our Ethics & Code of Conduct

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

Pillars of our Code



Purpose of Code

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

Application of Code

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

Compliance with this Code

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

Basic Principles of our Code

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Name of Company: **National Bank of Pakistan (The Bank)**
Year ending: **December 31, 2020**

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

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

   a. Male: 07
   b. Female: 01

2. The composition of Board is as follows:

   The Board of Directors of the Bank are appointed as per the provisions of the Banks (Nationalization) Act, 1974. The President / CEO is the only Executive Director. The remaining Board consists of two non-executive directors and five independent directors, including one independent director representing minority shareholders as required by the Code. At year-ended December 31, 2020, the Board comprised of the following directors:

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

3. The Federal Government appointed Mr. Asif Jooma in place of Mr. Muhammad Naeem on March 9, 2020 as Director on the Board of the Bank vide GOP, Finance Division, Notification No. F-1(11) Bkg-III-2017-362 dated March 9, 2020;

4. During the year Mr. Farid Malik completed his tenure on May 15, 2020 and was re-elected as Director on July 27, 2020 representing Private Shareholders and Minority interest in terms of Section 11 (b) of The Banks (Nationalization) Act, 1974 and in accordance with the Section 159 (1) of the Companies Act, 2017;

5. During the year, Mr. Zafar Masud tendered resignation with immediate effect from the Board of National Bank of Pakistan, as he was in the process of accepting the role of President / CEO of Bank of Punjab;

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

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

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

9. All powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Companies Act, 2017 as well as these regulations;

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

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

12. Majority of the Directors have already undergone the training;

13. The Board had approved appointment of Chief Financial Officer and Company Secretary including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. The Board Audit Committee in its 219th meeting held on December 22, 2020 as required in terms of BPRD Circular No. 02 of 2019 dated April 3, 2019 had approved the appointment of Mr. Hassan Umair Wasti as Chief Internal Auditor;

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

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

i. Board Audit Committee (BAC)

S.No.	Names of Directors	Status
1	Mr. Tawfiq A. Hussain	Acting Chairman
2	Mr. Muhammad Sohail Rajput	Member
3	Mr. Asif Jooma	Member

ii. Board HR & Remuneration Committee (BHRRC)

S.No.	Names of Directors	Status
1	Mr. Zubyr Soomro	Chairman
2	Mr. Arif Usmani	Member
3	Mr. Farid Malik	Member
4	Mr. Asif Jooma	Member

iii. Board Risk & Compliance Committee (BRCC)

S.No.	Names of Directors	Status
1	Mr. Tawfiq A. Hussain	Chairman
2	Mr. Arif Usmani	Member
3	Mr. Farid Malik	Member
4	Mr. Imam Bakhsh Baloch	Member

iv. Board Technology & Digitalization Committee (BTDC)

S.No.	Names of Directors	Status
1	Mr. Farid Malik	Acting Chairman
2	Mr. Arif Usmani	Member
3	Ms. Sadaffe Abid	Member

v. Board International Franchises and Remittance Committee (BIFRC)

S.No.	Names of Directors	Status
1	Mr. Arif Usmani	Chairman
2	Mr. Tawfiq A. Hussain	Member

vi. Board Inclusive Development Committee (BIDC)

S.No.	Names of Directors	Status
1	Ms. Sadaffe Abid	Chairperson
2	Mr. Arif Usmani	Member
3	Mr. Muhammad Sohail Rajput	Member
4	Mr. Imam Bakhsh Baloch	Member

vii. NBP – NY Governance Council (Sub-Committee of BIFRC)

S.No.	Names of Directors	Status
1	Mr. Tawfiq A. Hussain	Chairman
2	Mr. Arif Usmani	Member

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

17. The frequency of meetings (quarterly/half-yearly/yearly) of the committees were as per following:

S.No.	Name of Committee	No. of Meetings held during the year
i	Board Audit Committee (BAC)	08
ii	Board HR & Remuneration Committee (BHRRC)	09
iii	Board Risk & Compliance Committee (BRCC)	07
iv	Board Technology & Digitalization Committee (BTDC)	09
v	Board Inclusive Development Committee (BIDC)	07
vi	Board International Franchises and Remittance Committee (BIFRC)	05
vii	NBP – NY Governance Council (Sub-Committee of BIFRC)	03

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

19. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Directors of the Bank;

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

21. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

Arif Usmani
President & CEO

Zubyr Soomro
Chairman

Dated: February 24, 2021
Place: Karachi

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

Grant Thornton Anjum Rahman
Chartered Accountants
1st & 3rd Floor, Modern Motors House
Beaumont Road
Karachi 75530, Pakistan

Independent Auditors' Review Report

To the members of National Bank of Pakistan

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

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) and Bank (Nationalization) Act,1974 prepared by the Board of Directors of National Bank of Pakistan (the Bank) for the year ended December 31, 2020 in accordance with the requirements of Regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Bank. Our responsibility is to review whether the Statement reflects the status of the Bank's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Regulations.

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

The Regulations require the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Bank's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Bank for the year ended December 31, 2020.

Yousuf Adil
Chartered Accountants

Grant Thornton Anjum Rahman
Chartered Accountants

Place: Karachi
Date: February 25, 2021

Statement of Internal Control

Reporting of Internal Control System

The Bank's management has established and is managing system of internal control which encompasses the policies, procedures, processes and tasks as approved by the Board of Directors that facilitate effective and efficient operations. The internal control system comprises of various inter-related components including the Control Environment, Risk Assessment, Control Activities, Information & Communication and Monitoring. The management and the employees at all levels within the Bank are required to perform as per these approved internal controls system components. The internal control system requires effectiveness and efficiency in 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 Bank's internal control system has been designed to manage rather than eliminate risk of failure to achieve objectives under a changing environment. There are inherent limitations in the effectiveness of any system, including the possibility of human error or system failure, circumvention and overriding of control. Accordingly, even an effective internal control system can provide reasonable but not absolute assurance against any material misstatement. The Bank remains cognizant of its responsibility to continuously improve and with this view continues to strengthen its system of internal control on an on-going basis.

SBP vide its BSD Circular No. 7 dated 27 May, 2004 has issued guidelines on the internal control for all Banks / DFIs and in order to ensure consistency in the process of compliance with in the internal control guidelines, SBP vide BSD Circular No.5 dated 24 February, 2009 has provided a roadmap identifying various activities/ stages involved in the internal control program.

In compliance with SBP directives, the Bank has completed the implementation of roadmap regarding Internal Control over Financial Reporting ("ICFR"). Long Form report on the assessment of Bank's ICFR for the year 2019 issued by the statutory auditor has been submitted to SBP in compliance with OSED Circular No.1 of 2014 dated February 07, 2014.

Evaluation of Internal Controls

Besides the monitoring of the implementation of internal control system at management level, the Bank has an independent Internal Audit function in the name of Audit & Inspection Group with three Regional Area Audit & Inspection Offices that conduct audit of Branches, Regions and Groups at Head Office on an on-going basis to evaluate the efficiency and effectiveness of internal control system. In addition to that, an independent Compliance Monitoring Wing is set up under Compliance Group to monitor compliance with key regulations at Branches as well as Head Office functions along with testing of agreed controls related to ICFR.

For the year 2020, the Bank has made its efforts to ensure that an effective internal control system continues to perform. The observations made by the external/ internal auditors and regulators in their respective audits/ inspections are reviewed and measures have been taken by the management (by respective groups and tracking at Management Level Forums), Board Sub-Committees and Board of Directors for rectification of such observations and their non-recurrence.

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

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

Abdul Wahid Sethi
Chief Financial Officer

Nauman Riaz
Chief Compliance Officer

Umair Wasti
Chief Internal Auditor

Corporate Social Responsibility

In the year 2020 the Banking sector was confronted with the dual challenges of providing regular banking services to its clients as well as ensuring safety and health of its employees.

Furthermore, NBP was cognizant of its responsibilities as a corporate citizen of Pakistan. Therefore, the Bank mobilized to play its role through its CSR Program of providing support to households affected by the lockdowns and its adverse economic consequences. In a nationwide effort, NBP provided support to over 26,000 low income households using Karachi Relief Trust as well as various microfinance organizations.

In addition to its demarcated and pre-defined areas of Education, Health, Special Persons, Women & Children, the Bank is always there for the relief of affected people in case of natural disaster or calamity. We believe that looking after underprivileged communities is synonymous to serving the Nation. NBP has a well-funded CSR Program focusing on Education, Healthcare, Forestation, Water Resource Development and enhancing Livelihood Generation skills.

During the year, NBP spent around PKR 85 million on CSR activities. To ensure progress, quality of work and transparency in utilisation of funds under CSR schemes, NBP regularly monitors project activities. The Bank has initiated a wide range of projects, including provision of free primary healthcare, hospitals, mobile dispensaries, scholarships for local students, infrastructure development and upgradation of academic institutions.



Key CSR Contributions

	(PKR '000)
Karachi Relief Trust (KRT)	20,000
Rural Community Development Programme	20,000
National Rural Support Programme	25,000
SAFCO Support Programme	5,000
Thardeep Mircofinance Foundation	5,000
Aga Khan Rural Support Programme	5,000
Namal College-Mianwali	5,200

Health Care

Throughout the year, the executive management remained in contact with its field staff and customers creating awareness on how to prevent and fight against Covid-19. We strictly adhered to the SOPs advised by the health authorities for the safety of our frontline employees and customers visiting its branches and offices. During the year 2020, the Bank became part of the Pink Ribbon Campaign for creating awareness in society about breast cancer.

Financial Inclusion

Effective measures were taken to ensure the provision of uninterrupted banking services to the public during a very tough operating environment. The Bank remained at the forefront for ensuring easy access of credit to the business community, enabling them to continue their business activities. As a step towards the financial inclusion strategy, 300,000+ new customers were added. NBP is key partner to the Government of Pakistan in disbursement of financial assistance to millions of needy persons.

Growth Opportunities

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

Education

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

Considering the importance and impact of quality education on the socioeconomic lives of individuals and society, the Nation's Bank contributed PKR 5.2 million.

Risk Management Overview

Risk Management

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

The Bank adapts different tools and techniques of risk management to keep the Bank resilient and vibrant to minimize losses within the defined risk appetite/ tolerance levels, and credit concentration limits. Strategic goals are embedded into risk management to maintain a robust framework for identifying and escalating risks to support sustainable business growth. RMG acts as a second line of defense in the risk management structure of the Bank, assuming the role of establishing a risk management framework, development of risk tools & systems for effective risk management along with review and reporting of deviations of activities from set standards to Senior Management and the Board.

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

Our Approach towards Risk Management

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

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

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

- Identify and assess significant risks to which the Bank may be exposed to
- Timely response to the identified risks through formulating Bank's risk appetite
- Architecturally equip the Bank with tools & models for effective risk management
- Assist Business Groups in optimizing risk/return decisions
- Analyze the overall risk profile of the Bank
- Keep track of emerging risks and perform an active role in their mitigation

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

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

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

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

Risk Governance Structure

The Board is responsible to ensure active oversight of the implementation of policies and frameworks to prevent any significant financial loss or reductions in shareholders' value that may be suffered by the Bank. Therefore, it is the responsibility of the Board to ensure that policies and frameworks are in place to recognize all significant/material risks to which the Bank is / may be exposed to and that the required human resource, culture, practices, and systems are adequate to address such risks. The Board and its relevant committee, i.e. BRCC and the senior management along with its relevant committees i.e. Management Credit Committee, ERC, ALCO, etc. are responsible to ensure formulation and implementation of a comprehensive risk management framework through its committees.

Board Risk & Compliance Committee (BRCC)	Enterprise Risk Committee (ERC)	Management Credit Committee (MCC)
BRCC is an independent committee of the Board of Directors which plays a vital role in improving the risk culture in NBP through active reviews of ICAAP, Risk Appetite, Stress Testing, Credit & Investment portfolio, Risk Management Frameworks / Policies, Operational Risk Events, and other risk management reports / MIS.	ERC is a senior management body mainly covering risks from an overall perspective of strategy, policy/framework development, assessment measurement tools, MIS framework, and Basel framework implementation, whereas routine aspects in relation to such risks shall be managed by the RMG. ERC has representation from various business and support groups.	MCC is a senior management committee that is responsible for the approval/ review of credit exposures, counterparty/ borrower limits, as per the Credit Approval Authority Booklet (CAAB)/ delegated by the Board.

Risk Management Framework Implementation

The Bank implements a risk management framework through a 'Three Lines of Defence' model which defines clear responsibilities and accountabilities for various offices and ensures effective & independent oversight and assurance that the activities take place as intended under the risk management framework.

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

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

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

Sharia Board Profile

Mufti Ehsan Waquar
Chairman Shariah Board

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

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

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

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

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

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

Dr. Mufti Khalil Aazami
Shariah Board Member

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

Dr. Aazami has 22 years of research experience related to Islamic Finance and other Shari'ah related subjects. He is an author of numerous publications. He is also an experienced lecturer and trainer in the field of Islamic Finance, Economics, Fiqh, Islamic Financial Laws and General Islamic Science. He is involved as Faculty member, – Jamia Darul Uloom, Karachi since 1999 and has been associated with the Centre For Islamic Economics, Karachi, National Institute of Banking and Finance – SBP and Sheikh Zaid Islamic Research Centre – University of Karachi.

Mufti Muhammad Imran
Resident Shariah Board Member

Mufti Muhammad Imran, working with NBP since May 2016, is a qualified Shariah Scholar and experienced Islamic banker with knowledge of Islamic banking & finance. His educational qualification include Takhas-us-fil-Fiqh, MIBF & PGD (Islamic Banking & Finance) and M.A (Islamic Studies) and he has been associated with different Research, Fatwa and Educational Institutions since 2003 and has over 11 years of banking, Islamic Banking Trainings, Shariah Compliance, review & product development experience. His research includes:

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

Shariah Board's Report

بسم اللہ الرحمٰن الرحیم

الحمد للّٰہ رب العالمین والصلاۃ والسلام علی سید الانبیاء والمرسلین وعلی الہ وصحبہ اجمعین امابعد

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

In the Capacity of Shariah Board, we have reviewed the overall Shariah compliance level and environment within the NBP Aitemaad Islamic Banking as of December 31, 2020.

Shariah Board Opinion:

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

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

1. Compliance with Shariah Rules and Principles in the light of Fatawa and Guidelines issued by Shariah Board (SB)

   Shariah Board is of the opinion that the NBP Aitemaad's overall environment, products, and agreements comply with the Shariah principles.

2. Compliance with Shariah related directives, regulations, instructions and guidelines issued by State Bank of Pakistan (SBP) in accordance with the rulings of SBP's Shariah Advisory Committee

   The management in order to ensure zero tolerance on Shariah non-compliance instances, has introduced an exclusive key performance indicating the point in the staff appraisal system.

3. Shariah Compliance Mechanism

   Alhamdulillah, NBP-Aitemaad Islamic Banking already had a comprehensive Shariah Compliance Policy. This year, SCD enhanced the checklist based on their field functionaries' experiences. Further, in order to assess the staffs' basic level of Islamic Banking & Finance understanding, SCD has developed a set of test papers.

4. Mechanism ensuring prohibited Income to Charity Account

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

During the Shariah Review of the financing portfolio, no non-Shariah compliant transaction was discovered. Therefore, there was no charity declared this year. However, the previous year's charity amounting to PKR 11,000,000/- (Eleven Million Rupees) was disbursed to charitable institutions. During this year, Rupees seven hundred ten thousand five hundred and thirty nine rupees (*PKR 710,539) were collected on account of late payments and deposited in the Charity account.

Charity Fund – 2020	**Rupees in '000**
Opening Balance	10,911
Received from customers on account of delayed payment	710
Payments / utilisation during the period	11,000
Closing Balance	621

5. Profit and Loss Distribution and Pool Management

NBP Aitemaad Islamic Banking has a dedicated Pool Management Wing with the apposite human resource in place, ensuring adherence to the guidelines provided by SBP and the Shariah Board. Along with the Pool Management Wing, SCD reviews the monthly pool management and profit distribution working. Internal Shariah audit of pool management was also conducted on quarterly basis. All these layers of control have improvised the working and distribution of the Bank.

6. Staff understanding of Islamic Banking and Finance

Alhamdulillah, the Bank imparted Islamic Banking & Finance training sessions to abreast the staff with Islamic Banking basic concepts, products and customer services were five hundred and twenty three (523) staff attended 23 sessions during this year.

The Bank, in co-ordination with SCD has arranged 05 customer awareness sessions in different regions as part of its Islamic Banking promotion initiatives.

Maintaining the commitment toward continuous learning, enhancing the skills and competence required to fulfill the responsibilities, the Bank nominated the Head of Shariah Compliance Department for 04 weeks long "Shariah Scholar Capacity Building Course" conducted by the National Institute of Banking & Finance. Alhamdulillah, he stood 1st among eighteen (18) other participants from the industry. In addition to this, two Shariah Compliance Officers qualified as 'Certified Shariah Advisor and Auditor' (CSAA), a certification of international repute awarded by Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI-Bahrain).

The bank has developed a portal "ask Shariah" to address customer and staff queries. This provides a platform for on job training to the staff that supports them in their day-to-day processes and customer management.

7. Provision of adequate resources to Shariah Compliance Department (SCD):

SCD is operating with reasonable headcounts currently. However, SCD shall anticipate future requirements and inform the management of the same, if any.

Other Developments:

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

The Shariah Compliance teams have conducted a review of 137 deposit branches during the calendar year. Besides this, the SCD team has also reviewed the entire treasury transactions and financing portfolio during the year. They also reviewed the different marketing campaigns and market activities to ensure strict adherence to Shariah guidelines.

2. Branch Expansion

   Alhamdulillah, NBP Aitemaad Islamic Banking has opened 02 branches in the KPK region during the year 2020 in the rural and less served areas of Mir Ali, North Waziristan and Karak in accordance with SBP's Branch Licensing Policy objective of enhancing the outreach of banking facilities with a specific focus on rural and underserved areas of the country. Now, the branch network of the NBP Aitemaad Islamic Banking branch stands at 191.

3. Product Development

   Alhamdulillah, in 2020, NBP Aitemaad Islamic Banking launched Digital Banking (Mobile Application), Merchant Account and enhanced Debit Card features through promotional discounts and increased ATM users. In addition, NBP Aitemaad has now a good range of products as it is offering Thirteen (13) Deposit products and Seven (07) financing products for its valued customers.

4. Asset Review

   NBP Aitemaad's overall earning assets have increased by 21.7%, amounting to PKR 80.40 billion, as compared to PKR 66.09 billion of the previous year. Islamic Financing increased by 11.9% to PKR 38.15 billion maintaining AIBG Finance to Deposit Ratio around 51%. Investments including Bai Muajjal stand at PKR 42.25 billion as compared to PKR 32 billion last year.

5. Liability Review

   Aitemaad's total deposits have shown a healthy increase by around 18.9% to PKR 75.27 billion as of 31 December 2020 as, compared to PKR 63.28 billion last year.

6. Summary of Shariah Board Meetings Conducted During 2020

   SB had held four (04) meetings during the year. Major approvals are summarized as follows:

   a. Aitemaad Policies, Procedures & Systems Manuals
      I. Shariah Compliance Policy - Revised
      II. Aitemaad Deposit Products Manual - Revised
      III. Aitemaad Call Deposit Receipt Manual
      IV. Aitemaad Housing product Manual - Revised
      V. Mobile Banking Application Product Manual
      VI. Approval Regarding Automation of Pool Management System
      VII. Approval of ADAMS system of Treasury
      VIII. Approval of Naya Pakistan Low Cost Housing Guarantee Structure
      IX. Approval of Naya Pakistan Low Cost Housing Shariah Structure
      X. Approval of Roshan Digital Product Program

   b. Shariah Researches conducted by SCD scholars under the supervision of the Shariah Board
      I. Shariah Ruling on Collective Late Fee payment and the possible alternatives
      II. Avenues of Charity Fund prevailing in Islamic Banks

Recommendations:

We recommend the Bank on the following matters:

1. The Bank has automated the Pool Management System with respect to the Liability side earlier in the first quarter of 2020. However, the asset side still needs to be automated.

2. To implement;

   a. The Shariah-compliant Staff Financing facilities for NBP Staff and make it available to the bank's staff. It is a matter of satisfaction for the Shariah Board that the Bank's Board of Directors has approved the Shariah-Compliant Staff Financing policy earlier this year.

   b. Inclusion of a comprehensive Islamic banking training policy that must include entry and advance level specialized training courses for all staff across the Bank.

واللّٰہ سبحانہ وتعالی اعلم

ربنا لا تؤاخذنا ان نسینا او اخطانا ج ربنا ولا تحمل علینا اصرا کما حملتہ علی الذین من قبلنا ج ربنا ولا تحملنا ما لا طاقہ لنابہ واعف عنا وقفہ واغفرلنا وقفہ وارحمنا وقفہ انت مولنا فانصرنا علی القوم الکفرین.

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

Mufti Muhammad Imran
Resident Shariah Board Member
NBP – Aitemaad

Dr. Mufti Khalil Ahmad Aazami
Member Shariah Board
NBP – Aitemaad

Mufti Ehsan Waquar Ahmad
Chairman Shariah Board
NBP – Aitemaad

این بی پی اعتماد شریعہ بورڈ رپورٹ-2020

بسم اللہ الرحمٰن الرحیم

الحمد اللّٰہ رب العالمین والصلاۃ والسلام علی سید الانبیاء والمرسلین وعلی الہ وصحبہ اجمعین امابعد

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

اس رپورٹ کا مقصد یہ ہے کہ این بی پی اعتماد میں شرعی احکام کی تعمیل کے لحاظ سے عمومی صورتحال کے بارے میں شریعہ بورڈ کا نقطہ نظر پیش کیا جائے۔ ہم بحیثیت شریعہ بورڈ 31 دسمبر 2020ء تک بینک میں شرعی احکام کی تعمیل کے لحاظ سے عمومی صورتحال کا جائزہ لے چکے ہیں، جس کا خلاصہ پیش خدمت ہے۔

شریعہ بورڈ کی رائے:

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

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

1۔ شریعہ بورڈ اور اسٹیٹ بینک کی جانب سے جاری کردہ ہدایات اور فتاویٰ پر بینک کی تعمیل (کمپلائنس):

شریعہ بورڈ کی رائے کے مطابق مجموعی صورت حال، مصنوعات، معاہدات اور معاملات شرعی اصولوں کے مطابق ہیں۔

2۔ اسٹیٹ بینک کی شریعہ ایڈوائزری کمیٹی کے احکامات کے مطابق جاری کردہ ہدایات، قواعد وضوابط اور احکامات پر بینک کی تعمیل (کمپلائنس)

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

3۔ شریعہ کی تعمیل (کمپلائنس) کا طریقہ کار:

الحمدللہ! این بی پی اعتماد کے پاس پہلے سے ہی ایک جامع اور مکمل شریعہ کمپلائنس پالیسی موجود ہے شریعہ کمپلائنس ڈپارٹمنٹ نے وقتاً فوقتاً حاصل ہونے والے تجربات کو مدِنظر رکھتے ہوئے چیک لسٹیں اس سال مزید بہتر کی ہیں۔

مزید برآں، بینک کے عملے کی اسلامک بینکنگ اینڈ فنانس کے حوالے سے بنیادی علمی معلومات کو جانچنے کے لیے شریعہ کمپلائنس ڈیپارٹمنٹ نے باقاعدہ ٹیسٹ پیپرز بھی تیار کئے ہیں۔

4۔ ایسا طریقہ کار کہ جس سے ممنوع آمدن، چیریٹی (صدقہ) اکاؤنٹ میں منتقل کی جائے:

این بی پی اعتماد نے ایک واضح اور جامع چیریٹی پالیسی تشکیل دی ہے جو شریعہ بورڈ اور بورڈ آف ڈائریکٹرز سے منظور شدہ ہے۔ تمویلی کا شریعہ کمپلائنس ریویو اور انٹرنل شریعہ آڈٹ انجام دیا گیا ہے۔ مزید برآں آمدنی کے تمام دوسرے ذرائع بشمول سرمایہ کاری اور ٹریژری کے معاملات کا جائزہ بھی لیا گیا۔

بینک سرمایہ کاری کے شرعی جائزے کے دوران کوئی بھی غیر شرعی معاملہ نہیں پایا گیا، لہٰذا اس سال کسی قسم کے نفع کو چیرٹی نہیں کیا گیا، تاہم گزشتہ سال کی چیرٹی جو کہ گیارہ ملین (11,000,000) روپے تھی وہ رفاہی اداروں کو دے دی گئی ہے۔ دوران سال 710,539 روپے چیرٹی (تاخیر سے ادائیگی) کے مد میں وصول کئے گئے ہیں اور چیرٹی اکاؤنٹ میں ڈپازٹ بھی کر دیئے گئے ہیں۔

چیرٹی فنڈ 2020	رقم روپے میں
ابتدائی بیلنس	10,911
دوران سال تاخیر سے ادائیگی کی بناء پر وصول کی جانے والی رقم	710
دوران سال چیرٹی کی مد میں کی جانے والی ادائیگیاں	11,000
اختتامی بیلنس	621

5۔ نفع اور نقصان کی تقسیم اور پول مینجمنٹ:

اعتماد اسلامک بینکنگ کے پاس پول مینجمنٹ کا باقاعدہ ونگ، مناسب عملے کے ساتھ موجود ہے، جو اسٹیٹ بینک اور شریعہ بورڈ کی جانب سے جاری کی گئی ہدایات کی پاسداری کو یقینی بناتا ہے۔ اس کے ساتھ ساتھ شریعہ کمپلائنس ڈپارٹمنٹ ماہانہ بنیادوں پر نفع کی قبل از تقسیم اور پول مینجمنٹ کا جائزہ لیتا رہا ہے۔ اسی طرح تقسیم کے بعد سہ ماہی بنیادوں پر پول مینجمنٹ کا انٹرنل شریعہ آڈٹ بھی ہوتا ہے۔ ان تمام انضباطی پرتوں سے پول مینجمنٹ معاملات اور نفع کی تقسیم کے نظام میں اصلاح ہوتی ہے۔

6۔ عملے کی تربیت برائے اسلامی بینکاری اور سرمایہ کاری:

الحمدللہ! بینک مختلف تربیتی پروگرام برائے اسلامی بینکاری و سرمایہ کاری ترتیب دیے تاکہ اسٹاف کو اسلامی بینکاری اور سرمایہ کاری کے بنیادی تصورات، مصنوعات (پروڈکٹس) اور کسٹمر سروسز سے متعلق آگاہی فراہم کی جاسکے۔ الحمدللہ! دوران سال عملے کے لیے اس نوعیت کے 23 پروگرام منعقد کئے گئے جن کے ذریعے عملے کے 523 افراد کو تربیت فراہم کی گئی۔ بینک نے شریعہ کمپلائنس ڈپارٹمنٹ کے اشتراک سے مختلف اضلاع میں اسلامک بینکنگ کی ترویج و ترقی سے متعلق عوام کے لیے 5 آگاہی پروگرامز کا انعقاد کیا۔

بینک نے اپنے عملے کی تعلیمی، نیز پیشہ ورانہ صلاحیت کو بڑھانے اور مطلوبہ قابلیت کو پورا کرنے کے لیے اپنی ذمہ داری کا احساس کرتے ہوئے، سربراہ شریعہ کمپلائنس ڈپارٹمنٹ کو 4 ہفتوں پر مشتمل ایک جامع کورس بنام ''اہلیت سازی کورس برائے شریعہ اسکالرز'' کے لیے نامزد کیا جو کہ ''نیشنل انسٹیٹیوٹ آف بینکنگ اینڈ فنانس'' کی جانب سے منعقد کیا گیا۔ الحمدللہ اس کورس میں انہوں نے 18 علماء کے دوران پہلی پوزیشن حاصل کی۔ اس کے علاوہ بینک کے دو شریعہ کمپلائنس آفیسرز نے سی ایس اے اے (CSAA) کی سند حاصل کی جو ایک عالمی معیار کی ساکھ و شہرت کے حامل ادارے AAOIFI بحرین کی جانب سے ایوارڈ کی گئی ہے۔

بینک نے عملے اور صارفین کے سوالات کا جواب دینے کے لیے ایک پورٹل ''ASKSHARIAH'' کے نام سے بنایا ہے۔ اس طریقہ کار سے بینک کے عملے کو ایک پلیٹ فارم مہیا کیا گیا ہے جس کے ذریعے نہ صرف ان کی تربیت ہوتی ہے، بلکہ ان کے روزمرہ کے کاموں اور صارفین کے انتظام (کسٹمر مینجمنٹ) میں بھی معاونت حاصل ہوتی ہے۔

7۔ شریعہ بورڈ کو مناسب افرادی وسائل مہیا کرنا:

شریعہ کمپلائنس ڈپارٹمنٹ فی الحال مناسب افرادی قوت کے ساتھ اپنی خدمات سرانجام دے رہا ہے، بہرحال مستقبل کی ضرورتوں کے پیش نظر اگر شریعہ کمپلائنس ڈپارٹمنٹ میں افرادی قوت میں اضافہ ضروری ہوا تو مینجمنٹ کو آگاہ کر دیا جائے گا۔

دیگر تعمیری سرگرمیاں:

1۔ اسلامک بینکنگ برانچز اور ڈپارٹمنٹس کا شرعی جائزہ:

شریعہ کمپلائنس ڈپارٹمنٹ نے دوران سال اعتماد اسلامک بینکنگ کی 137 ڈپازٹ برانچز کا جائزہ لیا ہے۔ اس کے ساتھ اعتماد ٹریژری اور فنانسنگ پورٹ فولیو کا بھی باقاعدہ اور مکمل شرعی جائزہ لیا گیا۔ شریعہ کمپلائنس نے مختلف تشہیری مہم اور سرگرمیوں کا بھی جائزہ لیا تاکہ شرعی ہدایات کی پاسداری کو یقینی بنایا جاسکے۔

2۔ شاخوں میں توسیع

الحمدللہ! سال 2020 میں این بی پی اعتماد اسلامک بینکنگ نے کے پی کے ریجن میں مزید دو نئی شاخوں کا افتتاح کیا۔ یہ شاخیں اسٹیٹ بینک کی برانچ لائسنسنگ پالیسی کو مدنظر رکھتے ہوئے خاص طور پر دور دراز ان دیہی علاقوں میں کھولی گئیں جو بینکنگ سہولیات کے حوالے سے مشکلات کا سامنا کر رہے تھے، ان میں سے ایک شاخ میر علی جنوبی وزیرستان جبکہ دوسری شاخ کرک کے علاقہ میں کھولی گئی۔ اب این بی پی اعتماد کا موجودہ برانچ نیٹ ورک 191 شاخوں پر مشتمل ہے۔

3۔ مصنوعات سازی (پروڈکٹ ڈیولپمنٹ)

الحمدللہ! سال 2020 میں این بی پی اعتماد نے ڈیجیٹل بینکنگ (موبائل بینکنگ) اور مرچنٹ اکاؤنٹ کا باقاعدہ آغاز کیا اور ڈیبٹ کارڈ کی خصوصیات کو پروموشنل ڈسکاؤنٹ کے ذریعے بہتر کیا اور اے ٹی ایم صارفین کی تعداد کو مزید بڑھایا۔ اس کے ساتھ ساتھ اب این بی پی اعتماد اپنے قابلِ قدر صارفین کے لیے بہتر حد تک مصنوعات فراہم کر رہا ہے، جو کہ 13 ڈپازٹ اور 7 سرمایہ کاری مصنوعات پر مشتمل ہے۔

4۔ فنانسنگ اور سرمایہ کاری کا جائزہ

این بی پی اعتماد کے کمانے والے مجموعی اثاثے گذشتہ سال کے مقابلے میں 21.7 فیصد کی شرح سے اضافے کے بعد تقریباً 80.40 بلین روپے تک پہنچ چکے ہیں جو پچھلے سال 66.09 بلین تھے۔ اسلامک فنانسنگ 11.9 فیصد کے اضافے کے ساتھ تقریباً 38.15 بلین تک پہنچ چکی ہے جس کی وجہ سے اعتماد اسلامک بینکنگ گروپ فنانس/ڈپازٹ کا تناسب 51 فیصد ہوگیا ہے۔ اس سال سرمایہ کاری کا حجم بشمول بیع مؤجل تقریباً 42.25 بلین رہا جو کہ پچھلے سال 32 بلین تھا۔

5۔ کھاتہ جات (ڈپازٹس) کا جائزہ

این بی پی اعتماد کے ڈپازٹ مکمیں 31 دسمبر، 2020 تک ایک بہتر اضافہ نظر آیا جو کہ تقریباً 75.27 بلین روپے رہا جو پچھلے سال کے 63.28 بلین روپوں میں 18.9 فیصد کی شرح سے اضافہ ہے۔

6۔ سال 2020 میں شریعہ بورڈ کے اجتماعات (میٹنگز) کا خلاصہ

سال 2020 میں شریعہ بورڈ کی کل (4) میٹنگز منعقد ہوئیں۔ ان میں سے اہم منظور شدہ امور درج ذیل ہیں:

1۔ اعتماد پالیسیاں، پراسیجز اور سسٹم مینول

i۔ شریعہ کمپلائنس پالیسی–(ترامیم)

ii۔ اعتماد ڈپازٹ پروڈکٹ مینول–(ترامیم)

iii۔ اعتماد کال ڈپازٹ رسید مینول

iv۔ اعتماد ہاؤسنگ پروڈکٹ مینول–(ترامیم)

v۔ موبائل بینکنگ ایپلیکیشن پروڈکٹ مینول

vi۔ پول مینجمنٹ سسٹم کے آٹومیشن سے متعلق منظوری

vii۔ ٹریژری کے ADAMS سسٹم سے متعلق منظوری

viii۔ نیا پاکستان ہاؤسنگ اسکیم برائے کم آمدنی والے پاکستانیوں کے لیے گارنٹی اسٹرکچر کی منظوری

ix۔ نیا پاکستان ہاؤسنگ اسکیم برائے کم آمدنی والے پاکستانیوں کے لیے شریعہ اسٹرکچر کی منظوری

x۔ روشن ڈیجیٹل پروڈکٹ پروگرام کی منظوری

2۔ شریعہ بورڈ کے زیرِ نگرانی شریعہ کمپلائنس ڈپارٹمنٹ کے اسکالرز نے اس سال مختلف درج ذیل موضوعات پر شرعی تحقیقات انجام دہی:

i۔ تعلیمی اداروں میں رائج لیٹ فیس کی شرعی تحقیق اور اس کے لیے متبادل تجاویز

ii۔ اسلامی بینکوں میں رائج چیرٹی فنڈ کے مصارف

سفارشات:

بینک کے لئے ہماری سفارشات درج ذیل ہیں:

1۔ بینک نے سال 2020 کے پہلی سہ ماہی میں ہی پول مینجمنٹ سسٹم کے ڈپازٹ والے حصے کو مکمل طور پر خودکار بنا دیا ہے تاہم تمویلی و سرمایہ کاری والے حصے کو خودکار بنانا ابھی بھی باقی ہے۔

2۔ درج ذیل پر عمل درآمد کی ضرورت:

i۔ این بی پی کے عملے کے لئے اسٹاف فنانسنگ پالیسی کے شرعی اصولوں کے مطابق نفاذ کو یقینی بنایا جائے۔ شریعہ بورڈ کے لیے یہ امر اطمینان کا باعث ہے کہ بورڈ آف ڈائریکٹرز نے سال 2020 میں بینک کے اسٹاف کے لیے شرعی اصولوں پر مبنی اسٹاف ہاؤسنگ فائنانسنگ پالیسی کی منظوری دے دی ہے۔

ii۔ ایک جمع اسلامک بینکنگ ٹریننگ پالیسی شامل کی جائے، جو بینک کے تمام عملے کے لیے ابتدائی اور اعلیٰ لیول کے مخصوص ٹریننگ کورسز پر مشتمل ہو۔

واللّٰہ سبحانہ وتعالی اعلم

ربنا لا تؤاخذنا ان نسینا او اخطانا ج ربنا ولا تحمل علینا اصرا کما حملته علی الذین من قبلنا ج ربنا ولا تحملنا ما لا طاقه لنابه واعف عنا وقفه واغفرلنا وقفه وارحمنا وقفه انت مولنا فانصرنا علی القوم الکفرین.

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

مفتی محمد عمران	**ڈاکٹر مفتی خلیل احمد اعظمی**	**مفتی احسان وقار احمد**
ریزیڈنٹ شریعہ بورڈ ممبر	**ممبر شریعہ بورڈ**	**چیرمین شریعہ بورڈ**
این بی پی اعتماد	**این بی پی اعتماد**	**این بی پی اعتماد**

Notice of 72nd Annual General Meeting

Notice is hereby given that 72nd Annual General Meeting ("AGM") of the National Bank of Pakistan (the "Bank") will be held on Monday, March 29, 2021 at 10:30 A.M. (PST) through electronic means (Zoom).

The following business will be transacted in the Meeting:

Ordinary Business:

1. To confirm minutes of the Extraordinary General Meeting (EOGM) of Shareholders held on July 27, 2020, at Karachi.

2. To receive, consider and adopt the annual audited financial statements of the Bank and consolidated accounts of the Bank and its subsidiaries for the year ended December 31, 2020, together with the Directors' & Auditors' Reports thereon.

3. To appoint auditors for the year ending December 31, 2021, and fix their remuneration. The Board of Directors has recommended re-appointment of Messrs. Yousuf Adil, Chartered Accountants and appointment of Messrs. PwC A.F. Ferguson & Co., Chartered Accountants, in place of retiring auditors Messrs. GT Anjum Rahman Chartered Accountants to be the auditors of the Bank for the year ending December 31, 2021, at the same fee as paid to the retiring auditors.

Special Business:

4. To Consider and Approve the Closure of Operations of Five Branches / Subsidiaries in Central Asian Republics viz., Ashgabat Branch (Turkmenistan), Baku Branch (Azerbaijan), Bishkek Branch (Kyrgyzstan), Almaty Subsidiary Bank (Kazakhstan) and Dushanbe Subsidiary Bank (Tajikistan) by way of liquidation and to delegate powers to Mr. Arif Usmani, President / CEO, NBP, to sign necessary legal/regulatory documents on behalf of the shareholders of National Bank of Pakistan.

5. To transact any other business with the permission of the Chair.

By Order of the Board
Sd/-

S. M. Ali Zamin
Secretary (Board)

Karachi
Dated: March 08, 2021

Note:

The Share Transfer Books of the Bank shall remain closed from March 22, 2021 to March 29, 2021 (both days inclusive). Transfers received at Messrs. CDC Share Registrar Services Limited, CDC House 99-B, Block "B", SMCHS, Main Shahra-e-Faisal, Karachi – 74400, the Bank's Share Registrar and Transfer Agent, at the close of business on March 19, 2021, will be treated in time for the purpose of attending the meeting.

1. Participation In Annual General Meeting

In wake of the prevalent Covid-related contingency planning in the light of the relevant guidelines issued by the Securities Exchange Commission of Pakistan (SECP) vide SECP Circular No. EMD/MISC/82/2012 dated March 03, 2021 the Annual General Meeting (AGM) of the Bank will be held online to protect the well-being of shareholders from the current pandemic.

The entitled members whose name appear on the Books of the Bank by close of business on March 19, 2021, will be entitled to attend the meeting.

In order to attend the AGM through electronic facility, the members are requested to get themselves registered with CDC Share Registrar Services Limited up to March 26, 2021 till 05:00 p.m. at cdcsr@cdcsrsl.com and they are requested to provide the information as per the below format:

Company Name	Folio Number / CDC Account #	Name of the Shareholder	CNIC #	Cell #	E-mail Address
NBP					
NBP					

The details of the electronic facility will be sent to the members on the email addresses provided by them. The login facility will be opened at 10:00 A.M. on March 29, 2021, enabling the participants to join the proceedings after the identification and verification process before joining the meeting which will start at 10:30 A.M. sharp.

The members can also provide their comments/suggestions/approvals for the proposed agenda items of the AGM on WhatsApp number 0321-8200864 and email cdcsr@cdcsrsl.com up to March 26, 2021 till 05:00 p.m.

Attending Meeting through Proxies

I. All members, entitled to attend and vote at the Annual General Meeting are entitled to appoint another member in writing as their proxy to attend and vote on their behalf. A legal entity, being a member, may appoint any person, regardless of whether they are a member or not, as a proxy.

II. The proxy instrument must be complete in all respects and in order to be effective should be deposited at Office of the Registrar or Office of the Secretary Board, 2nd floor, NBP Head Office, I.I. Chundrigar Road, Karachi or e-mailed to cdcsr@cdcsrsl.com not later than 48 hours before the time of holding the meeting.

III. For attending the meeting through electronic means (Zoom), a proxy form shall be submitted along with proxy holders' e-mail addresses and mobile numbers.

IV. If any member appoints more than one proxy for anyone meeting and more than one instrument, of the proxy, are deposited with the Registrar or the Bank, all such instruments of proxy shall be rendered invalid.

The shareholders will further have to follow the following guidelines for appointing proxies:

i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the regulations shall submit the proxy form as per the requirements mentioned below:

a) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

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

ii) In case of a legal entity, the original or duly authenticated Board of Directors' resolution or power of attorney with specimen signatures of the nominee shall be produced (unless it has been provided earlier) along with a proxy form to Messrs. CDC Share Registrar Services Limited or the Office of the Secretary Board, 2nd floor, NBP head Office, I.I. Chundrigar Road, Karachi or e-mailed to cdcsr@cdcsrsl.com.

(Proxy Form is available on the NBP website www.nbp.com.pk)

- Members are requested to timely notify any change in their addresses to their respective Participants (if shares are held electronically) or to the Share Registrar of the Bank (if shares are held in physical form) M/s. CDC Share Registrar Services Limited, CDC House, 99-B, Block-B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi.

Deposit/Conversion of Physical Shares Into CDC Accounts:

As per Section 72 of the Companies Act, 2017, every existing company shall be required to replace its physical shares with book-entry form in a manner as may be specified and from the date notified by the commission, within a period not exceeding four years from the commencement (i.e., May 31, 2017) of this Act, according to which the deadline is May 31, 2021.

The shareholders having physical shareholding may open CDC Sub-account with any of the brokers or Investor Account directly with CDC to place their physical share into scrip-less form, this will facilitate them in many ways including safe custody and sale of shares, any time they want, as the trading of physical shares is not permitted as per existing regulations of the Stock Exchange.

Transmission of Annual Financial Statements Through Email:

In pursuance of the directions given by SECP vide SRO 787 (1)/2014 dated September 8, 2014, those shareholders who desire to receive Annual Financial Statements in the future through email instead of receiving the same by post are advised to give their formal consent along with their valid email addresses on a standard request form which is available at the Bank's website, i.e., www.nbp.com.pk and send the said form duly filled in and signed along with a copy of his/her CNIC / Passport to the Bank's Share Registrar. Please note that giving an e-mail address for receiving Annual Financial Statements instead of receiving the same by post is optional. In case you do not wish to avail this facility please ignore this notice and, in such case, Annual Financial Statements will be sent at your registered address on CD as approved in the 68th Annual General Meeting held on March 30, 2017.

Statement of Material Facts

This statement sets out material facts concerning the special business given in agenda item No. 04 of the Notice, to be transacted in the 72nd AGM of NBP's Shareholders to be held on March 29, 2021.

Item No. 4

To consider and approve closure of operations of five branches / subsidiaries in central asian republics viz., ashgabat branch (turkmenistan), baku branch (azerbaijan), bishkek branch (kyrgyzstan), almaty subsidiary bank (kazakhstan) and dushanbe subsidiary bank (tajikistan) by way of liquidation and to delegate powers to mr. Arif usmani, president / ceo, nbp, to sign necessary legal / regulatory documents on behalf of the shareholders of national bank of pakistan.

As per SBP Governance Framework for the Banks' Overseas Operations, the Bank was required to formulate a jurisdiction-wise Board approved strategy plan. Thus, to meet SBP requirement, the management of NBP has reviewed the overseas operations and noticed that the growth of the business in the certain jurisdictions is still insignificant to the franchise. Further due to frequent devaluation of the currency of host countries, the injected capital has been eroded significantly. Based on the rationale relating to the consistent declining trend of profitability, lack of sustainability, and especially considering the international strict compliance regime/enhanced risk appetite, it has been decided to close certain unviable branches and subsidiaries, including the five (05) branches/subsidiaries of Central Asian Republics viz: Ashgabat Branch, Turkmenistan, Baku Branch, Azerbaijan, Bishkek Branch, Kyrgyzstan, Almaty Subsidiary Bank, Kazakhstan and Dushanbe Subsidiary Bank, Tajikistan.

The SBP and MOF have already acceded to the decision of the Board for the closure of international branches/subsidiaries. The Regulators of the host countries have also issued NoCs in this respect but require shareholders' approval.

As per local regulatory requirements of Central Asian Republics, permission for closure of operations falls under the purview of Shareholders. Thus to meet the regulatory requirement for timely closure of operations in Central Asian Republics, the Shareholders of National Bank of Pakistan are requested to approve the closure of above mentioned NBP branches/subsidiaries and to delegate the powers to Mr. Arif Usmani, President / CEO, NBP to sign the necessary legal/regulatory documents on behalf of the Shareholders as required for closure of operation at the above jurisdictions.

The Board has recommended the following resolutions to the Shareholders for approval:

"**RESOLVED THAT** as recommended by the Board in its 317th meeting held on February 24, 2021, for the closure of branches/ subsidiaries in Central Asian Republics viz., Ashgabat Branch (Turkmenistan), Baku Branch (Azerbaijan), Bishkek Branch (Kyrgyzstan), Almaty Subsidiary Bank (Kazakhstan) and Dushanbe Subsidiary Bank (Tajikistan), be and is hereby approved."

"**FURTHER RESOLVED THAT** Mr. Arif Usmani, President/CEO, National Bank of Pakistan, be and is hereby authorized to sign all the necessary legal/the regulatory documents on behalf of Shareholders of National Bank of Pakistan in order to complete the necessary formalities for closure of operations in overseas branches / subsidiaries."

National Bank of Pakistan
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3

Organisational Overview

Overview of the Bank's Business Model and Performance in 2020

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Propelling Opportunities

Executive Management

Ms. Sultana Naheed
SEVP & Special Assistant to the CEO



Syed Jamal Baquar
SEVP & Group Chief-CIBG



Rehmat Ali Hasnie
SEVP & Group Chief-IDG



Fouad Farrukh
SEVP & Group Chief-AIBG



Tauqeer Mazhar
SEVP & Group Chief-RBG



Muhammad Ismail Usuf
EVP & Group Head-TCMG



Abdul Wahid Sethi
SEVP/Chief Financial Officer



Adnan Ally Agha
SEVP & Chief Risk Officer



Asma Shaikh
SEVP & Group Chief-HRMG



Executive Management

Faisal Ahmed Topra
SEVP & Group Chief-SBAG



Amin Manji
SEVP Chief Information Officer



Hasan Umair Wasti
SEVP & Group Chief-A&IG



Nauman Riaz
SEVP & Group Chief-Compliance Group



Imran Farooqi
SEVP/ Group Chief-COG



Karim Akram Khan
EVP & Group Head-LCMG



S.M. Ali Zamin
EVP & Secretary Board



Ms. Mehnaz Salar
EVP & Divisional Head-Legal



Shahzad Ahmed Karimi
SVP & PSO to the President



National Bank of Pakistan
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Organisational Overview

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

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

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

Our Product Universe

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

For Corporate, Commercial and SME businesses, NBP is there to help entrepreneurs launch a start-up, fund their business growth, manage payments timely and securely, expand internationally, manage their finances effectively and deal with business counterparts globally through our branches and representative offices.

Details of our products may be found at:
https://www.nbp.com.pk

1,323
Domestic Conventional Branches

191
Domestic Islamic Branches

PKR 3.0 Trillion
Total Assets

PKR 1.2 Trillion
Advances

AAA
Credit Rating

9+ Million
Customers

The Widest Coverage Across the Nation

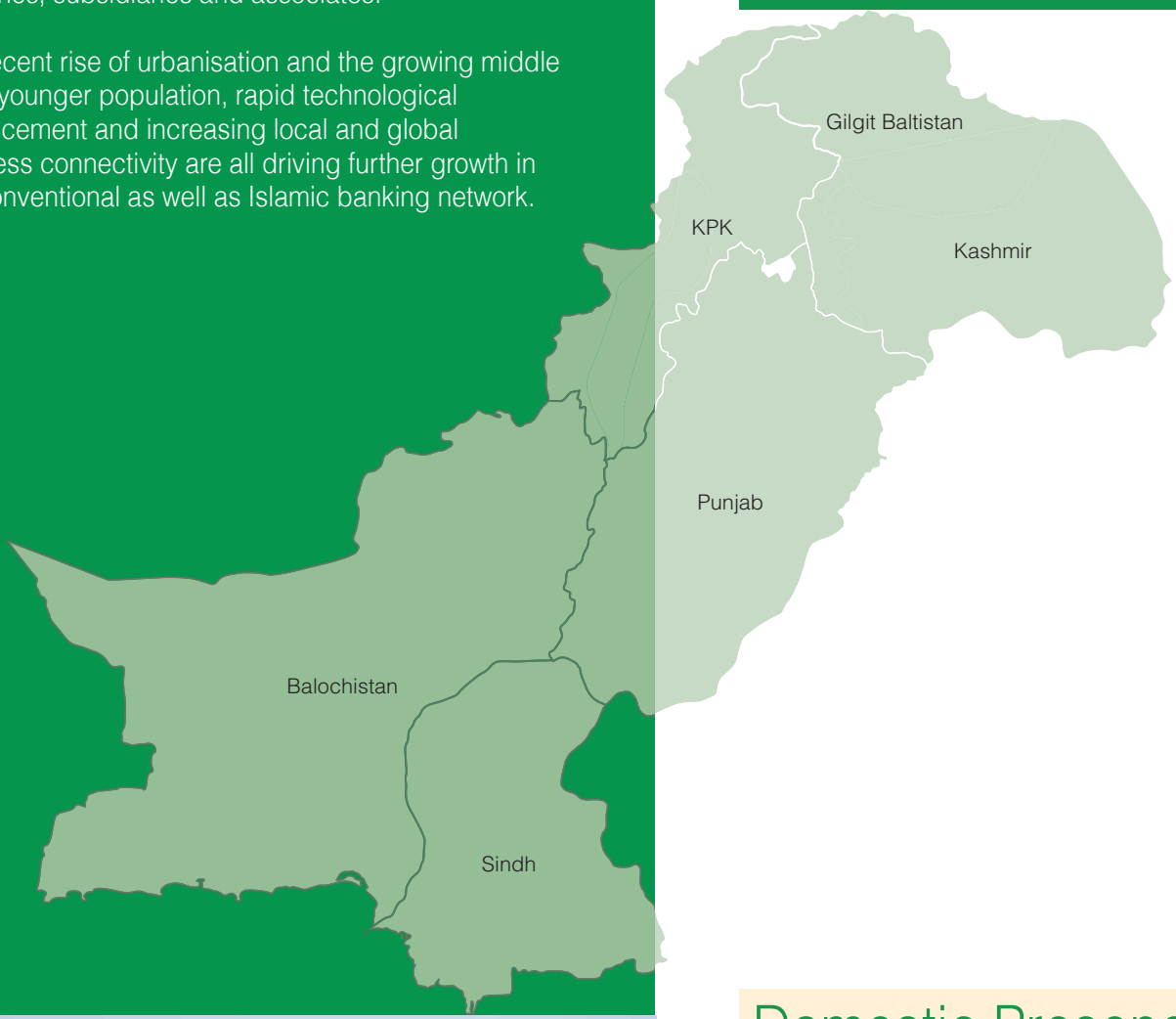
The Bank has an unparalleled, and one of the largest, branch network operating all across the country, including the most remote rural areas where no other bank operates.

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

The recent rise of urbanisation and the growing middle class younger population, rapid technological advancement and increasing local and global business connectivity are all driving further growth in our conventional as well as Islamic banking network.

Global Presence

- Far East
- South Asia
- Central Asia
- Middle East
- Europe
- North America



Geographical Presence

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

Domestic Presence

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

National Bank of Pakistan
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Operating Environment

Rapidly Changing Environment

Context does matter! The Bank's performance is significantly linked to the socio, political and economic trends both locally and globally. Covid-19 has had global ramifications on health, economies, societies and the environment in which we operate our business. During 2020, the global economy experienced significant uncertainty, and GDP of many countries is still below the pre-pandemic levels.

The impact of Covid-19 runs through all considerations for our strategic planning. In the process of our strategic planning, we pay particular attention to the horizon of the environment in which we operate, scanning the horizon for risks and opportunities, and adapting our strategy accordingly.

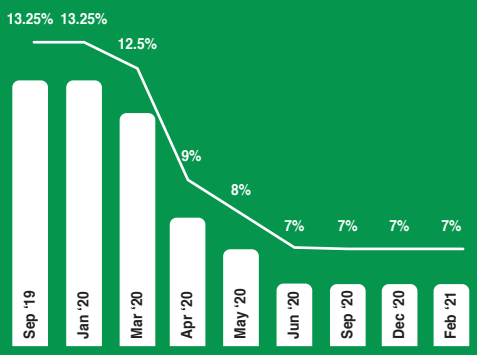
During Covid-19 we responded quickly to the elevated credit risks via active portfolio management, including adjustment of risk appetite, proactive customer contact strategies and scenario analysis. Our participation in government initiatives to dampen the impact of Covid-19 included financial services that solicited heightened focus on conduct, reputational and fraud risks.

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

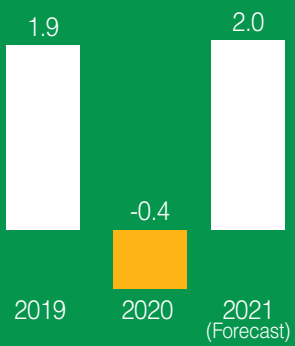
As the Covid-19 crisis delivered an unprecedented shock to the Pakistan and global economy, the economic environment in 2020 became and remains uncertain for 2021. Stimulus package and the government-backed financial support schemes for individuals and businesses have supported the economy as priorities were placed on public health and social distancing restrictions.

In the short run, significant risks prevail regarding the extent of the economic activity and recovery from Covid-19, elevated geopolitical risks and developments in relation to recent development in the middle-east and the recent decision of FATF. In the longer term, technologic advancement, competition from unorthodox market players, high levels of debt and social-inequality could all have financial impacts on our performance. As a result, we closely monitor these risks with strategic plans adapted as appropriate.

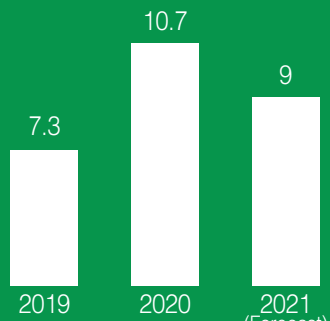
Policy Rate



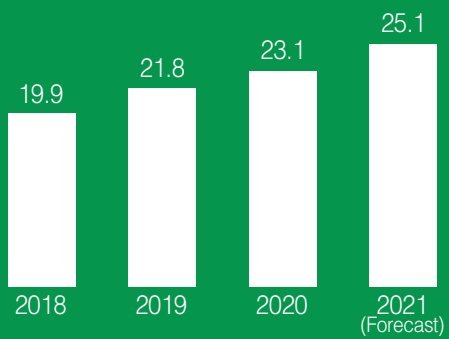
Pakistan GDP Growth



CPI Inflation (%)



Remittances ($ bn)



Considerations and Response

The impact of Covid-19 runs through all considerations and is reflected in the definitions that follow.

Short-Term Considerations

Economic and Political Landscape

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

Revenue Compression and Credit Quality

As a direct result of the economic consequences of the pandemic, we have seen a 625bps reduction in interest rates, that we expect to prevail for some time. We have seen significant increases in impairment and provisioning. This has required a re-evaluation of our strategic and investment priorities and we have accordingly adjusted our risk appetite.

Customer and Client Behaviour

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

Technological Innovation & Cyber Security

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

Contingencies and Litigation

The Bank is currently managing litigation related to pensionary benefits of retired employees. While we are confident of a favorable outcome, on the contrary an adverse judgement may have a material impact on the financial performance and position of the Bank. As our response to this, we remain focused on putting into place and maintaining measures to create adequate buffers to absorb any imminent impact of an adverse outcome. We are also taking measures to prevent such issues in the future.

We pay close attention to the environment in which we operate, scanning the horizon for risks and opportunities, and adapting our strategy accordingly. We also monitor trends in the behaviour of our customers and clients so we can effectively meet their evolving needs.

Long-Term Considerations

Inclusion & Business Diversity

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

Unorthodox Competition

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

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Our Business Model

The Bank's business model has evolved over 7 decades of unremitting commitment to the Nation and resilience to a challenging operating environment. We seek to generate and deliver value for inclusive development and growth of all our stakeholders through partnering for their prosperity while balancing our economic, social and environmental priorities.

Our refreshed vision of becoming "the Nation's leading Bank enabling sustainable growth and inclusive development" leads our focus on strategic planning to address emerging challenges and achieving balanced growth.

Our strategic planning processes continue to evolve every year, building on the learnings of each planning cycle and the macro environment trends that shape our operating landscape. Financial Planning, Corporate Governance and Risk Management provide a framework and broader boundaries within which we conduct our business.

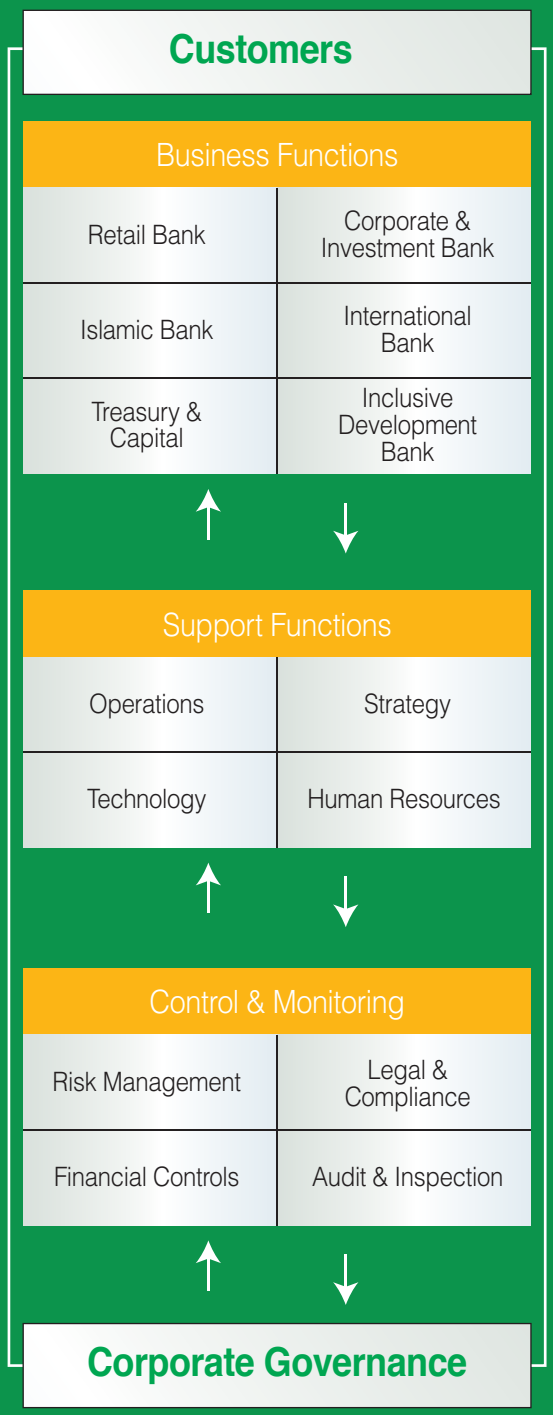
Our stakeholders' engagement processes help us in establishing our stakeholders' value propositions and maintaining an equitable balance between stakeholders' interests. Our strategy and KPIs are formulated considering the key inputs and the capitals available to us. Over the period we have developed a customer-focused business strategy to provide financial solutions to individuals, small and medium enterprises, as well as large corporate and public sector entities. We have established a dedicated business function for each category of our customers. Our business functions are primarily responsible for making their respective business strategies and plans while ensuring coherence with the overall strategic goals of the Bank.

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

Support functions at the Head Office manage adequate logistics and technological support for the business functions in executing their business strategy.

Our control functions at Head Office provide a supervisory and governance role through policy making and monitoring. These control functions ensure regulatory compliance as well as adherence to internal policy frameworks.

Broadly, our operating model is illustrated ahead:



Our Balance Sheet strength, regulatory compliance, corporate governance, transparency and commitment to best business practices are the key to our success and to earn the reputation of being the most trusted Bank in Pakistan.

Our Business & Value Creation Model

Corporate Governance

Risk Management and Controls

Our Resources

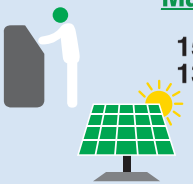
Financial Resources



Financial Capital
PKR 267.6 billion

PKR 2.4 trillion of Deposits

Manufactured Capital



1500+ Branches
1300+ ATMs

Human Capital



15,000+ Full-time Colleagues

1800+ Outsource Workforce

Social & Relationship Capital



7+ million Depositors

500,000+ Borrowers

Intellectual and Natural Capital



70 Years of Experience & Service to the Nation

Process of Value Creation

Business Functions

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

Products

Deposits	Credit	Transactional
• Current	• Personal Loans	• Trade Finance
• Saving	• Corporate Loans	• Remittances
• Term	• SME Loans	• Interest Rate Products
• Islamic	• Agricultural Loans	• Forex Products
	• Housing Finance	• Investment Banking
	• Islamic Finance	• Cash Management

Delivery Channels

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

Organisational Growth

Corporate Conscience

Motivated Team

Operational Resilience

Value Delivered

Shareholders

Delivering attractive and sustainable shareholder returns on a foundation of a strong balance sheet.

- PAT of PKR 30.6 billion
- Net Assets PKR 267.6 billion

Customers / Depositors

Supporting financial goals for our customers and clients with suitable products and services.

- Profit/Mark-up on deposits, borrowings, etc. PKR 153.7 billion
- PKR 1.1 trillion of Loans
- PKR 2.4 trillion of Deposits
- PKR 7.0 trillion of Govt. Collection/Disbursements

Employees

Helping our colleagues develop as professionals.

- PKR 40.75 billion as Remuneration
- Retirement Benefits
- Career Development
- Great Workplace

Suppliers

- Payments made for the provision of utilities, goods and services-PKR 17.7 billion
- Value Distributed
- Fair Dealings

Community

Providing support to our communities, and access to social and environmental financing to address societal needs.

- PKR 85 million as Investment in Health and Education
- Financial Inclusion through 300,000+ New Accounts
- Philanthropy

Strategic Objectives

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

Broadly, strategic objectives of the Bank are categorised as follows:

Short-Term	Medium-Term	Long-Term
- Increasing digital banking footprint, - Rationalising domestic and international franchise - Improving service quality and customer experience - Strengthening control and compliance functions; and - Achieving operational efficiencies	The Bank endeavours to enhance its market share by prudently expanding its core business and strengthening infrastructure by investing in its I.T. platform and concentrating on its HR capacity building.	Building on our short-term and medium-term achievements, the Bank's long-term objective is to be the leading bank enabling sustainable growth and inclusive development.

Pillars of our strategy are cohesive and complementary, with benefits from improvements in one reinforcing progress across the others. For example, digitising operations and products leads to improved customer experience which in return creates diversified income streams. This makes our Bank more resilient, risk efficient and cost effective.

Supporting Customers

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

Powered by Digitalising

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

Inclusive Bank

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

Strengthen Our Culture

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

Prudent Resource Allocation

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

2021 Strategic Priorities

Our business strategy remains unchanged, to be the Nation's leading bank enabling sustainable growth and inclusive development. This is what drives us! In pursuit of our goals, we operate in a challenging and regulated environment with frequent developments relating to technology, stakeholder preferences, unorthodox competition, greater regulations, etc. The Covid-19, is currently the single most influencing factor.

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

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

Strategies adopted to achieve desired results in the identified priority areas include:

Information Technology

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

Digital Banking

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

Inclusive Development

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

Operational Efficiency and Image Building

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

Risk Management and Controls

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

Strategy Execution in 2020

The year 2020 presented some extraordinary challenges for our customers, colleagues and the communities that we serve. We provided exceptional levels of support to those who needed it, including the approval of over PKR 40 billion of loan deferral to dampen the impact of Covid-19, demonstrating that we have truly put our customer at the heart of our business which is fundamental to building sustainable value in our business. We are building on our strengths to meet our customers' financial needs throughout, enabling them to thrive financially.

During 2020, we made material progress towards achieving our goals as defined at the start of the year. Major achievements in 2020 include:

Organisational Excellence

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

Value for Stakeholders

This year the Bank generated a gross value of PKR 294 billion that is 6.6% higher, YoY. RoE improved to 17.2% (2019: 10.2%) and RoA improved to 1.0% (2019: 0.5%).

Digital Footprint

We have launched the PayPak Debit Card and the Mobile Banking Application Facility. We spent PKR 1.4 billion on improving our I.T. systems and peripherals.

Prudent Capital Allocation

While RWA reduced by 2.2%, CET-1 and Total Capital improved to 14.99% and 19.78%, respectively. This increases our opportunities to exploit earning opportunities that we believe will emerge after the roll-out of Covid-19 vaccine.

Customer Service

71,483 customer complaints handled with 99.0% resolution rate.

Community Service

PKR 85 million invested for communities by way of donation and charity.

Resource Allocation

In pursuit of our commitment to enhancing stakeholders' value, we have deployed adequate resources to ensure efficient strategy execution. Our resources fall under 6 major categories, each one is briefly discussed below:

Financial Capital

Financial capital comprises of the funds injected by the equity shareholders and it helps the Bank in acquiring, developing and maintaining other types of capitals to perpetuate its business. Financial capital also acts as a buffer to absorb unanticipated losses and serves as a regulatory restraint on imprudent asset growth. Therefore, the regulators have prescribed minimum capital requirements, both in terms of quality and quantity.

Regulatory requirements are having a significant impact on the management of the financial capital as banks are now required to maintain higher capital and liquidity buffers and to take lesser risk. This leads to higher costs of capital and compressed net interest margins. In such an operating landscape, our policy is to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain development of the business.

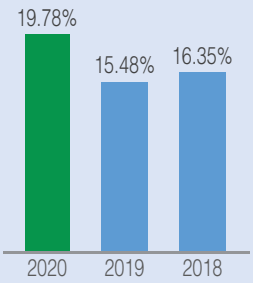
Once the IFRS-9 is implemented in Pakistan, banks will most likely have to create even higher loan-loss provisions under the expected credit loss model. At NBP, we are carrying out stress studies to identify the impact of IFRS-9 on the capital adequacy of the Bank, and have already started creating reserves in anticipation of the impacts of IFRS-9.

Key objectives of our Capital Management & Adequacy Strategy include:

- *Regulatory Compliance*
- *Meeting internal capital targets which are more stringent than the regulatory requirements*
- *Maintaining optimum Risk Weighted Assets for profit maximisation*
- *Ensuring corporate sustainability.*

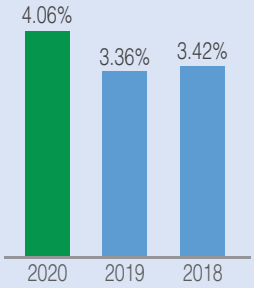
Capital Adequacy

19.78%



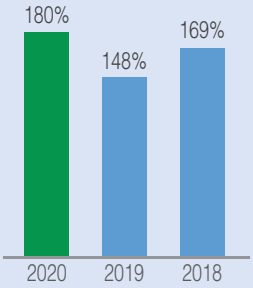
Leverage

4.06%



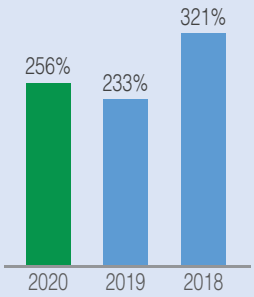
Liquidity Ratio

180%



Net Stable Fund

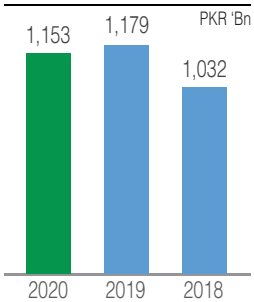
256%



The Bank has devised efficient stress testing scenarios to assess the impact on the financial capital of the Bank under the Internal Capital Adequacy and Assessment Process (ICAAP). Other tools deployed include prudent capital allocation, balancing risk-weighted assets, timely asset repricing, dividend policy and earning asset portfolio mix.

At end 2020, the total Risk Weighted Assets Credit Risk and Market Risk amounted to PKR 858 bn (2019: PKR 914 bn) and PKR 88 bn (2019: PKR 92 bn), respectively. Whereas, RWA under Operation Risk amounted to PKR 207 bn (2019: PKR 174 bn). Overall, the RWAs were curtailed by 2.2% YoY to PKR 1,153 bn.

Risk Weighted Assets



During 2020, despite a challenging business environment, the Bank efficiently managed its financial capital well above the regulatory requirements, leaving sufficient leeway for achieving the business growth opportunities that we believe will emerge in the post Covid-19 era.

Despite an increase in the average earning assets, total Risk Weighted Assets dropped by 2.2% to PKR 1,153.10 billion. This was achieved through our efficient capital deployment strategy in low risk - high yielding assets. As a result of our strategy execution, we generated strong profit during the year 2020, further strengthening the Capital Adequacy Ratio of the Bank. At end 2020, the Bank's total eligible Capital amounted to PKR 228.12 billion (2019: PKR 182.53 billion), of which Eligible Common Equity Tier-I Capital amounted to PKR 172.90 billion (2019: PKR 142.72 billion). In line with growth in the capital, the Bank's net assets, stand increased to PKR 267.56 billion (2019: PKR 232.61 billion). At end 2020, the CET-1 ratio of the Bank stood at 14.99% (2019: 12.11%), whereas the Total Capital Adequacy Ratio stood at 19.78% (2019: 15.48%).

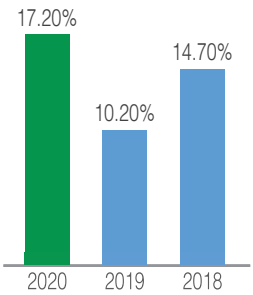
NBP is the only Bank in Pakistan with credit rating of 'AAA' by both the recognised credit rating agencies in Pakistan. In June 2020, M/s VIS Credit Rating Company reaffirmed the Bank's standalone rating of "AAA", M/s PACRA Credit Rating Co. also assigned a long-term entity rating of 'AAA' (Triple AAA) and short-term rating of 'A1+' (A-one Plus).

During 2021 and beyond, we will continue efficiently managing our Financial Capital by realigning our business strategies with the risks and opportunities emerging because of Covid-19, and changes in the related regulatory environments.

For Capital Adequacy Ratios of the past 6 years, please refer to the financial performance overview from page 37 onwards.

RoE (after tax)

17.20%



AAA
Long-Term

A1+
Short-Term

Manufactured Capital

This refers to Capital goods, i.e., Buildings, I.T. infrastructure, ATMs, Vehicles, Equipment, etc. built or acquired by the Bank to deliver its products and services. Given the extreme importance of manufactured capital in smooth execution of its business activities, value creation and to meet future challenges, the Bank has focused on maintaining adequate manufactured capital. The Bank is, and will continue to, invest in its I.T. infrastructure with the objective of digitising its products and services.

The Bank is maintaining an optimal balance between owned and rented business premises. Further, the Bank is also mindful of the requirement to maintain a healthy work environment within the Bank premises and is continuously investing for modernisation of the business premises. We have started a plan to standardise our workplace ambiance and quality.

During the year 2020, we added further to our manufactured capital by opening new branches, ATM Network, deploying I.T. and peripheral equipment, etc. Consequent to the above initiatives the total value of our manufactured capital stood at PKR 54.41 billion (2019: PKR 54.30 billion) (2018: PKR 53.86 billion) at the end of 2020.

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

Investment in CAPEX

1.8 Bn

Branches

1535



ATMs

1350+

ATM Centres

6





We consider our human capital as the Bank's most important asset. On average, the Bank employed 15,149 people during 2020 (end 2020: 15,109) as its full-time employees. In addition, the 1,838 (2019: 2,102) personnel of outsourcing companies are also engaged for certain non-core functions. Our human capital pool functions coherently to achieve organisational goals.

The Bank introduced unprecedented steps to counter the effects of Covid-19 crisis through constant liaison with the hospitals and staff in need of treatment for Covid-19 to provide priority attention and treatment to all NBP employees. Our teams remained available 24/7 to resolve the hospitalisation claims and to arrange new panel hospitals with Covid related hospitalisation/isolation facilities. While approval process for Covid-19 related test and hospitalisation were simplified, entire costs for Covid-19 pathological tests, injections/medications and antibodies test for staff (and their dependent family members) are being fully covered by the Bank. Further, the Bank has compensated with additional amount of PKR 1.5 million to the families of those NBP team members who have expired during Covid-19 pandemic.

Learning & development has always been placed as a top priority as the quality of our people can be make the difference between organisational success and failure. The Bank's Learning & Development Division constantly arranges both in-house as well as external trainings to keep the staff abreast of the latest developments in the field. Currently, we have six training units, being five staff colleges and one management development centre working under the Learning & Development Division.

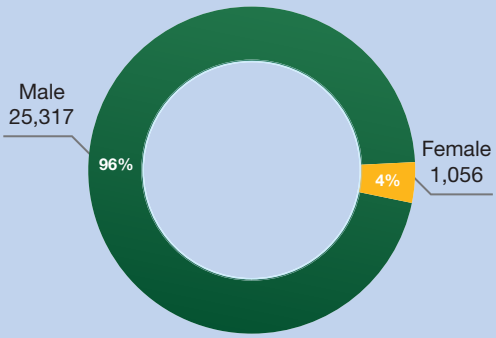
During the year 2020, 1,570 training sessions were held with total 26,373 trainings imparted, with a focus on achieving excellence, customer service, regulatory compliance, product knowledge and leadership development, etc.

Average Employees
15,149

Investment in Training
PKR 62 Mn

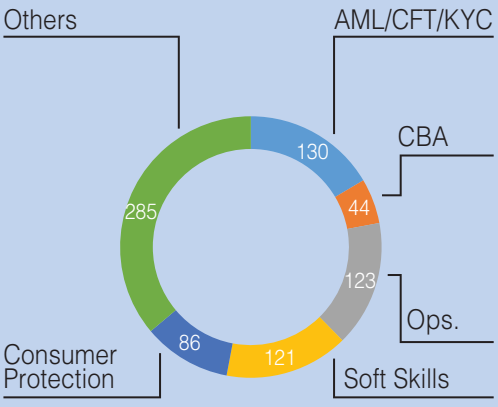
Compensation
PKR 40,750 Mn

Participants

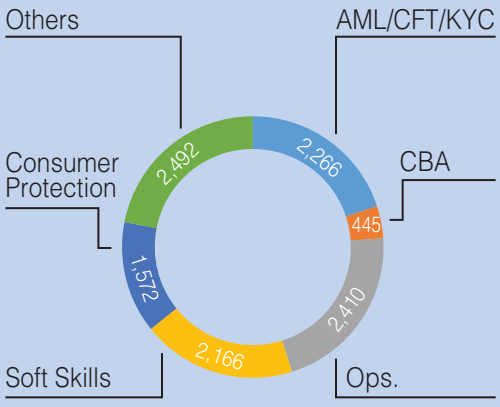


Training and Development

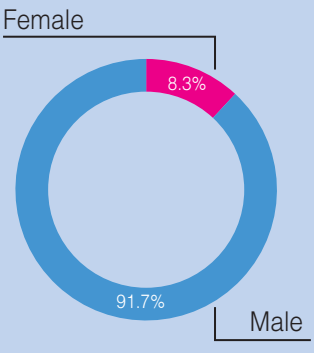
Number of Trainings



Training Participants



HR Composition



Natural Capital

This includes natural resources like soil, earth, water and oil, etc. Unlike manufactured resources, most natural resources are finite and cannot be replenished. Internally, the Bank has put in place policy guidelines for economical consumption of materials, water and energy in a sustainable manner which also helps the Bank in improving its cost-to-income ratio. While paper continues to be a major component of the Bank's consumptions of materials, we are encouraging a 'paper less' environment by promoting Digital Banking, ATMs, E-statements, and distribution of the Annual/Quarterly Reports in digital form. As another measure, we have made it mandatory that only energy-efficient lights, i.e. LEDs are installed at all our premises. In line with directives of the State Bank of Pakistan, the Bank is developing policies to promote Green Banking in Pakistan.

Intellectual Capital

Intellectual Capital, being an intangible asset, has zero value on the Bank's balance sheet but positively impacts the performance and success of the Bank. Our intellectual capital includes the brand synonymous values and conduct, human capital knowledge and skills, systems and processes, software and corporate governance. Over the period, the Bank has strengthened and enriched its Intellectual Capital through continued measures including deployment of I.T. systems, efficient policy and system development in the area of Credit, Compliance, Investment, Human Resource Management and Risk Management, etc.

Social & Relationship Capital

The Bank recognises the fact that its viability greatly depends on sustainable relationships with each stakeholder group, e.g. customers, suppliers and business partners, and the wider community, are built on mutual trust, loyalty, and shared values. This Relationship Capital creates opportunities for the Bank in the process of value creation for our shareholders. To establish and develop our relationship capital, the Bank interacts with its customers and other stakeholders in a number of ways. We also invest into and contribute towards the growth of our communities through various charity and support activities, particularly in the areas of Education, Healthcare, Environment, Sports and Promotion of Culture. During the year 2020, the Bank invested PKR 85.4 million (2019: PKR 26.9 million) into CSR initiatives.

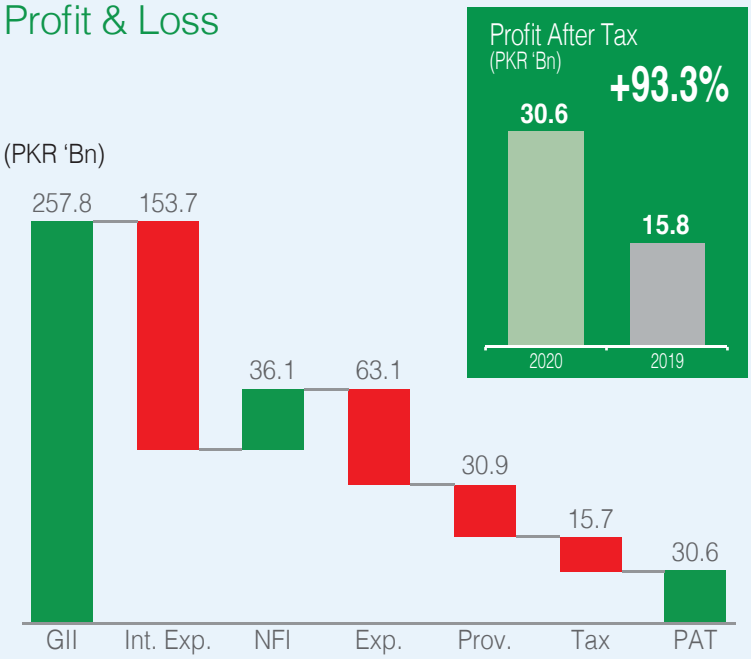


National Bank of Pakistan
نیشنل بینک آف پاکستان

Financial Performance Overview

Financial Results for the year 2020 reflect our resilience to the impact of Covid-19 on the Bank, its customers and the economy. Our performance remained strong as we continued to create growth opportunities for the Nation through uninterrupted delivery of services to our customers.

Profit & Loss



Operating Income

Net Interest Income

2020: 104.2 bn
2019: 71.9 bn

Net Interest Margin

2020: 4.1%
2019: 3.2%

During the year under review, the Bank earned a gross mark-up/interest income of PKR 257.81 bn (+7.7% YoY). Total interest-bearing assets during the period averaged at PKR 2,511.72 bn (+10.9% YoY). Interest-bearing investment portfolio averaged 20.5% up at PKR 1,357.42 bn (Dec '19: PKR 1,126.85 bn) and generated interest/mark-up income of PKR 154.04 bn (+25.9% YoY), making 59.7% of the total mark-up income. Average loans and advances (net) were up by 1.4% at PKR 943.68 bn (2019: PKR 930.26 bn) and generated mark-up/interest income of PKR 99.78 bn, which compared to PKR 109.65 bn levels of Dec '19, is lower by 9.0%. Average interest-bearing liabilities increased by 11.2% to PKR 2,397.10 bn. Therefore, the Bank's cost of funds also decreased to PKR 153.66 bn (-8.3% YoY), of which PKR 103.38 bn (Dec '19: PKR 110.10 bn) was on account of profit to the depositors. During the year, the average policy rate remained at 8.9% compared to 12.0% of last year. This translates into an average decline in the policy rate by 305bps. As a consequence, the Bank's cost of deposits dropped by 111bps to close at 5.2% for 2020 (2019: 6.3%). Overall, the Bank's net mark-up/ interest income closed at PKR 104.16 bn, which was 44.9% higher against PKR 71.91 bn earned during the prior year 2019.

Financial Performance

Operating Income

Non Mark-up/Interest Income

2020: 36.1 bn
2019: 36.2 bn

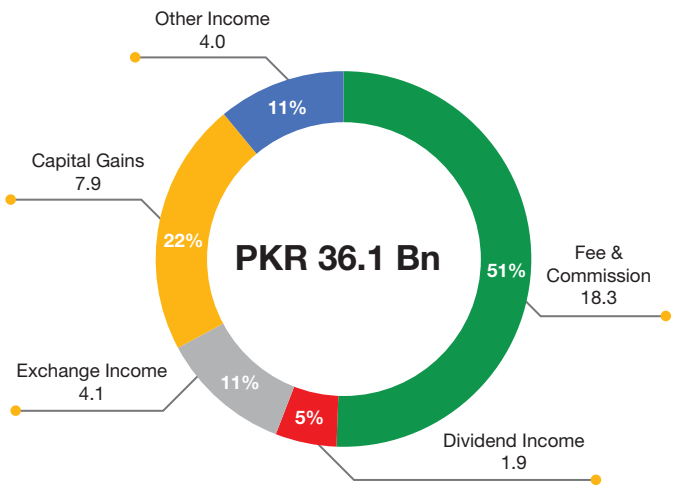
Despite a generally lower economic activity during the year due to the pandemic outbreak, the Bank succeeded to maintain its non-fund based income stream by generating a non mark-up income of PKR 36.08 bn (Dec '19: PKR 36.20 bn), constituting 25.7% of the total income (Dec '19 :33.5%). Branch banking operations continued generating healthy fees & commission income that closed at PKR 18.25 bn (-4.6% YoY). Dividend income dropped 39.7% to PKR 1.90 bn as companies resorted to retaining. Reduced volatility in the forex market, coupled with lower international trade volumes, depressed the foreign exchange income by 32.6% YoY to PKR 4.10 bn (Dec '19: PKR 6.05 bn). These shrinkages were however off-set through a higher gain on securities that amounted to PKR 7.89 bn (Dec '19: PKR 2.11 bn). Accordingly, the non mark-up/interest income of the Bank totalled PKR 36.08 bn, as against PKR 36.20 bn of the last year.

Non-Interest Income to Total Income

2020: 25.7%
2019: 33.5%

Non-Interest Income

(PKR 'Bn)



Expenses

OPEX

2020: 63.1 bn
2019: 65.9 bn

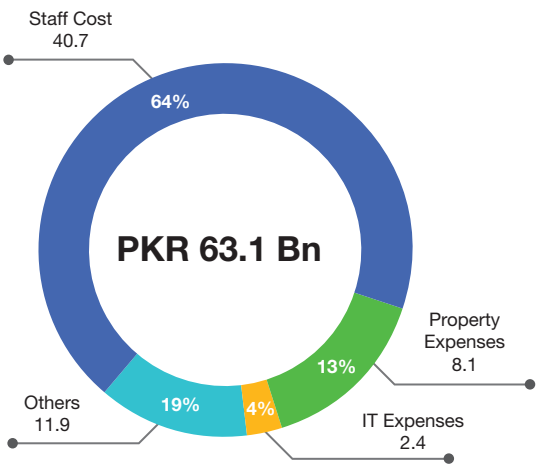
Cost: Income

2020: 45.0%
2019: 60.9%

With a 4.2% decrease YoY, operating expenses for the year closed at PKR 63.11 billion against PKR 65.85 billion for the year 2019.

HR compensation that accounts for 64.6% of the total operating expenses amounted to PKR 40.75 billion compared to PKR 45.28 billion for the year 2019. The decrease is due to the one-off provision of PKR 7.30 billion recorded in 2019. Resultantly, the Bank's operating cost to income ratio stood at 45.0%, against 60.9% for the prior year.

Expenses



Financial Performance

Operating Expenses

Number of Employees

2020: 15,109
2019: 15,188

Expense per Employee

PKR 'Mn

2020: 4.2
2019: 4.3

PKR 62 Mn Invested in Training

The Bank invests appropriate funds in the uplift and maintenance of its business premises, providing a secure & healthy work environment to its workforce and customers. This year we spent a sum of PKR 1.13 billion on repair and maintenance of our business premises. Overall property-related expenses amounted to PKR 8.10 billion, which is 1.8% lower than the prior year's.

Since Information Technology is pivotal for the Bank to achieve its strategic goals, we continue to invest in upgrading our IT infrastructure, systems and applications architecture. In 2020, we spent PKR 1.37 billion on software maintenance and PKR 559.24 million on Network enhancement.

Profitability

Profit Before Tax

2020: 46.2 bn
2019: 28.0 bn

Tax

2020: 15.7 bn
2019: 12.2 bn

Profit After Tax

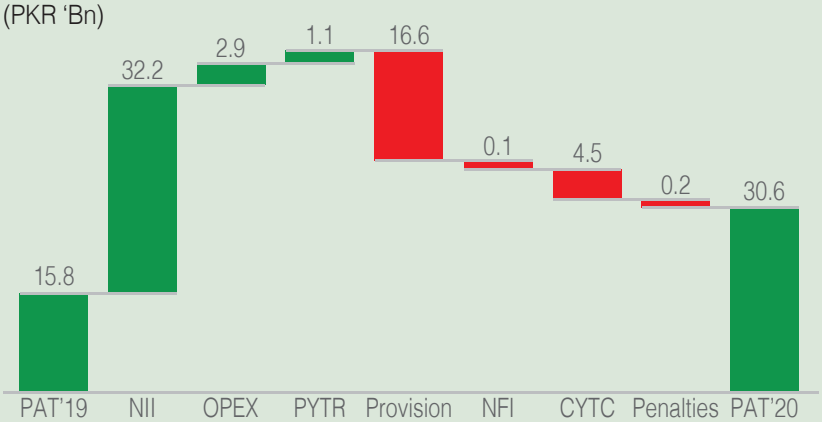
2020: 30.6 bn
2019: 15.8 bn

The effective tax rate for the current year is 34% as compared to 44% for the last year due to receipt of rectified order for the Tax Year 2015 on account of carried forward loss of Tax Year 2014 amounting to PKR 6.6 billion, which resulted in an increase in determined refunds by PKR 2.5 billion and reversal of deferred tax liability amounting to PKR 2.3 billion. Last year's effective tax rate was higher because of PKR 1,057 million super tax for Tax Year 2018 by virtue of the Finance Supplementary (Second Amendment) Bill, 2019 and was booked as a prior-year tax charge.

Significant growth is achieved in profitability, partially off-set by higher provisions charge.

Net assets increased by PKR 34.9 Bn.

Profit - Growth Triggers
(PKR 'Bn)



PYTR: Prior year tax reversal
CYTC: Current year tax charge

Financial Performance

Credit Quality and Provisions

Loan Losses and Provisions

2020: 171.3 bn
2019: 148.7 bn

NPL Coverage

2020: 90.0%
2019: 90.2%

Reflecting the economic environment triggered by the Covid-19 pandemic, the asset quality of the Bank has come under pressure during the recent months. As of December 31, 2020, NPLs totalled PKR 171.29 bn, being PKR 22.54 bn or 15.2% higher than Dec '19 level of PKR 148.75 bn. The Bank follows a prudent approach in the identification of loan impairments to strengthen its balance sheet by maintaining a robust level of specific, as well as general provisions against NPLs and other contingencies. Provision charges of PKR 30.90 bn (Dec '19: PKR 14.25 bn) were taken during the prior year under review. Consequently, specific and general provisions increased to PKR 154.15 bn and PKR 22.47 bn. However, total provisions held translate into a coverage ratio of 103.1%. PKR 171.29 billion of non-performing loans include OAEM (PKR 1.62 bn), Sub-standard (PKR 5.42 bn) and Doubtful (PKR 15.77 bn), while PKR 148.49 billion are classified as loss. Specific provision coverage stood at 90.0%, whereas provision coverage (including general provisions) stood at 103.1%.

Delivering to the Shareholders

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

Financial soundness indicators of the Bank have improved significantly and have resulted in the Bank being in a much stronger position. Retaining the profit has added to the Shareholders' wealth through higher book value per share, which has increased 52.6% from PKR 82.44 per share at the end of 2017 to PKR 125.76 per share at the end of December 2020. Key financial soundness indicators of your Bank are as follows:

Indicator	2020	2019	2018	2017
Net Assets (PKR 'Mn)	267,559	232,614	206,869	175,382
Break-up Value Per Share (Rs.)	125.76	109.34	97.23	82.44
Capital Adequacy (%)	19.78	15.48	16.35	15.95

Return on Equity

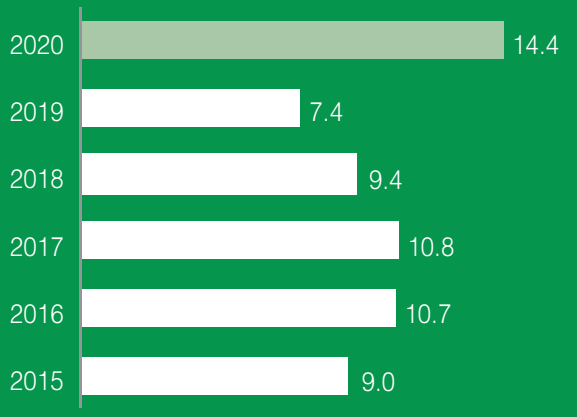
2020: 17.2%
2019: 10.2%

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

*Average equity (Excluding surplus)

Earnings Per Share (Rs.)

+93.3%



Financial Performance

Financial Position and Balance Sheet Strength

Balance sheet strength is critical to our ability to serve our customers, drive core business outcomes and deliver strong and sustainable returns for our shareholders. Our key capital, liquidity and funding metrics strengthened further during FY'20. The strength of our balance sheet means the Bank has been well-positioned to support customers and the Pakistan economy through challenging and uncertain times.

Total Assets

As of December 31, 2020, the total assets of the Bank amounted to PKR 3,008.53 billion, which is 3.7% down from PKR 3,124.39 billion at the end of 2019. The Bank has managed its overall asset-liability mix by generating stable funds and deploying the same into earning avenues offering positive yield.

Total Assets

2020: 3,008.5bn
2019: 3,124.4bn

Return on Average Assets - Pre Tax

2020: 1.5%
2019: 1.0%

Capital Strength and Adequacy

Common Equity Tier-1 Ratio

2020: 14.99%
2019: 12.11%

Capital Adequacy

2020: 19.78%
2019: 15.48%

NBP's capital adequacy position is satisfactory. Calculated in accordance with the Basel III framework, the Bank's CAR stood at a higher 19.78% at end 2020, with the increase partly due to regulatory reduction of the CCB by 1.0%.

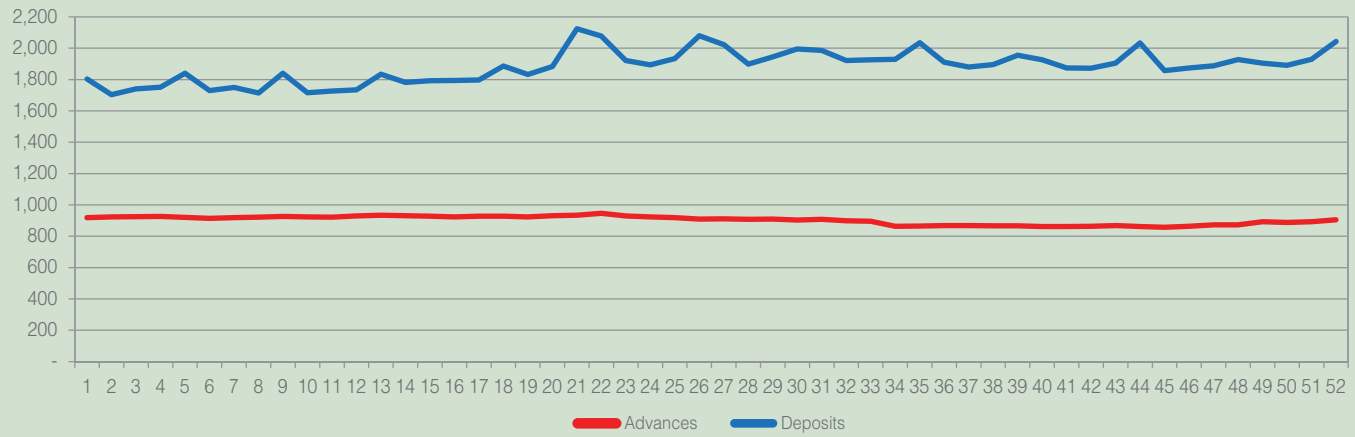
As a measure to alleviate the effects of Covid-19 and support the banking sector in extending credit facilities to its customers, SBP reduced the capital conservation buffer from 2.5% to 1.5% for the time being. This resulted in minimum CAR requirement for the Bank being 13.5% (including the higher loss absorbency surcharge of 2%) at end 2020. With the CET-1 ratio at 14.99% and overall CAR at 19.78% at end 2020, NBP is compliant with regulatory requirements. Contributors to the growth in the period include both profits and the reduction in RWA.

The Tier-1 leverage ratio of 3.0% was introduced in response to the Basel III accord. At end 2020, the Bank's leverage ratio was satisfactory at 4.06%.

The quality of the Bank's capital is good, with a sizeable portion of regulatory capital comprising instruments that can absorb losses on a going concern basis. The CET-1 ratio, at 14.99%, is considered solid. NBP's capital is not impaired by un-provided (net) NPLs and the existing level of capital provides a satisfactory cushion against future exigencies.

Weekly Domestic Advances and Deposits - 2020

(PKR 'Bn)



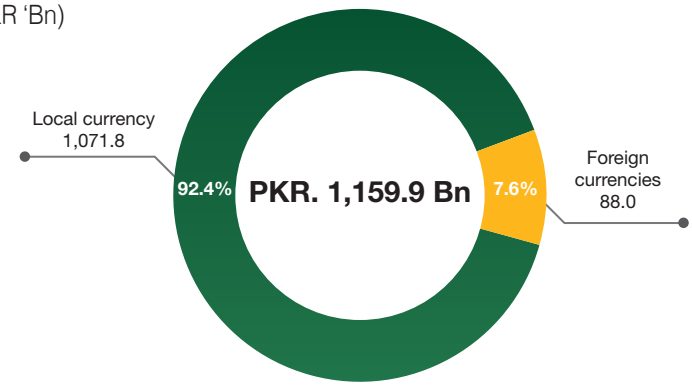
Financial Performance

Loans and Advances

Advances - Gross	Infection Ratio
2020: 1,159.9bn 2019: 1,151.3bn	2020: 14.8% 2019: 12.9%

Advances - Gross

(PKR 'Bn)



Despite generally decelerated loan demand due to lower economic activity, the Bank's gross advances only recorded a slight increase of PKR 8.56 billion or 0.7% to PKR 1,159.87 billion as against PKR 1,151.32 billion a year ago. As the infection ratio increased to 14.8% (2019: 12.9%), the Bank's net advances amounted to PKR 983.25 billion, i.e. 2.5% lower than PKR 1,008.14 billion at end 2019.

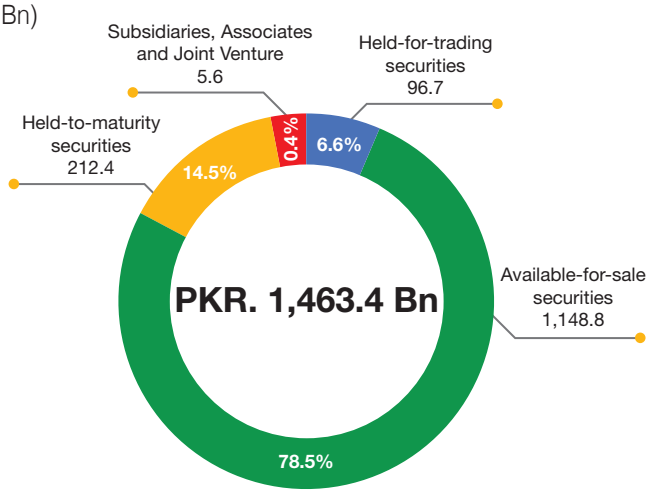
Our loan-book is mainly PKR denominated representing 92.4% of the gross advances. The loan to customer portfolio of the Bank is fairly well diversified across a large number of industry sectors. Power, Gas and water sector account for 24.4% of our advances, followed by Textiles with 11.4%.

Investments

Investment - Net	Investment : Deposit
2020: 1,463.4bn 2019: 1,449.6bn	2020: 60.5% 2019: 65.9%

Investment by Type

(PKR 'Bn)



The Bank maintains a diversified and efficient investment portfolio which is more liquid, less risky, and offers a healthy yield.

As of December 31, 2020, the Bank's net investment amounted to PKR 1,463.40 billion, constituting 48.6% of the Bank's total assets (46.4% as on December 31, 2019). Whereas investment at cost amounted to PKR 1,437.37 billion compared to PKR 1,428.04 billion as of December 31, 2019, registering an increase of PKR 9.33 billion or 0.7%. For better liquidity and rate-risk management, our investments are mostly placed into 'available-for-sale' securities, which amounted to PKR 1,116.67 billion, making 77.7% of the total investments at cost.

Investment in ordinary shares of listed companies that is well-diversified through major industrial sectors amounted to PKR 33.24 billion at the end of 2020 (2019: PKR 29.10 billion).

Over the period, these investments have earned substantial returns for the Bank by way of dividends and capital gains. The Bank follows a strategy to divest its investments when it feels that the market has matured and the capital released can be better deployed elsewhere.

Financial Performance

Deposits

The Bank has established an unparalleled outreach to a wide range of depositors throughout the country. As the Bank enjoys depositors' utmost confidence, most of our deposits are 'stable funds' through core customers'.

During the year under review, the Bank's deposits increased by PKR 220.92 billion and amounted to PKR 2,418.97 billion, which is 10.1% higher than PKR 2,198.05 billion, at the end of year 2019. The Bank follows an aggressive strategy for deposit mobilisation, particularly the low-cost current and saving (CASA) deposits. Customers' deposits as of Dec '20 amounted to PKR 2,020.64 billion, representing 83.5% of the total deposits.

Total current deposits (including FI's) stood at PKR 1,316.43 billion, depicting a 9.3% growth YoY. Also, the saving deposits increased by 19.9% to PKR 711.32 billion, as compared to PKR 593.08 billion a year back. On a positive note, the bank's CASA deposits (including NIDA) have shown improvement from 81.8% in December 2019 to 83.8% as of December 31, 2020.

Deposits

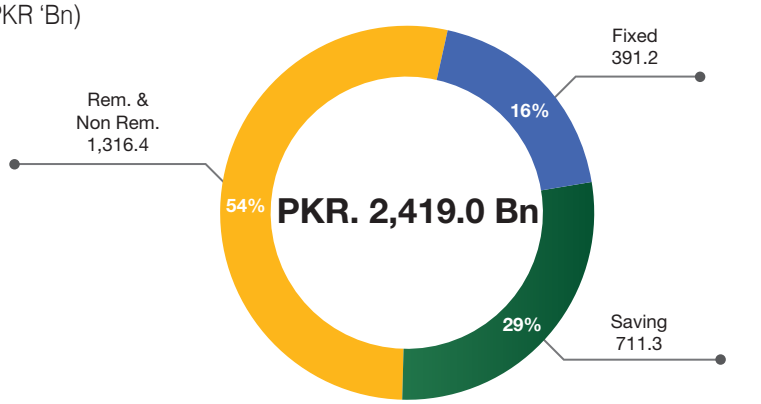
2020: 2,419.0bn
2019: 2,198.0bn

CASA

2020: 83.8%
2019: 81.8%

Deposits

(PKR 'Bn)



Funding & Liquidity

Liquidity Coverage

2020: 180.0%
2019: 147.6%

Net Stable Funding

2020: 256.3%
2019: 233.2%

NBP has the second-largest share of customer deposits in the Pakistan banking sector and benefits from its majority government ownership and wide branch network. The Bank's liquidity and funding profile are sound as the vast bulk of assets are funded by a large and stable customer deposit base which continued to grow strongly in 2020.

The Bank maintains optimum levels of funding and liquidity. As of December 31, 2020, deposits closed at PKR 2,418.97 bn (+10.1% YoY). Average deposits grew by PKR 242.88 bn or 13.9% to PKR 1,984.17 bn. The majority of the Bank's funding comes from core customer deposits that contribute 83.5% (PKR 2,020.64 bn) of the Bank's total deposits. Compared to Dec 31, 2019 level, customer deposits have increased by PKR 223.39 bn or 12.4%. FI deposits, however, dropped during the period under review by PKR 2.48 bn and closed at PKR 398.32 bn (Dec '19: PKR 400.80 bn). The Bank is pursuing a prudent deposit mobilisation strategy, CASA ratio improved to 83.8% from 81.8% at the year-end 2019. The Bank's liquidity coverage ratio stood at 180.0%, and the Net Stable Funding Ratio stood at 256.3%, well above the statutory requirement of 100%.

Quarterly Financial Position & Performance

PKR 'Mn

Financial Position	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Assets								
Cash and balances with treasury and other banks	249,260	271,567	286,489	171,181	292,513	215,143	351,877	173,482
Balances with other banks	14,227	14,598	32,352	18,814	13,221	21,091	21,267	15,851
Lending to financial institutions	126,805	50,281	48,535	44,550	134,780	58,280	35,306	120,926
Investments - net	1,463,398	1,368,389	1,642,967	1,503,026	1,449,555	1,560,406	1,192,871	919,241
Advances - net	983,255	892,627	935,618	980,435	1,008,139	951,576	952,156	912,297
Operating Fixed assets	54,717	54,860	54,796	54,387	54,679	53,915	54,098	54,104
Right of use assets	6,670	6,904	7,115	7,309	7,221	6,603	6,905	3,135
Other assets	110,196	124,252	155,531	183,959	164,281	158,356	249,469	202,761
Total Assets	**3,008,527**	**2,783,478**	**3,163,403**	**2,963,661**	**3,124,389**	**3,025,372**	**2,863,948**	**2,401,795**
Bills payable	16,795	41,481	27,407	16,044	19,867	16,289	16,211	26,797
Borrowings	138,539	142,596	348,753	560,155	471,757	680,683	276,648	174,209
Deposits and other accounts	2,418,966	2,174,926	2,339,263	1,953,160	2,198,049	1,938,036	2,093,396	1,778,666
Lease Liability against right-of-use assets	7,534	7,795	7,897	7,966	7,640	7,020	7,275	4,060
Deferred tax liabilities	2,978	6,823	10,779	10,272	10,916	5,219	6,529	7,096
Other liabilities	156,156	142,654	170,273	179,056	183,545	157,267	247,965	198,114
Total Liabilities	**2,740,968**	**2,516,275**	**2,904,372**	**2,726,653**	**2,891,775**	**2,804,514**	**2,648,024**	**2,188,942**
Net Assets (Represented by as below)								
Share capital	21,275	21,275	21,275	21,275	21,275	21,275	21,275	21,275
Reserves	56,563	57,464	53,834	53,153	52,309	52,055	55,909	54,474
Surplus on revaluation of assets	73,699	76,456	82,009	70,163	70,244	56,512	56,468	62,109
Unappropriated Profit	116,021	112,008	101,913	92,417	88,786	91,015	82,272	74,995
Total	**267,559**	**267,203**	**259,031**	**237,008**	**232,614**	**220,857**	**215,924**	**212,853**

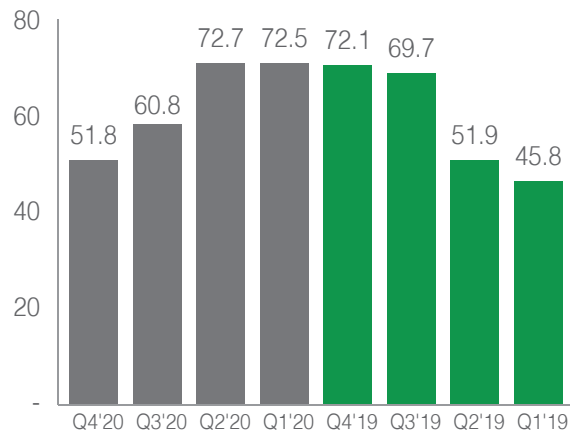
PKR 'Mn

Financial Performance	2020				2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Financial Performance								
Mark-up / return / interest earned	51,781	60,771	72,722	72,537	72,090	69,698	51,897	45,793
Mark-up / return / interest expensed	27,474	29,366	40,853	55,963	54,046	51,398	31,796	30,330
Net mark-up / Interest income	**24,307**	**31,405**	**31,869**	**16,574**	**18,044**	**18,300**	**20,101**	**15,463**
Non interest income	8,354	9,382	10,045	8,296	10,626	7,370	9,937	8,267
Operating Expenses	18,114	15,455	15,734	13,809	24,491	13,470	15,145	12,748
Profit before provisions	**14,547**	**25,332**	**26,180**	**11,061**	**4,179**	**12,199**	**14,893**	**10,982**
Provisions and write offs - net	7,589	7,668	11,581	4,058	5,358	3,402	3,235	2,255
Pre-tax profit	**6,958**	**17,664**	**14,599**	**7,003**	**(1,179)**	**8,797**	**11,658**	**8,728**
Taxation	2,533	6,720	3,528	2,884	(658)	3,568	4,740	4,544
After-tax profit	**4,425**	**10,944**	**11,071**	**4,119**	**(521)**	**5,230**	**6,918**	**4,183**

Quarterly Financial Position & Performance

Mark-up/Interest Earned

(PKR 'Bn)

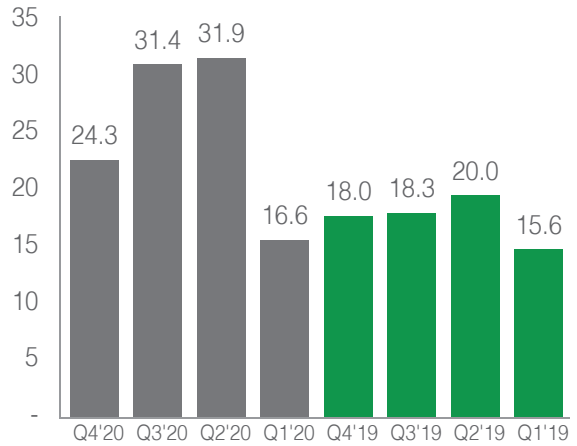


Net interest income for Q1 '20 amounted to PKR 16.57 billion lower by 8.1% against Q4 '19 due to maturity of interest-bearing assets in the last quarter of 2019.

For the 2nd quarter, NII amounted to PKR 31.87 billion, i.e. 92.3% up as compared to the previous quarter and 58.6% up as compared to Q2 of 2019. This was mainly due to the repricing impact on interest-bearing assets and liabilities on the back of the sharp cut in the policy rate.

Net Interest Income

(PKR 'Bn)

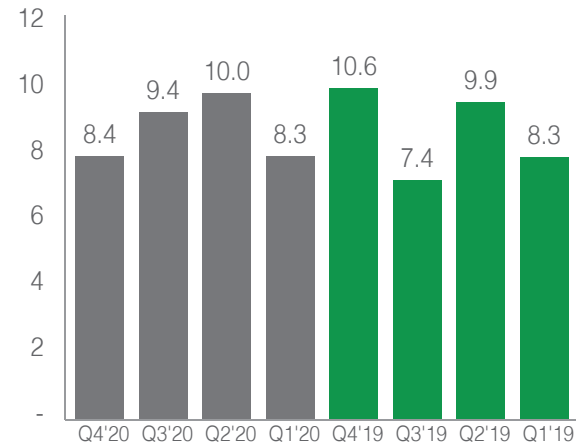


NII for the 3rd quarter amounted to PKR 31.41 billion remained the same with a slight decrease of 1.5% as compared to the previous quarter but achieved a 71.6% growth as compared to the corresponding quarter last year.

Net interest income for the 4th quarter amounting to PKR 24.31 billion, i.e. 22.6% lower as compared to the previous quarter. However, this was 34.7% higher than the corresponding quarter last year.

Non Interest / Mark-up Income

(PKR 'Bn)



Non interest income for the quarter amounted to PKR 8.30 billion, showing a 21.9% drop, as compared to the previous quarter. The key reason was the lower dividend payout and lackluster performance of the PSX.

Non interest income for the 2nd quarter amounted to PKR 10.05 billion, i.e. 21.1% up as compared to Q1'20 and marginally higher by 1.1% than the corresponding quarter last year.

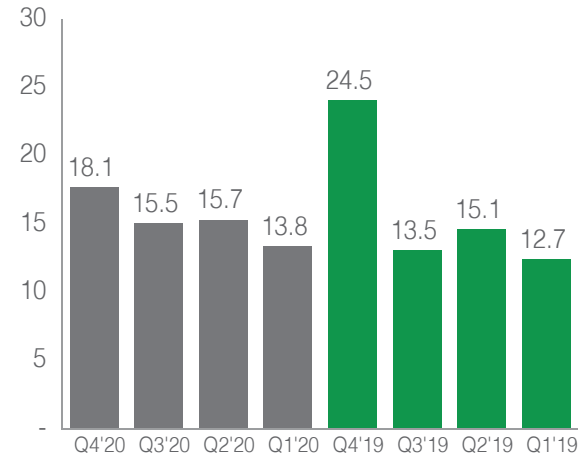
Non interest income for the 3rd quarter amounted to PKR 9.38 billion, i.e. 6.6% down as compared to the previous quarter due to limited economic activity.

Non interest income for the 4th quarter amounted to PKR 8.35 billion, which is 11.0% down as compared to the previous quarter and 21.38% as compared to the corresponding quarter last year, which is mainly due to lower fee-based income and decrease in dividend income.

Quarterly Financial Position & Performance

Operating Expenses

(PKR 'Bn)



Despite inflationary pressures, the Bank succeeded in controlling the growth in operating expenses that amounted to PKR 13.81 billion for the first quarter of 2020, which decreased by 43.6%, as compared to the previous quarter. This is, however, mainly due to impact of extraordinary provisions of PKR 7.30 billion during Q4'19.

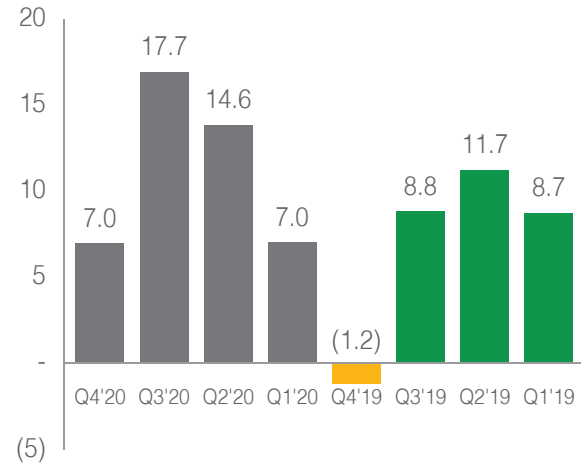
For the 2nd quarter of 2020, operating expenses amounted to PKR 15.73 billion, which is 13.9% higher, as compared to Q1'20 and 4.6% higher against the 2nd quarter of 2019. The main contributors in increasing the expenses are employee compensations.

Operating expenses for the 3rd quarter amounted to PKR 15.46 billion, slightly lower by 1.8% as compared to the previous quarter.

For the 4th quarter operating expenses amounting to PKR 18.11 billion, showing an increase of 17.2% compared to Q3'20 due to the year-end provisions, etc.

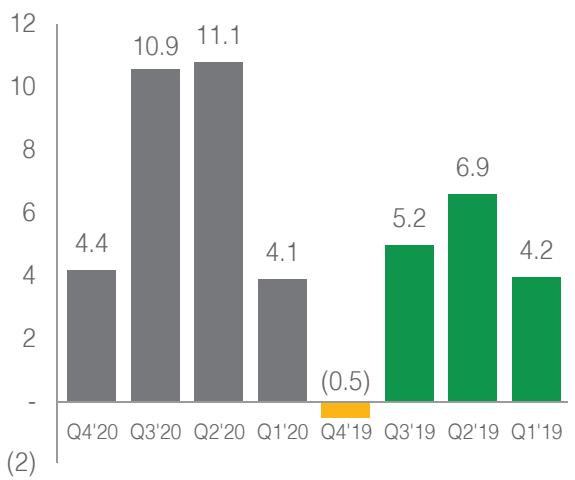
Pre-tax Profit

(PKR 'Bn)



After-tax Profit

(PKR 'Bn)



Profit after tax for the 1st quarter amounted to PKR 4.12 billion as compared to a loss of PKR 0.52 billion in Q4'19.

Despite a challenging economic environment created by Covid-19, NBP succeeded in delivering an impressive growth of 168.8% in after-tax profit of Q2 '20 that closed at PKR 11.07 billion as against PKR 4.12 billion in the previous quarter.

Profit after-tax for the 3rd quarter amounted to PKR 10.94 billion, 1.1% down as compared to the previous quarter. The decrease was due to lower non interest income.

For the 4th quarter profit after-tax amounted to PKR 4.43 billion, i.e., 59.6% down as compared to the previous quarter. This was due to lower NII and NFI during the quarter .

Key 6 Years' Performance Ratios

Indicator		2020	2019	2018	2017	2016	2015
A. Size Factors							
01. Total Assets	Rs. Mn	3,008,527	3,124,389	2,798,566	2,505,321	2,008,855	1,706,361
02. Capital & Reserves	"	267,559	232,614	206,869	175,382	176,733	168,351
03. Deposits	"	2,418,966	2,198,049	2,011,385	1,727,102	1,657,312	1,431,037
04. Profit After Tax	"	30,559	15,810	20,015	23,028	22,752	19,219
05. Profit Before Tax	"	46,224	28,003	29,683	35,599	37,141	33,216
B. Asset Quality							
06. Total Assets Growth Rate	%	-3.71	11.64	11.70	24.71	17.73	10.58
07. NPLs To Total Assets	"	5.69	4.76	4.77	4.82	5.94	7.46
08. Investment to Deposit Ratio	"	60.50	65.95	63.85	75.02	54.13	57.95
09. Investment to Total Assets	"	48.64	46.39	45.89	51.72	44.66	48.60
10. Assets to Equity	Times	15.52	19.24	19.05	19.93	16.74	14.71
11. Infection Ratio - NPLs/ Gross Advances	%	14.77	12.92	12.59	14.10	15.28	18.40
12. Earning Assets to Total Assets Ratio	"	85.54	92.73	92.06	89.76	92.60	92.95
13. NPL Coverage - Total provision/ NPLs	"	103.11	96.25	100.08	96.99	95.54	89.35
14. NPL Coverage - (specific provision / NPLs)	"	89.99	90.20	94.68	91.60	91.83	87.02
C. Capital Adequacy							
15. Tier-I Capital	Rs. Mn	172,896	142,716	124,818	101,303	95,540	91,751
16. Total Eligible Capital	"	228,120	182,532	168,658	138,885	133,167	129,216
17. Risk Weighted Assets - RWA	"	1,153,101	1,178,941	1,031,677	870,967	805,252	734,403
18. RWA to Total Assets	%	38.33	37.73	36.86	34.77	40.09	43.04
19. Tier-I Ratio	"	14.99	12.11	12.10	11.63	11.86	12.49
20. Capital Adequacy Ratio	"	19.78	15.48	16.35	15.95	16.54	17.59
D. Investment / Market Ratios							
21. Earning per Share and Diluted EPS	Rs.	14.36	7.43	9.41	10.82	10.69	9.03
22. Price Earning Ratio	Times	2.99	5.83	4.47	4.49	7.01	5.98
23. Price to Book Value Ratio	Times	0.34	0.40	0.43	0.59	0.90	0.68
24. Market Value per Share	Rs.	42.96	43.30	42.03	48.56	74.89	54.04
25. Breakup value per share							
- without surplus on revaluation of fixed assets		105.79	89.55	77.63	72.31	72.89	68.90
- with surplus on revaluation of fixed assets & investments		125.76	109.34	97.23	82.44	83.07	79.13
26. Dividend per Share	Rs.	-	-	-	-	7.5	7.5
27. Dividend Yield Ratio	%	-	-	-	-	0.10	0.14
28. Dividend Payout Ratio	"	-	-	-	-	0.01	0.02
29. Cash Dividend	"	-	-	-	-	7.50	7.50
E. Liquidity							
30. Gross Advances to Deposits Ratio	%	47.95	52.38	52.67	49.62	47.15	48.33
31. Net Advances to Deposits Ratio	"	40.65	45.87	46.04	42.83	40.27	40.40
32. Net Loans To Total Assets	"	32.68	32.27	33.09	29.53	33.22	33.88
33. Net Loans To Total Deposits (Deposits & Borrowings)	"	38.45	37.76	38.52	35.44	39.21	39.79
34. Liquidity Coverage Ratio	"	180.02	147.57	169.44	169.69	-	-
35. Net Stable Funding Ratio	"	256.27	233.19	320.82	365.29	-	-
36. CASA	"	83.83	81.80	81.49	77.13	73.51	76.92
f. Profitability							
37. Return on Average Assets (Pre-Tax)	%	1.51	0.95	1.12	1.58	2.00	2.04
38. Return on Average Equity (Pre-Tax) (Excl. Surplus on Rev.)	"	25.95	18.11	21.78	28.98	31.47	29.35
39. Operating Profit To Average Assets	"	2.51	1.43	1.55	1.63	2.02	2.86
40. Total Income To Average Assets	"	4.57	3.65	3.65	3.78	4.56	5.46
41. Non-Interest Income To Total Income	"	25.73	33.48	37.40	36.41	35.34	39.44
42. Operating Expenses To Average Assets	"	2.06	2.22	2.11	2.15	2.54	2.60
43. Loan Loss Provisioning Expense to Operating Profit	"	40.06	33.73	27.57	3.24	1.06	28.59
44. Profit Before Tax Ratio	"	17.93	11.69	19.79	28.93	32.47	29.22
45. Gross Yield on Average Earning Assets	"	10.26	10.57	7.42	6.78	7.60	9.93
46. Cost to Income Ratio	"	45.01	60.91	57.71	56.88	55.73	47.57
G. DuPont Analysis							
47. Net Operating Margin	%	21.79	14.62	20.65	26.99	26.83	21.67
48. Asset Utilization	"	4.57	3.65	3.65	3.78	4.56	5.46
49. Return on Assets (After-Tax)	"	1.00	0.53	0.75	1.02	1.22	1.18
50. Return on Equity (After-Tax)	"	17.16	10.22	14.69	18.74	19.28	16.98
H. Per Branch							
51. Gross Advances	Rs. Mn	756	752	695	564	532	486
52. Deposits	"	1,576	1,437	1,319	1,137	1,128	1,005
53. Profit Before Tax (PBT)	"	30.11	18.30	19.46	23.44	25.28	23.33
54. Profit After Tax (PAT)	"	19.91	10.33	13.12	15.16	15.49	13.50
55. No. of Branches	Number	1,535	1,530	1,525	1,519	1,469	1,424
56. No. of Employees	"	15,109	15,188	15,738	15,616	15,793	15,548
Rates							
Exchange Rate	US $	159.8344	154.8476	138.8619	110.4172	104.5985	104.8715

6 Years' Summary (Unconsolidated)

PKR 'Mn

Financial Position	2020	2019	2018	2017	2016	2015
Assets						
Cash and balances with treasury banks	249,260	292,513	247,518	160,090	160,173	150,900
Balances with other banks	14,227	13,221	12,202	26,404	13,828	20,128
Lending to financial institutions	126,805	134,780	106,392	26,916	121,709	7,695
Investments - net	1,463,398	1,449,555	1,284,319	1,295,720	897,131	829,246
Advances - net	983,255	1,008,139	926,007	739,772	667,389	578,122
Operating Fixed assets	54,717	54,679	54,106	32,752	32,901	31,706
Deferred tax assets - net	-	-	-	7,317	5,136	9,669
Right of use assets	6,670	7,221	-	-	-	-
Other assets	110,196	164,281	168,022	216,351	110,588	78,895
Total Assets	**3,008,527**	**3,124,389**	**2,798,566**	**2,505,321**	**2,008,855**	**1,706,361**
Liabilities						
Bills payable	16,795	19,867	9,944	13,195	10,187	9,172
Borrowings	138,539	471,757	392,739	360,106	44,864	21,911
Deposits and other accounts	2,418,966	2,198,049	2,011,385	1,727,102	1,657,312	1,431,037
Liabilities against assets subject to Finance Lease	-	-	-	15	26	36
Lease liability against right of use assets	7,534	7,640	-	-	-	-
Deferred tax liabilities	2,978	10,916	6,985	-	-	-
Other liabilities	156,156	183,545	170,644	229,522	119,733	75,855
Total Liabilities	**2,740,968**	**2,891,775**	**2,591,698**	**2,329,939**	**1,832,122**	**1,538,010**
Net Assets (Represented by as below)	**267,559**	**232,614**	**206,869**	**175,382**	**176,733**	**168,351**
Share capital	21,275	21,275	21,275	21,275	21,275	21,275
Reserves	56,563	52,309	53,274	50,357	46,800	45,581
Surplus on revaluation of assets	73,699	70,244	59,986	49,689	56,718	52,340
Unappropriated Profit	116,021	88,786	72,333	54,061	51,939	49,156
Total	**267,559**	**232,614**	**206,869**	**175,382**	**176,733**	**168,351**

Financial Performance	2020	2019	2018	2017	2016	2015
Mark-up / Return / Interest earned	257,811	239,477	149,969	123,073	114,403	113,662
Mark-up / Rerurn / Interest expensed	153,656	167,570	89,302	68,820	59,578	59,941
Non Mark-up / Interest Income	**104,155**	**71,907**	**60,666**	**54,253**	**54,824**	**53,721**
Fee & commission income and Exchange Income	22,327	25,170	27,017	19,026	17,013	17,043
Capital gain & Dividend income	9,787	5,262	6,545	10,301	11,405	15,860
Other income	3,963	5,768	2,687	1,740	1,549	2,081
Total non mark-up / interest income	**36,077**	**36,199**	**36,249**	**31,066**	**29,967**	**34,983**
Total income	**140,232**	**108,107**	**96,915**	**85,319**	**84,791**	**88,704**
Non Mark-up / Interest Expenses	63,112	65,853	55,931	48,528	47,253	42,193
Profit before provisions	**77,120**	**42,254**	**40,984**	**36,791**	**37,539**	**46,511**
Provisions and write offs - net	30,896	14,250	11,300	1,192	397	13,296
Profit before taxation	**46,224**	**28,003**	**29,683**	**35,599**	**37,141**	**33,216**
Taxation	15,665	12,194	9,668	12,571	14,389	13,997
Profit after taxation	**30,559**	**15,810**	**20,015**	**23,028**	**22,752**	**19,219**

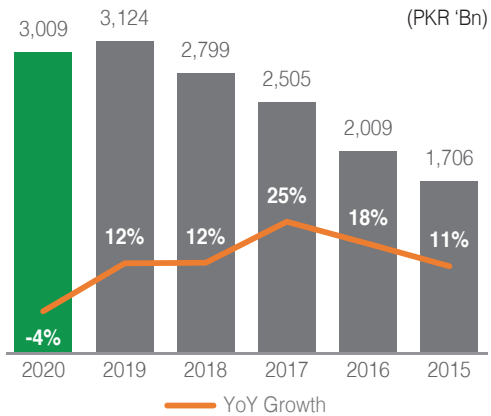
6 Years' Vertical & Horizontal Analysis

Horizontal Analysis (YoY growth)	2020		2019		2018		2017		2016		2015	
	PKR 'Mn	YoY	PKR 'Mn	YoY	PKR 'Mn	YoY	PKR 'Mn	YoY	PKR 'Mn	YoY	PKR 'Mn	YoY
Assets												
Cash and balances with treasury banks	249,260	-15%	292,513	18%	247,518	55%	160,090	0%	160,173	6%	150,900	54%
Balances with other banks	14,227	8%	13,221	8%	12,202	-54%	26,404	91%	13,828	-31%	20,128	66%
Lending to financial institutions	126,805	-6%	134,780	27%	106,392	295%	26,916	-78%	121,709	1482%	7,695	-93%
Investments - net	1,463,398	1%	1,449,555	13%	1,284,319	-1%	1,295,720	44%	897,131	8%	829,246	48%
Advances - net	983,255	-2%	1,008,139	9%	926,007	25%	739,772	11%	667,389	15%	578,122	-8%
Operating Fixed assets	54,717	0%	54,679	1%	54,106	65%	32,752	0%	32,901	4%	31,706	0%
Deferred tax assets - net	-	0%	-	0%	-	-100%	7,317	42%	5,136	-47%	9,669	-2%
Right of use assets	6,670	-8%	7,221	100%	-	0%	-	0%	-	0%	-	0%
Other assets	110,196	-33%	164,281	-2%	168,022	-22%	216,351	96%	110,588	40%	78,895	-13%
Total Assets	**3,008,527**	**-4%**	**3,124,389**	**12%**	**2,798,566**	**12%**	**2,505,321**	**25%**	**2,008,855**	**18%**	**1,706,361**	**11%**
Liabilities												
Bills payable	16,795	-15%	19,867	100%	9,944	-25%	13,195	30%	10,187	11%	9,172	-17%
Borrowings	138,539	-71%	471,757	20%	392,739	9%	360,106	703%	44,864	105%	21,911	-42%
Deposits and other accounts	2,418,966	10%	2,198,049	9%	2,011,385	16%	1,727,102	4%	1,657,312	16%	1,431,037	16%
Liabilities against assets subject to Finance Lease	-	0%	-	0%	-	-100%	15	-43%	26	-28%	36	181%
Lease liability against right of use assets	7,534	0%	7,640	100%	-	0%	-	0%	-	0%	-	0%
Deferred tax liabilities	2,978	-73%	10,916	56%	6,985	100%	-	0%	-	0%	-	0%
Other liabilities	156,156	-15%	183,545	8%	170,644	-26%	229,522	92%	119,733	58%	75,855	-8%
Total Liabilities	**2,740,968**	**-5%**	**2,891,775**	**12%**	**2,591,698**	**11%**	**2,329,939**	**27%**	**1,832,122**	**19%**	**1,538,010**	**13%**
Net Assets	**267,559**	**15%**	**232,614**	**12%**	**206,869**	**18%**	**175,382**	**-1%**	**176,733**	**5%**	**168,351**	**-6%**
Net Assets (Represented by)												
Share capital	21,275	0%	21,275	0%	21,275	0%	21,275	0%	21,275	0%	21,275	0%
Reserves	56,563	8%	52,309	-2%	53,274	6%	50,357	8%	46,800	3%	45,581	42%
Surplus on revaluation of assets	73,699	5%	70,244	17%	59,986	21%	49,689	-12%	56,718	8%	52,340	-23%
Unappropriated profit	116,021	31%	88,786	23%	72,333	34%	54,061	4%	51,939	6%	49,156	-14%
Total	**267,559**	**15%**	**232,614**	**12%**	**206,869**	**18%**	**175,382**	**-1%**	**176,733**	**5%**	**168,351**	**-6%**

Total Assets

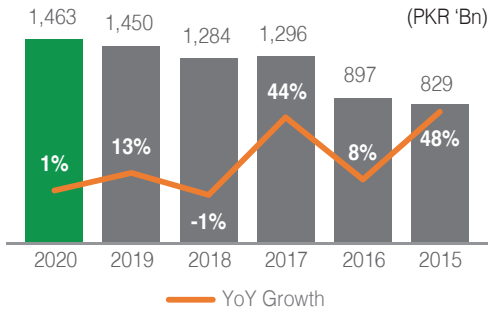
Over the past 6 years, the Bank's asset base has increased manifold depicting 12.0% CAGR. The PKR 3.01 trillion of total assets represents approximately 12.0% of the total industry. In recent years, the Bank has achieved coherent growth in assets-mix efficiently managing its assets-liability maturity profile.

The highest 24.7% YoY increase in the asset base was observed in 2017. The 3.7% YoY decline in 2020 is due to a considered decrease in the borrowings that stood at PKR 138.54 bn, which is PKR 333.22 bn or 70.6% down from PKR 471.76 bn at end 2019. This was in line with the Bank's prudent strategy of liquidity & funding management.



Investments (net)

Investments continue to take the major share of the total asset base. 1.0% YoY growth in 2020 is due to Bank has diversified investment portfolio and earns a higher yield on investments. This translates into a 12.0% CAGR over the past six years.

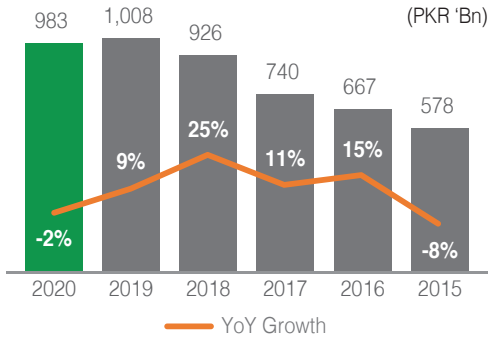


6 Years' Vertical & Horizontal Analysis

Vertical Analysis (composition)	2020		2019		2018		2017		2016		2015	
	PKR 'Mn	%	PKR 'Mn	%	PKR 'Mn	%	PKR 'Mn	%	PKR 'Mn	%	PKR 'Mn	%
Assets												
Cash and balances with treasury banks	249,260	8%	292,513	9%	247,518	9%	160,090	6%	160,173	8%	150,900	9%
Balances with other banks	14,227	0%	13,221	0%	12,202	0%	26,404	1%	13,828	1%	20,128	1%
Lending to financial institutions	126,805	4%	134,780	5%	106,392	4%	26,916	1%	121,709	6%	7,695	0%
Investments - net	1,463,398	49%	1,449,555	46%	1,284,319	46%	1,295,720	52%	897,131	45%	829,246	49%
Advances - net	983,255	33%	1,008,139	32%	926,007	33%	739,772	30%	667,389	34%	578,122	34%
Operating Fixed assets	54,717	2%	54,679	2%	54,106	2%	32,752	1%	32,901	2%	31,706	2%
Deferred tax assets - net	-	0%	-	0%	-	0%	7,317	0%	5,136	0%	9,669	1%
Right of use assets	6,670	0%	7,221	0%	-	0%	-	0%	-	0%	-	0%
Other assets	110,196	4%	164,281	5%	168,022	6%	216,351	9%	110,588	4%	78,895	5%
Total Assets	**3,008,527**	**100%**	**3,124,389**	**100%**	**2,798,566**	**100%**	**2,505,321**	**100%**	**2,008,855**	**100%**	**1,706,361**	**100%**
Liabilities												
Bills payable	16,795	1%	19,867	1%	9,944	0%	13,195	1%	10,187	1%	9,172	1%
Borrowings	138,539	5%	471,757	15%	392,739	14%	360,106	14%	44,864	2%	21,911	1%
Deposits and other accounts	2,418,966	80%	2,198,049	70%	2,011,385	72%	1,727,102	69%	1,657,312	84%	1,431,037	84%
Liabilities against assets subject to Finance Lease	-	0%	-	0%	-	0%	15	0%	26	0%	36	0%
Lease liability against right of use assets	7,534	0%	7,640	0%	-	0%	-	0%	-	0%	-	0%
Deferred tax liabilities	2,978	0%	10,916	0%	6,985	0%	-	0%	-	0%	-	0%
Other liabilities	156,156	5%	183,545	6%	170,644	6%	229,522	9%	119,733	4%	75,855	4%
Total Liabilities	**2,740,968**	**91%**	**2,891,775**	**93%**	**2,591,698**	**93%**	**2,329,939**	**93%**	**1,832,122**	**91%**	**1,538,010**	**90%**
Net Assets	**267,559**	**9%**	**232,614**	**7%**	**206,869**	**7%**	**175,382**	**7%**	**176,733**	**9%**	**168,351**	**10%**
Net Assets (Represented by)												
Share capital	21,275	1%	21,275	1%	21,275	1%	21,275	1%	21,275	1%	21,275	1%
Reserves	56,563	2%	52,309	2%	53,274	2%	50,357	2%	46,800	2%	45,581	3%
Surplus on revaluation of assets	73,699	2%	70,244	2%	59,986	2%	49,689	2%	56,718	3%	52,340	3%
Unappropriated profit	116,021	4%	88,786	3%	72,333	3%	54,061	2%	51,939	3%	49,156	3%
Total	**267,559**	**9%**	**232,614**	**7%**	**206,869**	**7%**	**175,382**	**7%**	**176,733**	**9%**	**168,351**	**10%**

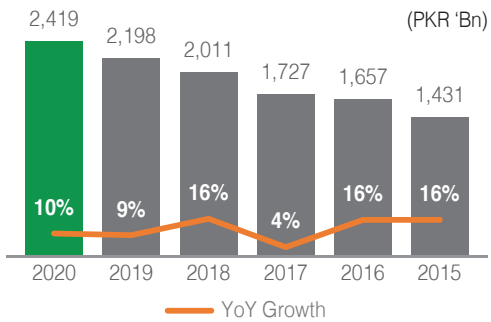
Advances (net)

Steady growth in advances over the last six years from PKR 578.12 billion in 2015 to PKR 983.26 billion in 2020 with a CAGR of 11.2%. A drop of 2.5% YoY in 2020 is observed due to lower demand in borrowing after the outbreak of the Covid-19 Pandemic. Historically, the advances of the Bank have posted modest growth during 2016 and have sharply increased in 2017 and 2018.



Deposits

Deposits remain the primary source of funding for the Bank. In line with the total asset base, deposits of the Bank have also increased significantly over the last six years' growing from PKR 1,431.04 billion in 2015 to PKR 2,418.97 billion in 2020. This translates into a massive 69.0% growth with a CAGR of 11.1%. Smooth growth was observed throughout these years, with the highest YoY increase of 16.5% being reported in 2018. Deposits accounted for 80.4% of our total assets as of the end of December 2020. Despite the short-term maturity profile of its deposit base, it has historically proved to be sticky and a stable funding source.

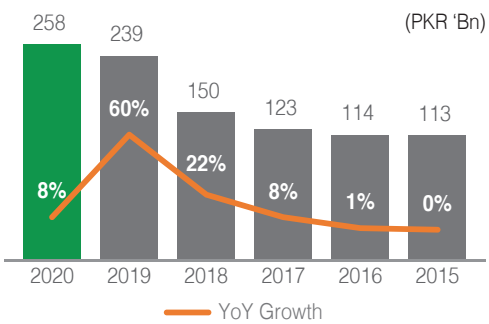


6 Years' Vertical & Horizontal Analysis

	2020		2019		2018		2017		2016		2015	
	PKR 'Mn	YoY	PKR 'Mn	YoY	PKR 'Mn	YoY	PKR 'Mn	YoY	PKR 'Mn	YoY	PKR 'Mn	YoY
Profitability												
Mark-up / Return / Interest earned	257,811	8%	239,477	60%	149,969	22%	123,073	8%	114,403	1%	113,662	0%
Mark-up / Return / Interest expensed	153,656	-8%	167,570	88%	89,302	30%	68,820	16%	59,578	-1%	59,941	-12%
Net Mark-up / Interest income	**104,155**	**45%**	**71,907**	**19%**	**60,666**	**12%**	**54,253**	**-1%**	**54,824**	**2%**	**53,721**	**17%**
Fee, commission and exchange income	22,327	-11%	25,170	-7%	27,017	42%	19,026	12%	17,013	0%	17,043	9%
Capital gains & dividend income	9,787	86%	5,262	-20%	6,545	-36%	10,301	-10%	11,405	-28%	15,860	43%
Other income	3,963	-31%	5,768	115%	2,687	54%	1,740	12%	1,549	-26%	2,081	-42%
Non interest income	**36,077**	**-0.3%**	**36,199**	**-0.1%**	**36,249**	**17%**	**31,066**	**4%**	**29,967**	**-14%**	**34,983**	**15%**
Total income	**140,232**	**30%**	**108,107**	**12%**	**96,915**	**14%**	**85,319**	**1%**	**84,791**	**-4%**	**88,704**	**16%**
Operating expenses (Non Mark-up Interest Expense)	63,112	-4%	65,853	18%	55,931	15%	48,528	3%	47,253	12%	42,193	1%
Profit before provisions	**77,120**	**83%**	**42,254**	**3%**	**40,984**	**11%**	**36,791**	**-2%**	**37,539**	**-19%**	**46,511**	**35%**
Provisions	30,896	117%	14,250	26%	11,300	848%	1,192	200%	397	-97%	13,296	7%
Pre-tax profit	**46,224**	**65%**	**28,003**	**-6%**	**29,683**	**-17%**	**35,599**	**-4%**	**37,141**	**12%**	**33,216**	**51%**
Taxation	15,665	28%	12,194	26%	9,668	-23%	12,571	-13%	14,389	3%	13,997	101%
After-tax profit	**30,559**	**93%**	**15,810**	**-21%**	**20,015**	**-13%**	**23,028**	**1%**	**22,752**	**18%**	**19,219**	**28%**

Mark-up / Return / Interest Earned

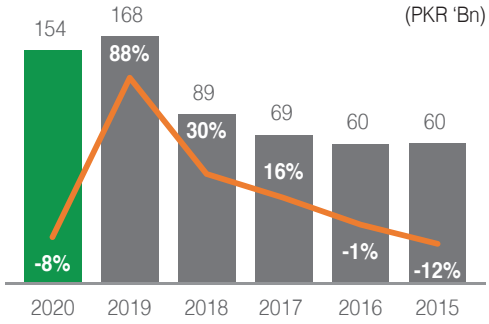
On to Profit & Loss Account, gross mark-up / interest earned has posted a compounded average increase of 17.8% over the span of the last six years. While growth was low during the initial two years, a sharp increase was achieved during 2017-19 on the back of higher discount rate and volumetric growth in earning assets, particularly the advances and investment. Corresponding to the shift in asset mix, contribution from income on investments has increased constantly over the years.



Mark-up / Return / Interest Expensed

Given the growth in deposits base and a hike in the policy rate in recent years, total mark-up expense has increased by 156.3% over the six years period under coverage. The increase in mark-up expense on deposits reflects both the impact of volumetric growth in deposits and borrowings coupled with the impact of revision in profit rates in line with the policy rate increase from time to time. Responding to the increasing discount rate, the Bank has been particularly active in mobilising low-cost CASA deposits. Satisfactory results have been delivered in this regard by both conventional as well as Islamic banking operations.

During the year, the average policy rate remained at 8.9% compared to 12.0% of last year. This translates into an average decline in the policy rate by 305 bps. As a consequent of that, the Bank has achieved a decline in borrowing cost and the cost of deposits dropped by 111bps at 5.2% for Dec '20 (Dec '19: 6.3%).



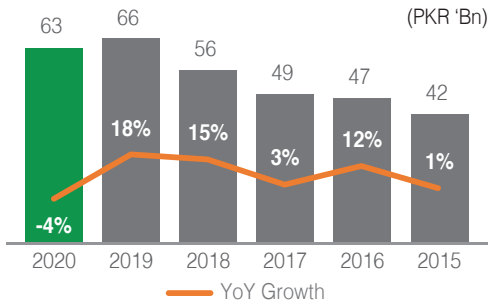


6 Years' Vertical & Horizontal Analysis

Vertical Analysis (Financial Performance)	2020		2019		2018		2017		2016		2015	
	PKR 'Mn	%	PKR 'Mn	%	PKR 'Mn	%	PKR 'Mn	%	PKR 'Mn	%	PKR 'Mn	%
Mark-up / Return / Interest earned	257,811	88%	239,477	87%	149,969	81%	123,073	80%	114,403	79%	113,662	76%
Fee, commission income and exchange income	22,327	8%	25,170	9%	27,017	15%	19,026	12%	17,013	12%	17,043	12%
Capital gains & dividend income	9,787	3%	5,262	2%	6,545	3%	10,301	7%	11,405	8%	15,860	11%
Other income	3,963	1%	5,768	2%	2,687	1%	1,740	1%	1,549	1%	2,081	1%
Total Income	**293,888**	**100%**	**275,677**	**100%**	**186,218**	**100%**	**154,138**	**100%**	**144,369**	**100%**	**148,646**	**100%**
Mark-up / Return / Interest expensed	153,656	52%	167,570	61%	89,302	48%	68,820	45%	59,578	41%	59,941	40%
Operating expenses and other charges	63,112	21%	65,853	24%	55,931	30%	48,528	31%	47,253	33%	42,193	29%
Provisions	30,896	11%	14,250	5%	11,300	6%	1,192	1%	397	0.3%	13,296	9%
Taxation	15,665	5%	12,194	4%	9,668	5%	12,571	8%	14,389	10%	13,997	9%
Total Expense - as % of Total Income	**263,329**	**90%**	**259,867**	**94%**	**166,203**	**89%**	**131,110**	**85%**	**121,617**	**84%**	**129,427**	**87%**
After-tax profit	30,559	10%	15,810	6%	20,015	11%	23,028	15%	22,752	15.7%	19,219	13%
Total	**293,888**	**100%**	**275,677**	**100%**	**186,218**	**100%**	**154,138**	**100%**	**144,369**	**100%**	**148,646**	**100%**

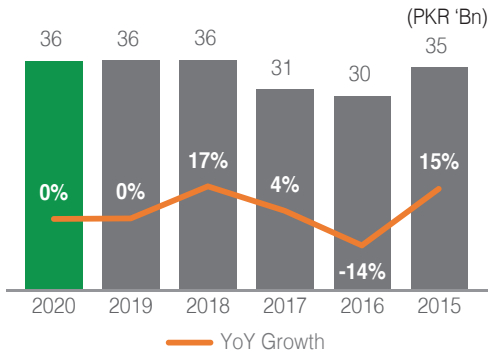
Operating Expenses

Total operating expenses in 2020 amounted to PKR 63.11 billion against PKR 65.85 billion for the year 2019. The decline in operating expenses was only 4.2% and YoY growth in profit before tax provisions improved to 65.1%.



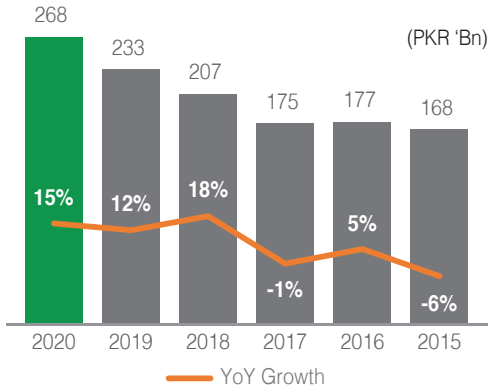
Non Mark-up / interest income

With a 3.1% growth over the past six years, the Bank's Non Mark-up / interest income "NFI" has also shown a satisfactory performance over most of the years. During these years, NFI has maintained a trend of contributing approximately one-third of the total income. However, due to a lackluster performance of the stock market, lower dividend payout and depressed trade business, NFI for 2020 remained almost similar to that of 2019.



Capital

Reflecting our prudent & conservative capital management strategy, net assets of the Bank have also posted healthy increase on the back of higher profitability and profit retention. Net assets, that amounted to PKR 168.35 billion in 2015, stand increased to PKR 267.56 billion at the end of December 2020. This translates into a 9.7% CAGR over the past six years. During this period no further share capital was raised through new / right issues.



6 Years' Summary (Consolidated)

PKR 'Mn

Financial Position	2020	2019	2018	2017	2016	2015
Assets						
Cash and balances with treasury banks	249,970	293,198	247,917	160,405	160,422	151,191
Balances with other banks	15,015	13,598	13,050	26,992	14,396	20,639
Lending to financial institutions	126,805	134,780	106,392	26,916	121,709	7,695
Investments - net	1,466,405	1,452,799	1,284,975	1,296,537	896,281	829,191
Advances - net	983,871	1,008,399	926,340	740,345	668,884	580,324
Operating Fixed assets	56,109	55,990	55,196	33,822	34,058	33,071
Deferred tax assets - net	-	-	-	7,342	5,172	9,672
Right of use assets	7,017	7,447	-	-	-	-
Other assets	112,018	166,148	170,018	219,092	113,643	80,092
Total Assets	**3,017,210**	**3,132,360**	**2,803,886**	**2,511,452**	**2,014,566**	**1,711,874**
Liabilities						
Bills payable	16,795	19,867	9,944	13,195	10,187	9,172
Borrowings	138,539	471,757	392,739	360,106	44,864	22,385
Deposits and other accounts	2,418,928	2,197,985	2,011,313	1,727,059	1,657,132	1,431,535
Liabilities against assets subject to Finance Lease	197	194	121	57	83	91
Lease liability against right of use assets	7,869	7,831	-	-	-	-
Deferred tax liabilities	2,933	10,869	6,946			
Other liabilities	157,545	184,633	171,762	231,359	122,160	77,036
Total Liabilities	**2,742,808**	**2,893,138**	**2,592,825**	**2,331,776**	**1,834,427**	**1,540,219**
Net Assets (Represented by as below)						
Share capital	21,275	21,275	21,275	21,275	21,275	21,275
Reserves	57,591	53,261	53,443	49,887	46,031	45,202
Surplus on revaluation of assets	73,988	70,359	59,262	49,632	56,299	51,731
Unappropriated Profit	120,632	93,466	76,240	58,069	55,795	52,725
Sub Total	273,486	238,360	210,220	178,864	179,401	170,933
Less: Non-controlling interest	916	863	842	811	738	722
Total	**274,402**	**239,223**	**211,061**	**179,676**	**180,139**	**171,655**

Financial Performance	2020	2019	2018	2017	2016	2015
Mark-up / Return / Interest earned	258,031	239,710	150,178	123,415	115,029	114,386
Mark-up / Return / Interest expensed	153,652	167,556	89,287	68,811	59,594	59,999
Net mark-up / Interest income	**104,379**	**72,154**	**60,891**	**54,604**	**55,434**	**54,387**
Fee, commission income and exchange income	23,823	26,737	28,924	20,820	18,224	18,254
Capital gain & Dividend income	9,748	5,265	6,445	10,049	11,256	14,996
Share of profit from joint venture - net of tax	(219)	(96)	(334)	2	319	560
Share of loss from associates - net of tax	43	37	(35)	(512)	(333)	(923)
Other income	3,965	5,817	2,675	1,757	1,567	2,111
Total non mark-up / interest income	**37,359**	**37,760**	**37,674**	**32,115**	**31,032**	**34,999**
Total Income	**141,739**	**109,914**	**98,566**	**86,720**	**86,467**	**89,386**
Operating Expenses (Non Mark-up/Interest Expense)	64,443	67,379	57,480	50,041	48,742	43,794
Profit before provisions	**77,296**	**42,535**	**41,085**	**36,678**	**37,725**	**45,592**
Provisions	30,912	13,557	11,205	535	130	11,419
Pre-tax profit	**46,384**	**28,978**	**29,880**	**36,144**	**37,595**	**34,172**
Taxation	15,798	12,331	9,844	12,798	14,507	14,096
After-tax profit	**30,586**	**16,647**	**20,035**	**23,346**	**23,087**	**20,076**

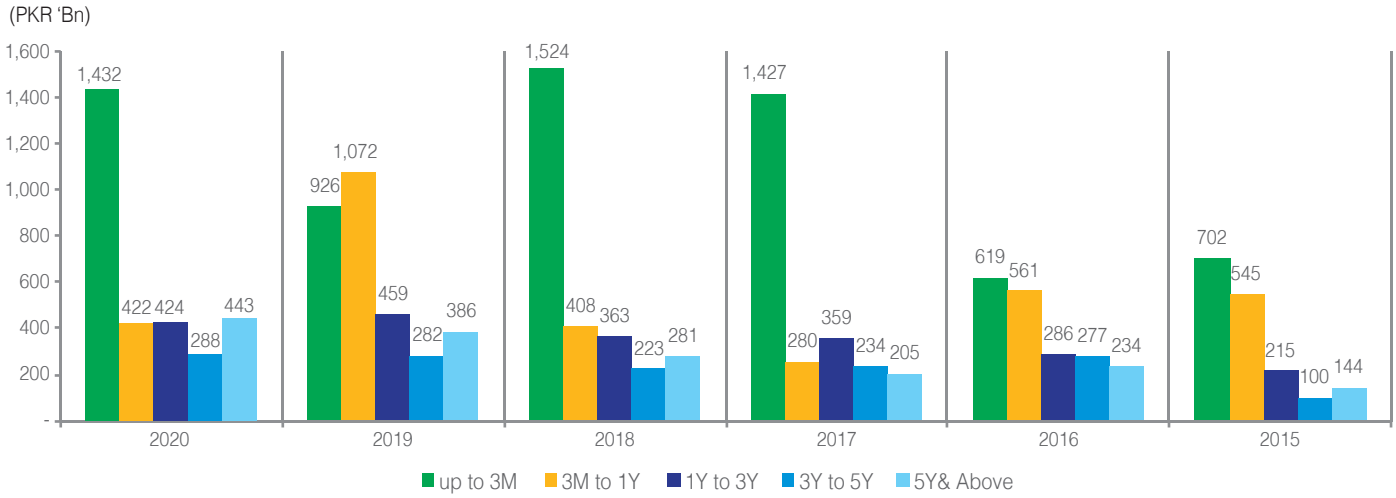
Six Years' - Maturities of Assets & Liabilities

The Bank's total assets amounted to PKR 3,008.53 billion at end 2020, increasing at a CAGR of 12.0% over the six-year period. On behavioral basis, while 26.4% of the total assets are expected to mature within a month span, with another 21.1% to mature in next two months. The remaining 52.5% of the assets are expected to mature after 3 months.

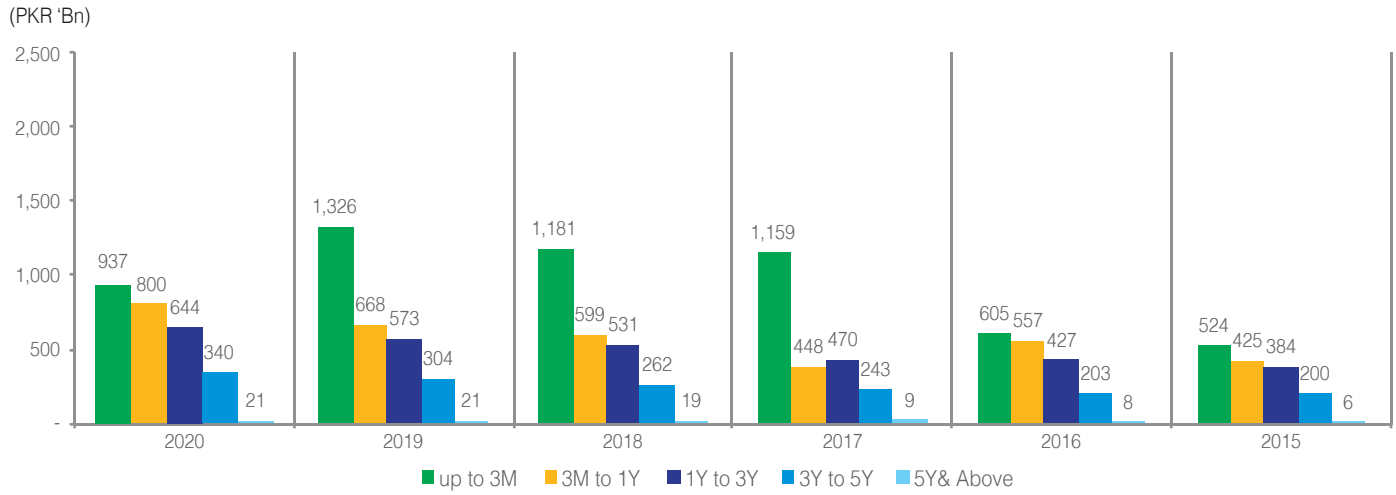
At end 2020, the Bank's total liabilities stood at PKR 2,740.97 billion, increasing at a CAGR of 12.3% over the six years period. While 28.0% of the Bank's liabilities are expected to mature within in a month's period, and another 6.1% maturing in the next two months. The remaining 65.8% of the liabilities have a maturity period of beyond 3 months.

Thus, the Bank maintains a positive maturity gap between the average maturity of its assets and liabilities, efficiently managing overall exposure to liquidity risk.

Maturities of Assets



Maturities of Liabilities



Sectoral Concentration

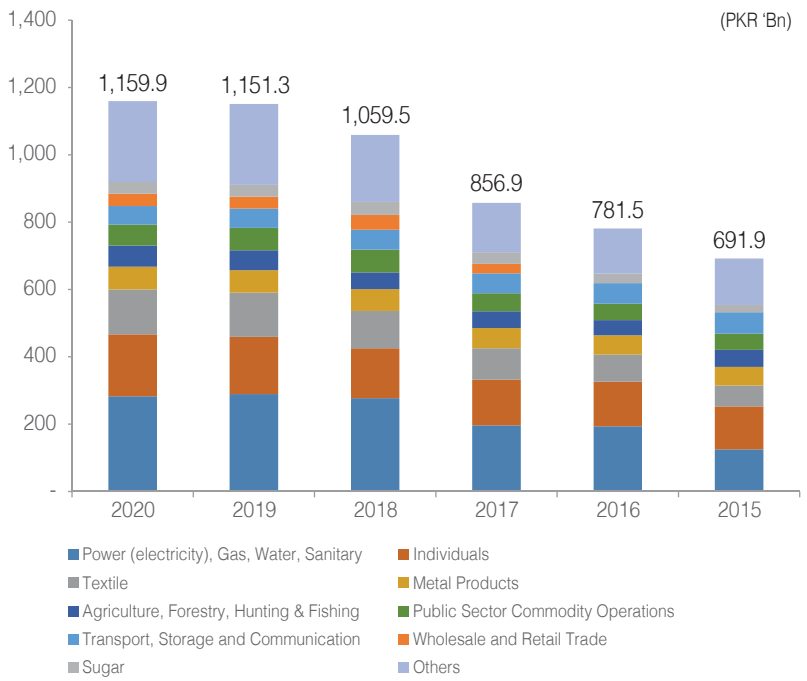
PKR 'Mn

Sector	Gross Advances			Contingencies and Commitments		
	2020	(% Share)	(% YoY)	2020	(% Share)	(% YoY)
Power (electricity), Gas, Water, Sanitary	283,229	24%	-2%	112,021	7%	-30%
Individuals	184,021	16%	8%	394	0%	49%
Textile	132,702	11%	2%	15,459	1%	58%
Metal Products	67,313	6%	0%	9,764	1%	313%
Agriculture, Forestry, Hunting & Fishing	63,054	5%	7%	171	0%	-27%
Public Sector Commodity Operations	62,413	5%	-6%	12,566	1%	1047%
Transport, Storage and Communication	55,177	5%	-3%	24,687	1%	41%
Wholesale and Retail Trade	36,565	3%	1%	1,626	0%	5%
Sugar	35,237	3%	3%	304	0%	-59%
Others	240,163	21%	85%	1,498,264	89%	-15%
Total	**1,159,874**	**100%**	**1%**	**1,675,254**	**100%**	**-14%**

Gross Advances

Gross advances of the Bank grew steadily over the last six years at a CAGR of 10.9%, closing at PKR 1,159.87 billion at end 2020 (2019: PKR 1,151.32 billion). Whereas, 24.4%, 15.9% & 11.4% of the Bank's total advances pertain to Power, Individuals and Textile that primarily drive Pakistan's economy.

A small temporary reduction in advances to these industrial segments is observed in 2020, following a slowdown in economic activity. Over the past six years, and more particularly in recent months, significant growth in advances to engineering, cement and services sectors is witnessed given a higher demand following the Government's relief package for the construction sector.



Contingencies & Commitments / Off-balance Sheet Items

Over the six-year period, the Bank's overall contingencies & loan commitments have risen to PKR 1,675.25 billion at end 2020 (2019: PKR 1,953.90 billion) at a CAGR of 35.8% driven by the significant rise in trade business volumes. At end 2020, the services and financial sectors accounted for 46.9% & 36.5% of the Bank's overall loan commitments and contingent advances, which have grown significantly over the past six years. Additionally, the rapid infrastructural development in Pakistan and multiple financing schemes announced by the SBP including Refinance facility for combating Covid-19 & Temporary Economic Refinance Facility promises further growth in trade volumes of the stated industry segments in the future.

Sectoral Concentration

PKR 'Mn

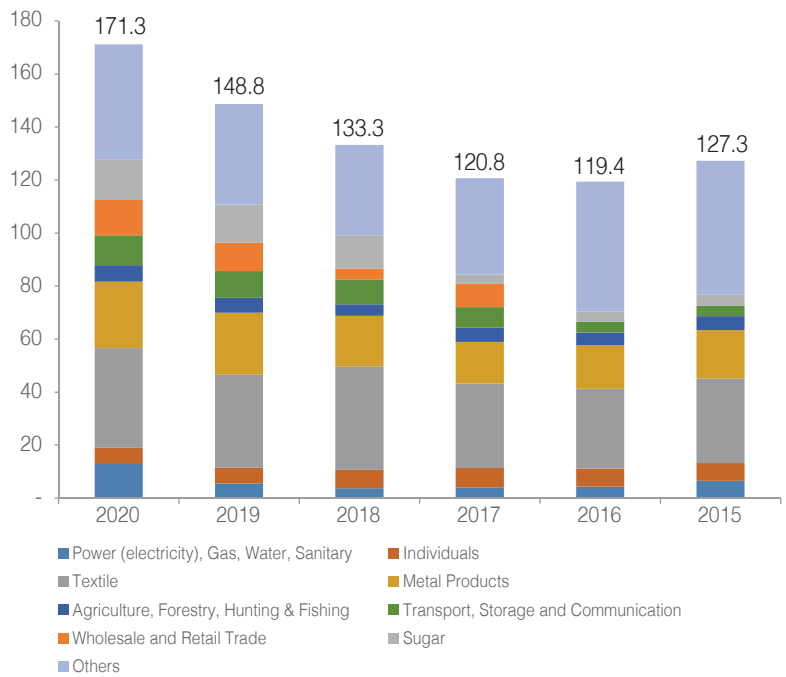
Sector	Non-performing Loans			Provision Held		
	2020	(% Share)	(% YoY)	2020	(% Share)	(% YoY)
Power (electricity), Gas, Water, Sanitary	13,203	8%	143%	11,272	7%	153%
Individuals	5,900	3%	-3%	4,089	3%	-2%
Textile	37,427	22%	7%	35,612	23%	5%
Metal Products	25,111	15%	8%	24,557	16%	10%
Agriculture, Forestry, Hunting & Fishing	6,204	4%	11%	4,514	3%	9%
Public Sector Commodity Operations	74	0%	0%	74	0%	0%
Transport, Storage and Communication	11,249	7%	11%	9,170	6%	16%
Wholesale and Retail Trade	13,444	8%	26%	12,013	8%	15%
Sugar	15,335	9%	7%	14,335	9%	13%
Others	43,347	25%	76%	38,509	25%	67%
Total	**171,294**	**100%**	**15%**	**154,145**	**100%**	**15%**

Non-performing Loans

At end 2020, the Bank's non-performing loans stood at PKR 171.29 billion, demonstrating a 15.2% YoY growth due to business downturn caused by the Covid-19. NPLs that grew at a CAGR of 6.1% over the period under review, are more concentrated in the Sugar, Textile and Metal Products sectors. However, the NPL ratio has shown some improvement over the period as it declined from 18.4% in 2015 to 14.8% at end 2020.

Furthermore, the coverage ratio has improved from 87.0% at end 2015 to 90.0% at end 2020.

(PKR 'Bn)



Maturities of Assets and Liabilities*

PKR 'Mn

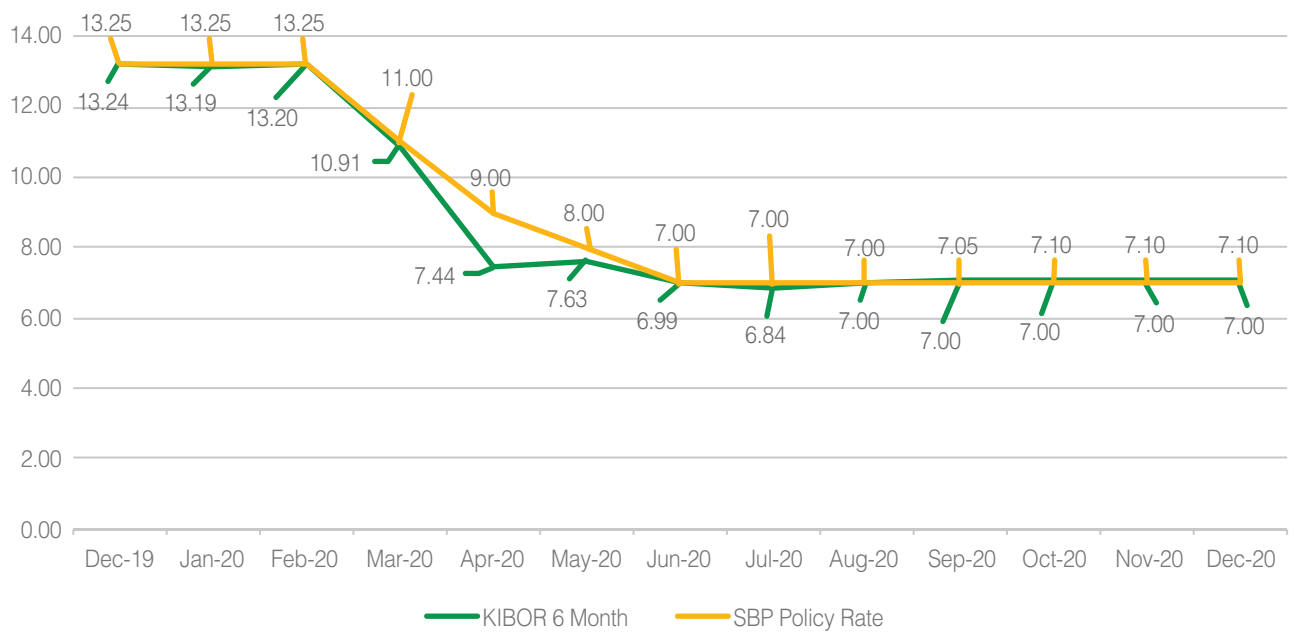
Financial Position	Total	Up to 3 Months	Over 3 Months to 1 Year	Over 1 to 3 Years	Over 3 to 5 Years	Over 5 Years
Assets						
Cash and balances with treasury banks	249,260	151,630	94,833	2,796	-	-
Balances with other banks	14,227	13,082	1,146	-	-	-
Lending to financial institutions	126,805	126,805	-	-	-	-
Investments	1,463,398	632,286	198,112	254,992	125,301	252,707
Advances	983,255	453,240	115,045	119,950	157,288	137,732
Fixed assets	54,413	-	724	3,603	1,322	48,764
Intangible assets	304	-	101	203	-	-
Right of Use Assets (ROUA)	6,670	20	146	1,209	1,528	3,766
Other assets	110,196	54,612	11,718	41,366	2,500	-
Total Assets	**3,008,527**	**1,431,674**	**421,825**	**424,118**	**287,941**	**442,969**
Liabilities						
Bills payable	16,795	9,285	6,634	877	-	-
Borrowings	138,539	21,682	99,425	5,902	6,420	5,109
Deposits and other accounts	2,418,966	810,216	674,529	614,753	317,997	1,471
Liabilities against assets subject to ROUA	7,534	22	154	1,468	1,763	4,127
Deferred tax liabilities	2,978	-	-	-	2,978	-
Other liabilities	156,156	95,531	18,883	21,287	10,378	10,077
Total Liabilities	**2,740,968**	**936,735**	**799,625**	**644,288**	**339,537**	**20,784**
Net assets	**267,559**	**494,938**	**(377,800)**	**(220,169)**	**(51,596)**	**422,185**

**Based on expected maturities*

Key Interest Bearing Assets and Liabilities

PKR 'Mn

Financial Performance	2020 Avg. Volume	2020 Effective Interest Rate %	2020 Interest	2019 Avg. Volume	2019 Effective Interest Rate %	2019 Interest
Interest Earning Assets						
Placements	50,506	7.9%	3,989	69,982	10.7%	7,495
Advances (net)	943,679	10.6%	99,781	930,258	11.8%	109,646
Investments	1,357,421	11.3%	154,041	1,126,847	10.9%	122,337
Interest Bearing Liabilities						
Deposits	1,984,172	5.2%	103,380	1,741,290	6.3%	110,075
Borrowings	405,340	10.0%	40,346	406,258	11.7%	47,619

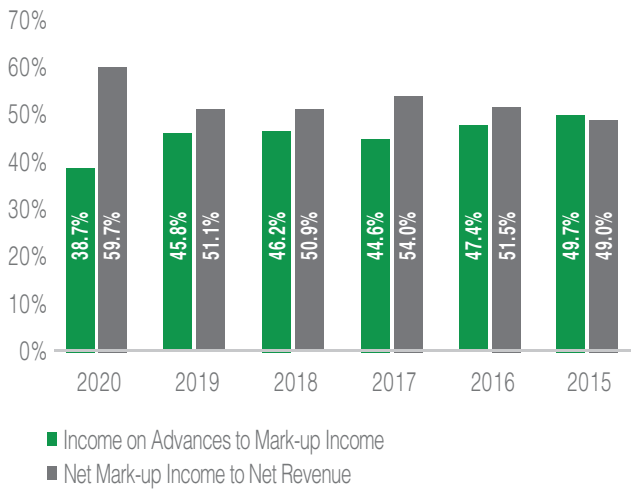


Mark-up & Non Mark-up Income

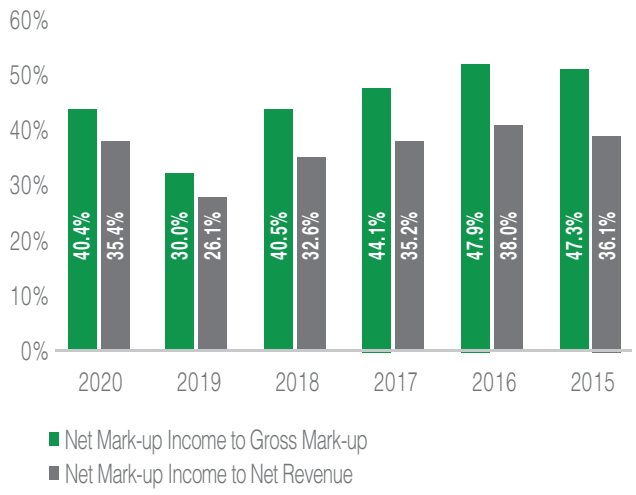
PKR 'Mn

Financial Performance	2020	2019	2018	2017	2016	2015
Mark-up Earned						
Loans and advances	99,781	109,646	69,359	54,885	54,187	56,447
Investments	154,041	122,337	76,288	66,453	58,906	55,667
On securities purchased under resale agreements	2,374	5,367	3,593	1,068	676	1,082
Balances with other banks	1,615	2,127	729	666	632	465
Total	**257,811**	**239,477**	**149,969**	**123,073**	**114,403**	**113,662**
Mark-up Expensed						
Deposits	103,380	110,075	61,704	54,875	50,070	53,294
Borrowings	6,930	6,982	2,942	953	1,258	1,095
Cost of foreign currency swaps against foreign currency deposits / borrowings	9,175	9,157	6,075	3,072	-	-
Finance charge on lease liability against right of use assets	754	719	-	-	-	-
Securities sold under repurchase agreements	33,417	40,637	18,581	9,919	8,250	5,551
Total	**153,656**	**167,570**	**89,302**	**68,820**	**59,578**	**59,941**
Non Mark-up / Interest Income						
Fee and commission income	18,254	19,125	17,526	16,774	14,833	12,395
Dividend income	1,901	3,150	2,613	3,821	2,999	3,260
Foreign exchange income	4,073	6,045	9,490	2,251	2,179	4,648
Gain on securities - net	7,886	2,112	3,932	6,480	8,406	12,600
Other income	3,963	5,768	2,687	1,740	1,549	2,081
Total	**36,077**	**36,199**	**36,249**	**31,066**	**29,967**	**34,983**

Mark-up Income on Advances and Investments



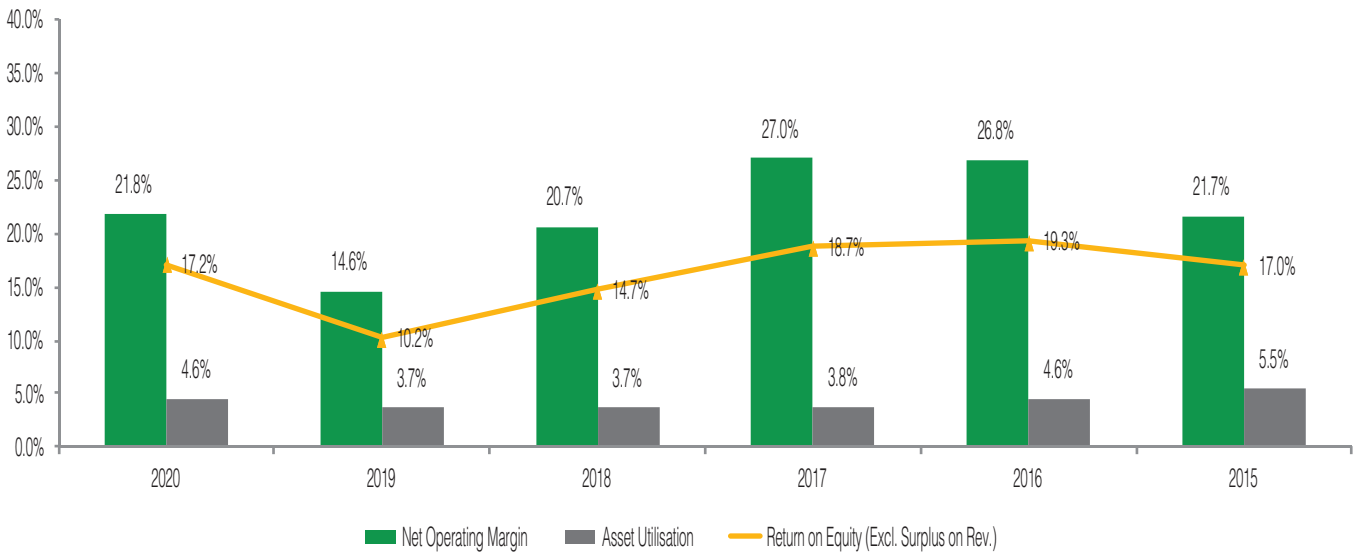
Income Composition



DuPont Analysis

Indicator	Formula			2020	2019	2018	2017	2016	2015
Net Operating Margin	PAT / Total Income	A	%	21.79	14.62	20.65	26.99	26.83	21.67
Asset Utilisation	Total Income / Avg. Assets	B	%	4.57	3.65	3.65	3.78	4.56	5.46
Return on Assets	PAT / Avg. Assets	C = A x B	%	1.00	0.53	0.75	1.02	1.22	1.18
Leverage Ratio / Equity Multiplier	Avg. Assets / Avg. Equity	D	Times	17.22	19.15	19.46	18.37	15.74	14.35
Return on Equity (Excl. Surplus on Rev.)	PAT / Avg. Equity	E = C x D	%	17.16	10.22	14.69	18.74	19.28	16.98

DuPont Analysis



- Net operating margins of the Bank have improved from 14.6% to 21.8%. Improvement in the net operating margin is mainly attributed to higher net spread and lower cost to income ratio.

- Asset Utilisation in terms of Total Income increased to 4.6% in 2020 from 3.7% in 2019. This was mainly due to decrease in policy rate by SBP which decreased the cost of deposits.

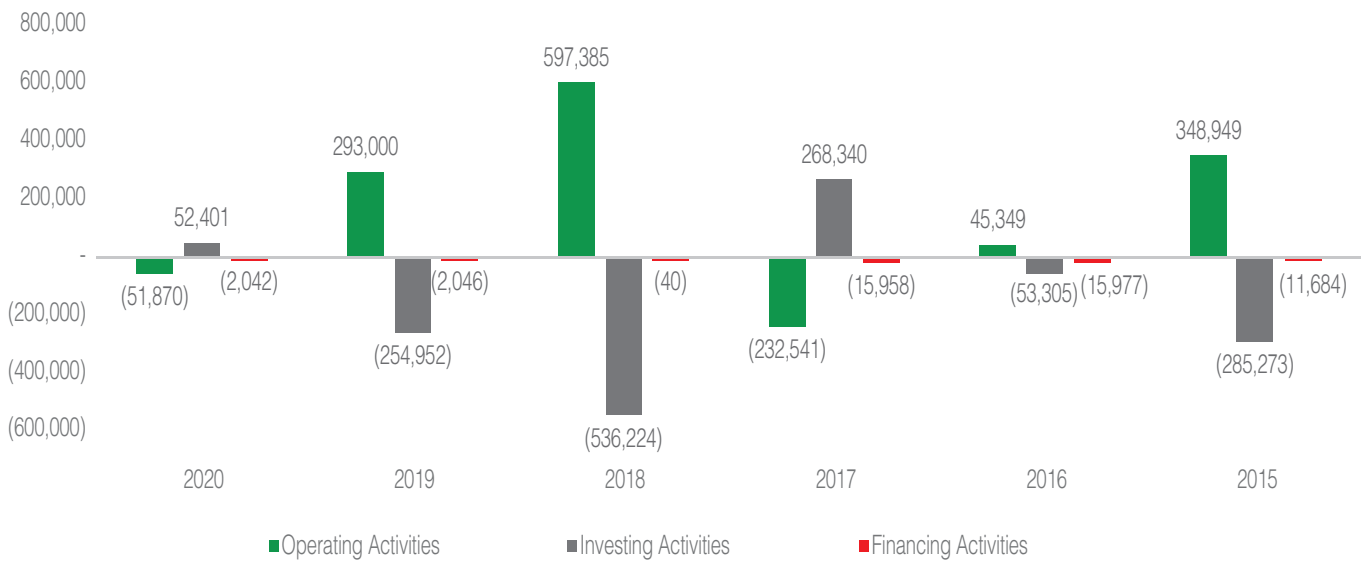
- Return on Equity during 2015 - 2018 remained in the range of 14.7% - 19.3%. The ROE for year 2020 remained at 17.16%.

Summary of Cash Flows

PKR 'Mn

Classification	2020	2019	2018	2017	2016	2015
From Operating Activities	(51,870)	293,000	597,385	(232,541)	45,349	348,949
From Investing Activities	52,401	(254,952)	(536,224)	268,340	(53,305)	(285,273)
From Financing Activities	(2,042)	(2,046)	(40)	(15,958)	(15,977)	(11,684)
Cash & Cash Equivalent at Beginning of the Year	263,754	227,753	166,632	146,790	170,723	118,731
Cash & Cash Equivalent at the End of the Year	**262,244**	**263,754**	**227,753**	**166,632**	**146,790**	**170,723**

Summary of Cash Flows

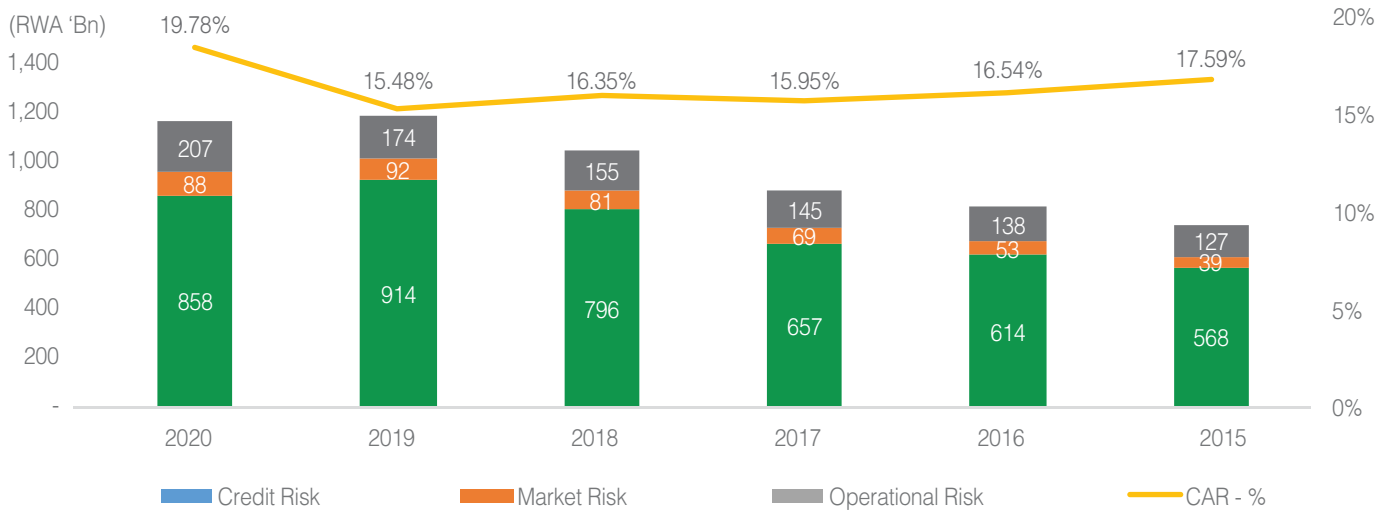


Cash Flow from operating activities mainly represent the core activity of the Bank i.e. mobilization of deposits. Since 2015, deposits of the Bank have shown a CAGR of 11%. During year 2020, there was net outflow of PKR 293.98 billion from borrowings. The major inflow under investing activities was on account of sale of investment in held-to-maturity securities. During the year 2020, outflows of PKR 2.04 billion under financing activities were observed against payment of lease obligation.

Capital Adequacy

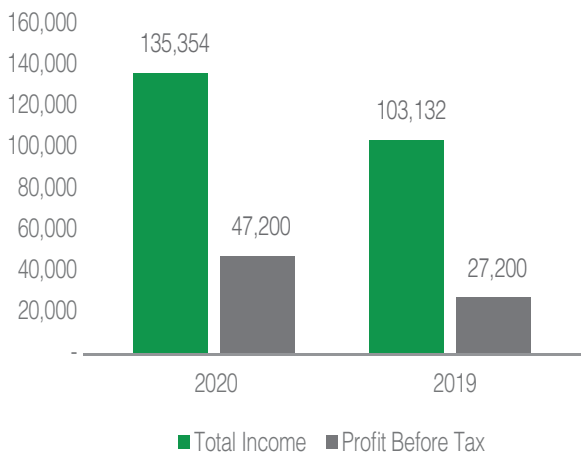
PKR 'Mn

	2020	2019	2018	2017	2016	2015
Total Eligible Tier 1 Capital	172,896	142,716	124,818	101,303	95,540	91,751
Eligible Tier 2 Capital	55,224	39,816	43,840	37,582	37,627	37,465
Total Eligible Capital (Tier 1 + Tier 2)	**228,120**	**182,532**	**168,658**	**138,885**	**133,167**	**129,216**
Risk Weighted Assets						
Credit Risk	858,263	913,568	795,527	657,437	613,672	567,984
Market Risk	87,766	91,753	81,071	68,863	53,389	39,464
Operational Risk	207,072	173,620	155,079	144,667	138,192	126,954
Total Risk Weighted Assets	**1,153,101**	**1,178,941**	**1,031,677**	**870,967**	**805,252**	**734,403**
Capital Adequacy Ratio						
Total Eligible Capital	228,120	182,532	168,658	138,885	133,167	129,216
Total Risk Weighted Assets	1,153,101	1,178,941	1,031,677	870,967	805,252	734,403
Capital Adequacy Ratio	**19.78%**	**15.48%**	**16.35%**	**15.95%**	**16.54%**	**17.59%**

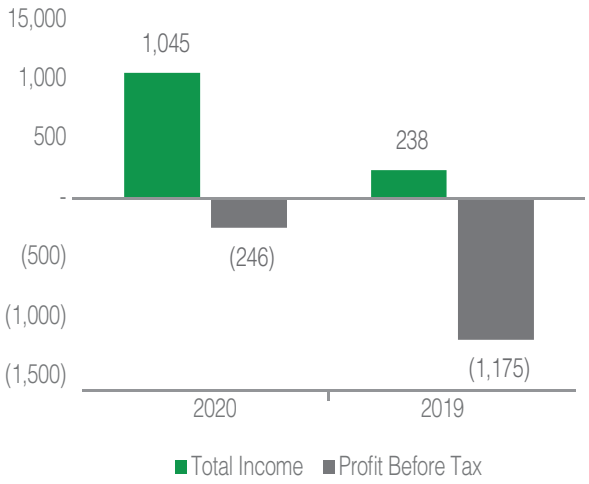


Geographical Segment

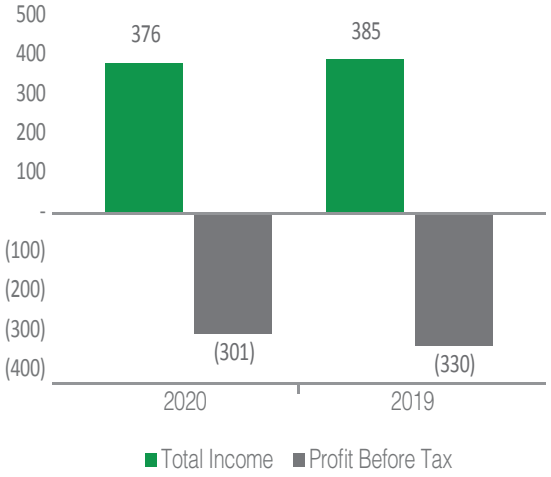
Pakistan



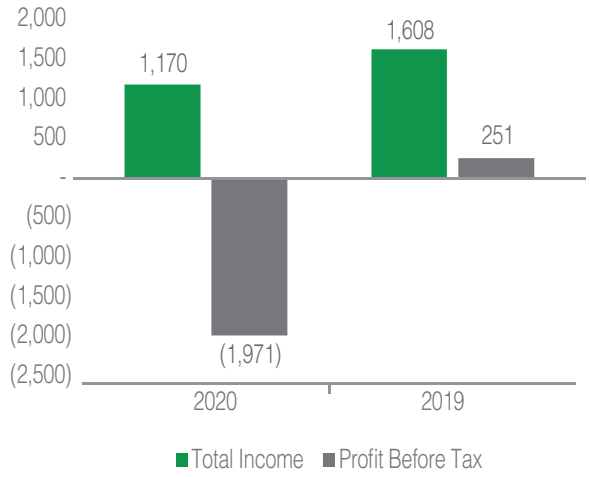
Asia Pacific (Including South Asia)



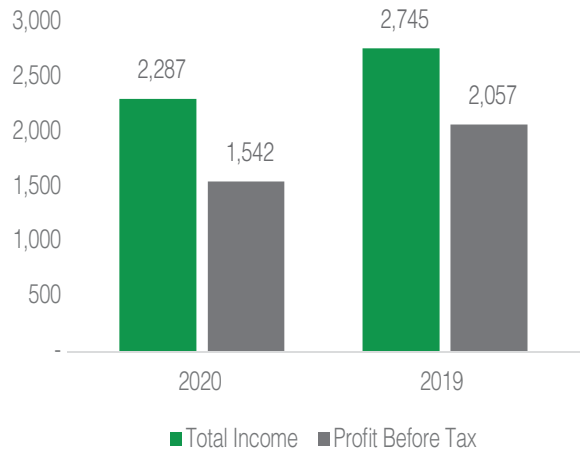
Europe



United States of America



Middle East





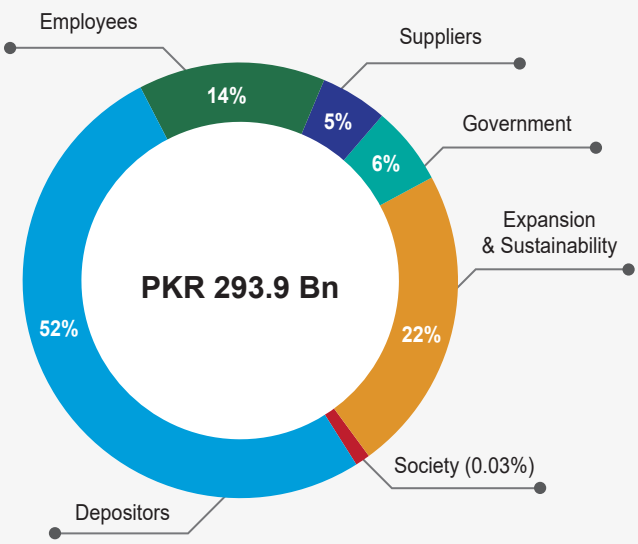
Statement of Value Added

PKR 'Mn

Economic Value Generated	2020	%	2019	%
Mark-up / Interest Earned	257,811	87.7%	239,477	86.9%
Non Mark-up / Interest Income Earned	36,077	12.3%	36,199	13.1%
Total Value Generated	**293,888**	**100.0%**	**275,677**	**100.0%**

Economic Value Distribution	2020	%	2019	%
Providers of Funds: Profit / Mark-up on deposits, borrowings, etc.	153,656	52.3%	167,570	60.8%
Suppliers: Payments made for the provision of utilities, goods and services	17,715	6.0%	15,852	5.8%
Colleagues: Colleague salaries, superannuation contributions and incentives	40,750	13.9%	45,285	16.4%
Government: Income tax	15,665	5.3%	12,194	4.4%
Community Investment: Donations, grants, in kind support and volunteering	85	0.0%	27	0.0%
Expansion & Sustainability:				
Organisation sustainability (provision against NPAs)	30,896	10.5%	14,250	5.2%
Dep. / Amort	4,562	1.6%	4,689	1.7%
Value Retained	30,559	10.4%	15,810	5.7%
	66,017	22.4%	34,750	12.6%
Total Economic Value Distributed	**293,888**	**100.0%**	**275,677**	**100.0%**

Value Distribution - 2020



Our Indirect Economic Contribution

PKR 4.4 billion approved under Kamyab Jawan Youth Entrepreneurship scheme

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

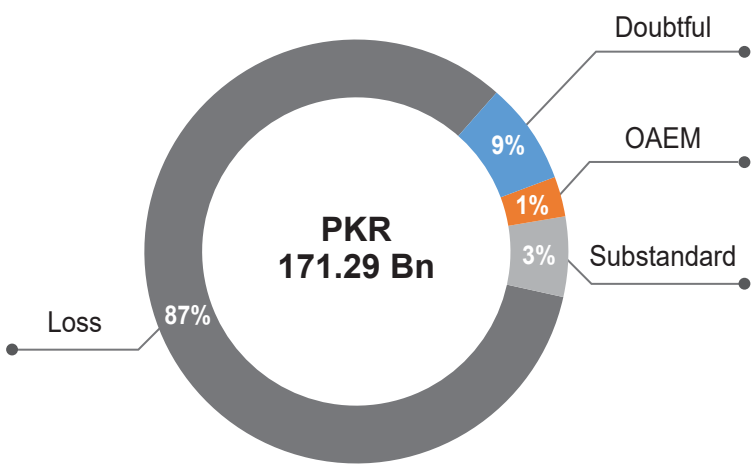
PKR 2.4 trillion in deposits managed for retail and business customers

PKR 1.2 trillion in loans to retail and business customers

Non-performing Loans

(PKR 'Mn)

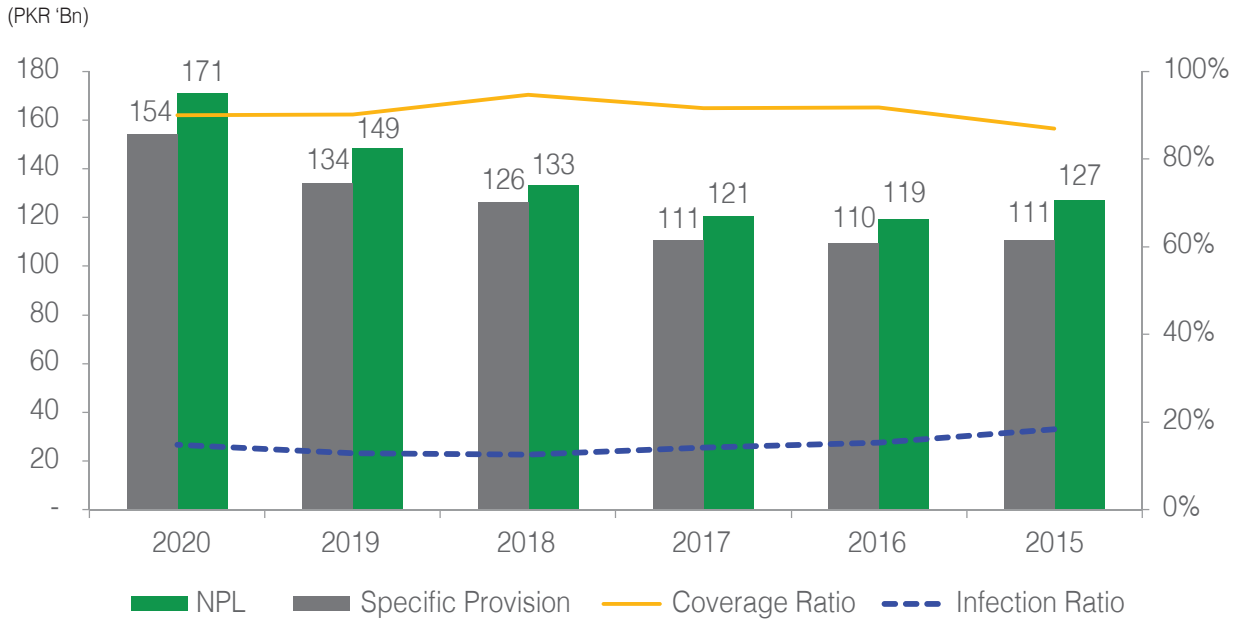
Category	2020		2019	
	NPL	Spec. Prov.	NPL	Spec. Prov.
OAEM	1,618	45	1,290	78
Substandard	5,419	1,336	10,292	2,551
Doubtful	15,768	7,881	6,440	3,207
Loss	148,490	144,883	130,729	128,334
Total	**171,294**	**154,145**	**148,752**	**134,170**



NBP has historically exhibited the high NPLs at 14.8% of gross loans, partly due to its role in developmental mandate. Reflecting the trend of asset quality deterioration observed across the industry, in 2020 the Bank experienced a 15.2% increase in the NPLs which increased to PKR 171.29 billion at end 2020 (2019: PKR 148.75 billion).

With the increase in NPLs, specific and general provision charge for the year 2020 amounted to PKR 15.93 billion and PKR 13.39 billion, respectively. At end 2020, specific provision stood at PKR 154.15 billion (2019: PKR 134.17 billion) translating into coverage at 90.0%.

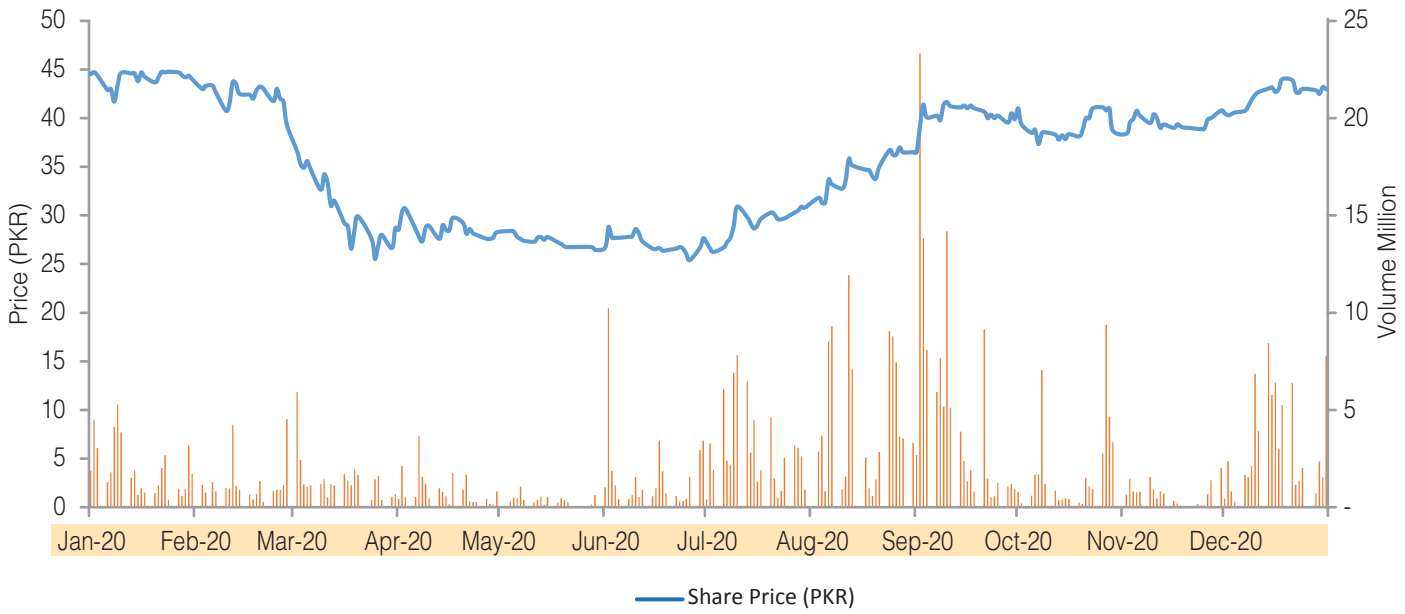
Asset Quality



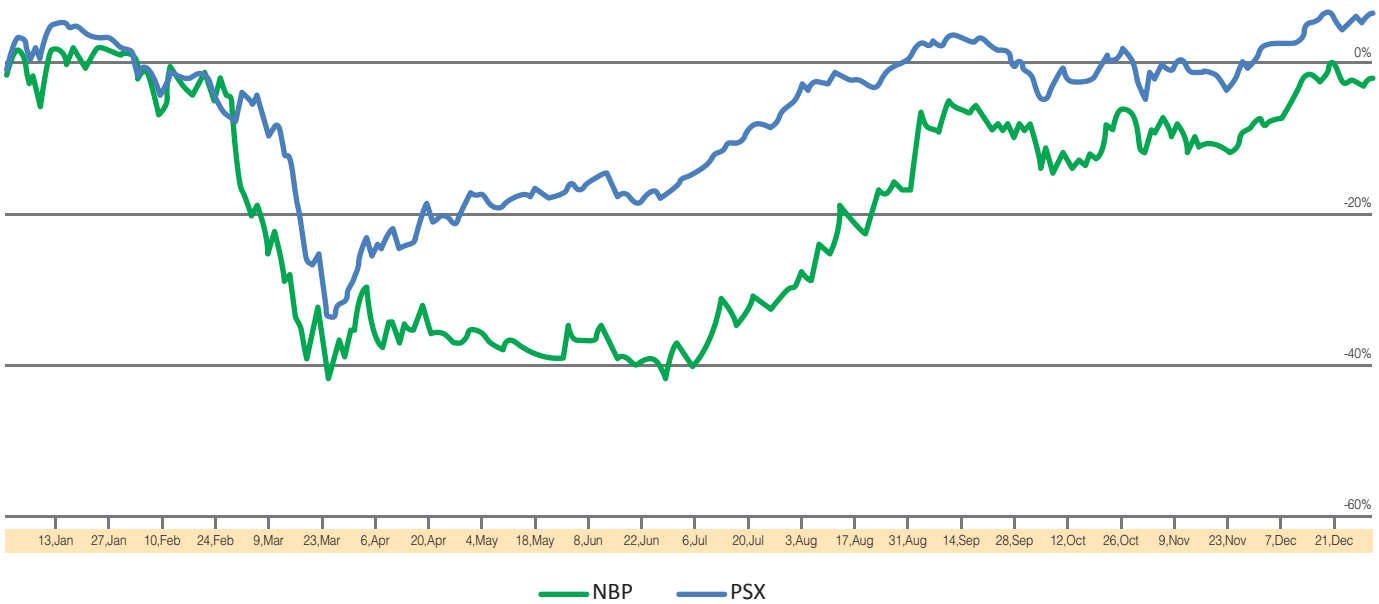
Share Price History

	High	Low	Closing	No. of Shares	Share Turnover	Market Capitalisation
		PKR		O/S	Number	(PKR 'Mn)
Quarter Ended						
December 31, 2020	43.20	42.75	42.96	2,127,513,026	7,761,000	91,398
September 30, 2020	40.68	39.61	39.88	"	920,500	84,845
June 30, 2020	28.10	26.70	27.65	"	3,427,500	58,826
March 31, 2020	28.70	26.50	28.26	"	675,000	60,124

Share Price Movement - 2020



NBP VS PSX-100 Index

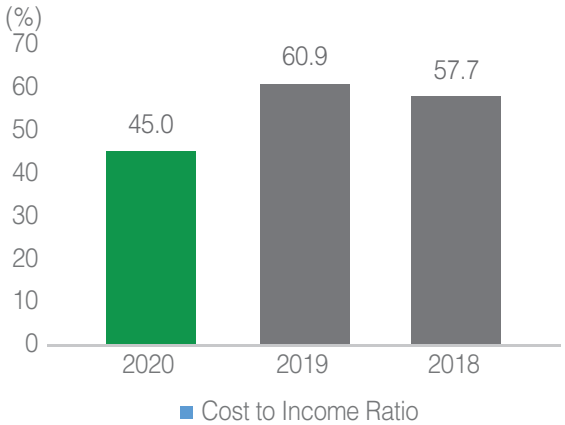


Operating Expenses

PKR 'Mn

	2020	2019	2018
Total Compensation Expenses	**40,750**	**45,285**	**37,270**
Property Expenses			
Rent and taxes	411	912	2,490
Insurance	35	34	32
Utilities cost	1,346	1,192	1,023
Security (including guards)	2,726	2,531	2,317
Repair and maintenance (including janitorial charges)	1,134	1,055	1,000
Depreciation	568	651	498
Depreciation on ROUA	1,883	1,873	-
Total	**8,103**	**8,248**	**7,360**
Information Technology Expenses			
Software maintenance	1,366	1,067	616
Hardware maintenance	20	15	19
Depreciation	247	284	421
Amortisation	211	318	323
Network charges	559	522	509
Others	-	-	70
Total	**2,404**	**2,206**	**1,959**
Other Operating Expenses			
Directors' fees and allowances	36	39	26
Fees and allowances to Shariah Board	9	9	7
Legal and professional charges	2,315	851	494
Outsourced services costs	829	795	784
Travelling and conveyance	653	1,051	973
NIFT clearing charges	190	154	153
Depreciation	1,652	1,564	1,425
Training and development	62	113	135
Postage and courier charges	213	200	323
Communication	323	303	294
Stationery and printing	1,129	1,010	942
Marketing, advertisement and publicity	317	300	706
Contributions for other corporate and social responsibility	85	27	78
Auditors' remuneration	198	198	252
Fixed assets / Non-banking asset deficit	-	-	203
Financial charges on leased assets	31	26	15
Entertainment	252	276	190
Clearing charges, verification and licence fee	343	437	284
Brokerage	121	110	87
Insurance general	369	416	306
Vehicle expenses	149	146	152
Deposit premium expense	1,388	1,244	479
Repairs and maintenance general	508	388	467
Others	366	312	322
Total	**11,540**	**9,966**	**9,098**
Other Charges	315	148	244
Grand Total	**63,112**	**65,853**	**55,931**

Cost to Income Ratio



Groups' Performance



Settings New Standards

In 2017, NBP set a new World record by installing the World's highest ATM (16,007 feet above sea level) at the Pak-China border, Khunjerab Pass.

Corporate & Investment Banking

CIBG maintains a leadership position in Pakistan's banking sector, providing sophisticated financial services to top-tier multinationals, local corporates, specialized agencies, governmental entities & departments, etc.

CIBG continues to be the Bank's leading customer franchise serving large corporations and government organisations that continue to prefer banking with NBP.

CIBG professionals have a strong understanding of business and economic fundamentals and are capable of offering comprehensive financial solutions for the varying business needs of their clients.

Our high-end corporate branches are strategically located in select major cities to ensure maximum coverage of our diverse client base. In addition to vanilla product offerings, CIBG is a market leader with strong expertise in originating, structuring and executing complex transactions in project finance, loan syndications, capital raising from debt & equity capital markets, restructurings, mergers & acquisitions, divestitures, trade finance and cash management.

Despite significant external and internal challenges in 2020, CIBG was still able to achieve several positive milestones, including:

- Continued to account for over 50% of the Bank's loan book
- Remained well entrenched in multiple industrial sectors contributing to the GDP of Pakistan
- Established a dedicated Government of Pakistan & Specialized Agencies Division for focused client coverage of GoP entities
- Trade Finance Division and Cash Management Division were revamped for better client coverage. This resulted in CIBG trade business exceeding PKR 680 bn and cash management throughout exceeding PKR 450 bn in 2020
- The Investment Banking Division was re-aligned with greater emphasis on advisory & markets business which generated the highest ever IB fees in the Bank's history. CIBG also won "first ever" privatization mandates for SOEs/PSEs, including privatization of the First Women Bank Limited and Heavy Electrical Complex
- CIBG also executed a number of "first of its kind" complex transactions:
  - K-Electric Sukuk issue of PKR 25 bn (FY-2020); the largest private-sector Sukuk deal in Pakistan
  - Syndicated deal for Pakistan Energy Sukuk of ~PKR 200 bn issued by PHPL to address the liquidity constraints being faced by Pakistan's power sector due to circular debt
  - Played a significant role in developing the Nation's industrial infrastructure by financing large-sized power projects, such as 263MW Punjab Thermal Plant-1; 180MW Quaid-e-Azam Thermal Plant-1; and 320MW Dasu Hydro Power Project-4

1. **Best Bank - Domestic 2020** – *Triple Assets Asian Awards*
2. **Best Deal - Equity Linked 2020** – *Triple Assets Asian Awards*
3. **Best Trade Finance Provider in Pakistan 2020** – *Global Finance Magazine*
4. **Corporate Client Initiative of the Year 2020** – *Asian Banking & Finance*
5. **Innovative Deal of the Year 2020** – *Asian Banking & Finance*
6. **Asia Pacific Award for Onshore Wind Deal 2020** – *IJ Global Project Finance & Infrastructure Journal*
7. **Best Corporate & Investment Banking Services 2020** – *FPCCI*
8. **Contribution to National Economy 2020** – *FPCCI*
9. **Best Corporate Finance House of the Year 2020 (Runners-up)** – *CFA Society Pakistan*

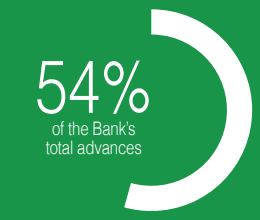
Building Resilience. Creating Opportunities.

CIBG played a significant role in delivering on the Bank's strategy of supporting the business community through the very difficult Covid-19 period by ensuring the availability of much needed liquidity on a timely basis and allowing the necessary cash flow relief to its clients.

Loan Deferrals Allowed
100+ Borrowers
PKR 33.5 billion

PKR 'Bn	2020	2019	
Total Income	8.0	3.3	+140%
Total Expenses	0.9	0.8	+13%
Profit Before Prov.	7.1	2.5	+180%
Investments	31.4	38.8	-19%
Advances (net)	534.3	543.5	-2%
Deposits	200.0	76.4	+162%

Advances (net)



Trade Business



EXCELLENCE IN BANKING









National Bank of Pakistan
نیشنل بینک آف پاکستان

Retail Banking

During the Covid-19 chaos, Retail Banking Group maintained the ethos of NBP and kept on pushing barriers & achieving milestones.

RBG managed to maintain the momentum during 2020 by establishing around 314,000 Fresh deposit relationships, despite operating with limited resources for a significant part of the year due to pandemic scenario. After accounting for deposits transferred to CIBG, Retail Banking Group effectively exhibited a notable increase of 5% in its deposit portfolio and improved its CASA ratio to 87% during the outgoing year. NBP Choice Current Account was re-launched during the year with enhanced value-added features to cater to the requirements of small to medium-sized businesses.

Bancassurance business booked an impressive volume of over PKR 650 million during the year. Adamjee Life Insurance was also brought on board during the year for the sale of Bancassurance products through the NBP.

RBG's flagship Product 'Advance Salary' recorded a growth of 12% and continued to lead the industry and became the **first & only** Consumer Financing product to enter the 100 Billion Outstanding Club. Following the footprints of Advance Salary, Cash n Gold also registered a growth of more than 14% as of December 2020 from December 2019. While making this huge headway, RBG did not compromise on the quality of its portfolio and maintained the overall infection rate at less than 3%. As of December 2020, RBG maintained a market share of more than 19% of the entire Consumer financing industry and more than 54% of the total Personal Loan industry.

As the Housing Finance product was transferred to RBG, the Group took pride in launching Low Cost Housing Finance under the banner of **Mera Pakistan Mera Ghar**.

RBG is testing system solutions to automate the process of Advance Salary, which will considerably reduce the TAT and human intervention. Learning from the Covid experience, RBG is also strategizing to partner with Fintechs to offer digital financing solutions to the borrowers along with improved conventional financing solutions.

During the stressful times of Covid, following the directives of SBP, RBG provided relief to Borrowers and deferred the principal repayments due from the Borrowers and also increased the debt burden ratio of the Borrowers to provide access to generous finance limits.

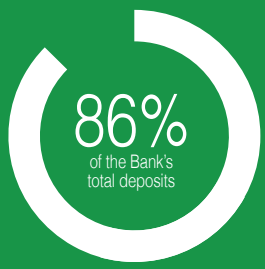
300,000+
New Deposit Relationships

First & Only
Advance Salary consumer financing product to reach PKR 100 billion outstanding club

1500+
Online Branches (Conventional)

PKR 'Bn	2020	2019	Change
Total Income	64.4	78.6	-18%
Total Expenses	28.6	28.5	+0.3%
Profit Before Prov.	35.8	50.1	-29%
Advances (net)	227.6	218.5	+4%
Deposits	2,070.4	1,972.7	+5%

Deposits







Inclusive Development

2020 can best be described as a year of the pandemic with negative fallout from Covid-19 witnessed across all sectors of the economy. In such an environment, the Inclusive Development Group (IDG) completed its first year (after the formation of the Group) with growth in advances and number of customers.

With over 9,000 customers added in 2020, IDG served over 220,000 NBP customers across Pakistan and maintained its focus on enabling access to finance for farmers, SME owners and commercial customers. IDG focused its efforts on:

- Increasing its loans in the agriculture sector.
- Growing its portfolio of SME customers across Pakistan.
- Increasing the loans to microfinance lenders to enable funding to be received by the smallest sized borrowers in different parts of the country.

Additionally, NBP through a unique scheme disbursed financial support to over 26,000 low-income families across Pakistan during the worst Covid-19 lockdown period from its CSR budget using the network of microfinance institutions.

In addition to new products, IDG has signed MoUs with Pakistan Stone Development Company Ltd. (PASDEC), for collaboration in extending finance to the marble and granite quarrying and processing sector. NBP also signed an MoU with Winrock International Institute for Agriculture Development (USA) to increase disbursement of institutional credit to date and banana farmers, processors and service providers in Sindh, as well as build the capacity of farmers in adopting agriculture best practices and enhance financial access to farmers.

In 2021 five credit schemes are expected for SME and Agriculture:

- Fleet Financing
- Financing for Marble & Granite Sector
- Vendor Financing
- High Value Off-Season Vegetable Farming
- Home Stay Financing with the collaboration of Gilgit Baltistan Tourism Department.



Building Resilience. Creating Opportunities.

Best Agriculture Bank
in Pakistan Banking Award 2020

Supported 26,000+
Low Income Families
Across Pakistan During Covid-19

PKR 'Bn	2020	2019	Change
Total Income	4.6	2.0	+135%
Total Expenses	2.2	2.3	-7%
Profit/(Loss) Before Prov.	2.4	(0.4)	728%
Advances (net)	131.3	147.7	-11%

Advances



13%
of the Bank's total advances

Our Approach to Inclusive Development



National Bank of Pakistan
نیشنل بینک آف پاکستان

Treasury & Capital Markets

Treasury & Capital Markets Group (TCMG) functions as the focal point for managing the Bank's liquidity, foreign exchange and investments for optimal utilization of funds. Besides optimally managing cash flows, TCMG made a sizeable contribution to the Bank's bottom line by posting huge capital gains. It continues to be a market maker, both in the foreign exchange and fixed income market, and once again posted a substantial profit in 2020.

TCMG comprises of four specialized segments, i.e., Financial Markets Trading, Equity Markets, Sales & Structuring and Asset Liability Management. The fact that TCMG has been persistently rated amongst the top primary dealers in the country by the State Bank of Pakistan bears testament to our expertise in managing and trading government securities and the confidence of our diverse clientele. TCMG has made steady progress in further strengthening our controls and compliance environment by focusing on people, culture and systems.

Key Achievements for 2020:

- Through intuitive planning and robust infrastructure support of technology, TCMG designed and deployed a mechanism which was complemented by activation of functional BCP Site and segregating the team into effective units to perform its various core functions from Office, BCP and Work from Home arrangements. TCMG functioned in an uninterrupted manner, and no delays or hic-ups were allowed to affect its continuous functioning.
- Despite a sharp slash in the policy rate, TCMG capitalised on substantial net interest income. The fact that NBP is among the top two performing primary dealers of the market as per the State Bank of Pakistan ranking bears testament to TCMG's expertise and efficient role in meeting the investment needs of our diverse clientele.
- Registered substantial capital gain of over PKR 7.0 bn for the year 2020.
- Amidst declining volumes countrywide and diminished volatility in the FX market, the FX desk once again outperformed the market and peers alike to post a substantial non-funded income by anticipating market movements accurately and calibrating its position accordingly
- Despite a difficult year of PSX, Treasury's Equities team effectively positioned the portfolio and utilised the available opportunities to accumulate quality stocks at lower levels only to post a significant annual risk-adjusted return, outperforming the KSE-100 index and the peers in the industry.
- Proactively managed Fixed Income Portfolio and interest rate risk by diversifying into Floater Bonds.
- Smoothly upgraded Kondor, the treasury system, with the latest version to support and implement more robust and automated management of the Treasury activities and empowering the Risk function to bring more vigorous controls.
- Initiated automation implementation of functions: Sales Desk activities, Investor Portfolio Securities Products, Roshan Digital Account and effective Liquidity management. With the initiation of migration from a pool-based FTP mechanism to Matched FTP, the treasury is geared to manage the interest rate risk of the entire banking book.



92%
of the Bank's Investments

PKR 'Bn	2020	2019	Change
Total Income	39.5	2.6	+1,422%
Total Expenses	0.4	0.3	+18%
Profit Before Prov.	39.2	2.3	+1,612%
Investment	1,342.8	1,316.8	+2%

International, Financial Institution & Remittances

With an International network in 14 countries, NBP is one of the largest International franchises amongst Pakistani Banks. Our international operations comprise of 21 branches, 02 subsidiary banks and 03 representative offices spread over North America, Europe, Middle East, South Asia, Central Asia and Far East. Our focus is on trade-based financing, participation in syndicated lending, investments in sovereign debt investments, FI lending and remittance business.

Owing to Covid-19, the global economic environment remained challenging during the year impacting the overall international franchise. With lockdowns across the globe, trade finance, the core business of international franchise suffered drastically with a major dent on the bottom line. However, its impact has been lessened by the robust and sustainable strategy of the Bank.

The Bank is following the strategy of de-risking by consolidating its international operations with the business model focused on selectively growing lending books mainly to established organisations with a long-term relationship with the Bank and focusing on developing a local franchise coupled with growth in trade, remittances and FI business. During the year, the Bank decided to voluntarily close its operations in Central Asia and limit its operations in Afghanistan and Bangladesh.

Going forward, International operations will continue to explore new avenues to an ensure increase in deposit base, trade business and FI lending to reflect the improvement in its funded and non-funded Income. We have already strengthened our IT platforms across the international franchise and will continue to focus on technology to ensure efficiency and enhance service quality to our valued customers. Our compliance frameworks have also been improved considerably to enhance required vigilance in line with the global standards and best practices.

Remittance & NRP Division

Home remittances or workers' remittances have been a key source of balance of payment support to the country in the last few years. Millions of Pakistanis are currently working abroad, majority of them are working in the GCC countries. These immigrants have been contributing significantly towards the economic stability of our country through sending home remittances which is one of the main sources of foreign exchange inflow to Pakistan.

During 2020, when the economic activities in the country were seriously affected by the Covid-19 Pandemic, IFIRG continued to facilitate the Remittance Customers by providing them fast, convenient and reliable home remittance services through NBP's huge network of 1500+ online branches and 500+ authorized Pakistan Post Office locations.

Despite the challenging economic situation, the remittance business of the bank continued to prosper, and the bank recorded a growth of 13% from last year. Realizing the importance of Home Remittances to the country, IFIRG continued to strive for providing the best and reliable remittance services to the customers simultaneously offering them value-added services such as "Worker's Foree Remittance Account".

Later in the year, to support the Government's vision of providing value-added services to Non-Resident Pakistanis, the Bank established a dedicated Non-Resident Pakistanis (NRP) Wing.

13%
Growth in Home Remittances

21
International Branches

500+
Authorized Pakistan Post Office Locations

PKR 'Bn	2020	2019	Change
Total Income	4.9	5.0	-2%
Total Expenses	6.3	4.3	+48%
Profit/(Loss) Before Prov.	(1.5)	0.7	-309%
Investments	46.1	61.1	-25%
Advances (net)	44.7	56.2	-20%
Deposits	73.2	85.5	-14%

Key Figures:	2020	2019
No. of Home Remittance Transactions	5,469,070	5,166,466

NBP Aitemaad Islamic Banking

Alhamdulillah, a net spread earned by Aitemaad Islamic Banking Group "AIBG" grew by PKR 679 million (growth 17.6%), contributed by 11% volume growth in financing and 32% investments along with increase in CASA deposits (36% YoY) and high-profit rate environment. Overall deposit growth was 19%. Excluding one-off impact of 2019, net spread growth was 30% as AIBG reduced its cost of funds. Despite taking the conservative provision of PKR 400 million in 2020, absorbing a 6.25% cut in the policy rate, AIBG closed PKR 2.1 billion pre-tax profit.

Home Remittance transactions also grew by 16% to 387,079 during 2020 against 333,365 in 2019. NBP Aitemaad serviced a customer base of 178,576 by December 2020.

Due to the economic slowdown amid the Covid-19 Pandemic, AIBG invested PKR 8 billion in Government backed statutory liquidity requirement (SLR) eligible Sukuks (GoP Ijarah Sukuk: PKR 6 billion and energy Sukuk II: PKR 2 billion) during 2020. Hence, investments plus Bai Muajjal increased from PKR 31.9 billion in December 2019 to PKR 42.1 billion in December 31, 2020, showing a growth of 32%.

Despite the Covid-19 Pandemic outbreak, financing portfolio, net of repayments, increased to PKR 38 billion on December 31, 2020, as compared to PKR 34 billion on December 31, 2019, recording 12% growth year on year. The financing portfolio comprises corporate customers located in Karachi, Lahore, Islamabad and Multan. The strategy is to continue booking top-tier corporate customers, *albeit* cautiously.

Consequently, the total assets of AIBG increased from PKR 76 billion in December 2019 to PKR 89 billion on December 31, 2020 showing significant year-on-year growth of 17% during 2020.

Alhamdulillah, in 2020, Digital Banking (Mobile Application/Internet Banking) was launched to provide an alternate delivery channel to customers amid the Covid-19 Pandemic, enhanced Debit Card features were introduced for promotional discounts/ATM users. Merchant Account was launched, which will improve competitive edge and provide customers with unique features of a business account. NBP Aitemaad offers a good range of products, including thirteen deposit products and seven financing products for its Customers.

The future poses challenges related to the overall economic environment in view of the Covid-19 pandemic. Like all businesses, it will certainly impact the banking business. Management is cognizant of these challenges and ready to tackle and absorb any such impact.



191
Branches

19%
Deposit Growth

PKR 'Bn	2020	2019	Change
Total Income	5.0	4.4	+13%
Total Expenses	2.5	2.4	-1%
Profit Before Prov.	2.5	2.0	+28%
Investments (net)	42.1	31.9	+32%
Financing (net)	37.6	33.9	+11%
Deposits	75.3	63.3	+19%



HR Management

The HR Management Group endeavors to be a strategic business partner by playing a vital role in supporting goals and meeting challenges of the Bank by delivering services that encourage a transparent, open and accountable culture. Despite the challenging circumstances, last year saw the complete implementation of a new robust HR structure consisting of HR Business Partners and Centre of Excellence that helped streamline the Group to offer better service delivery.

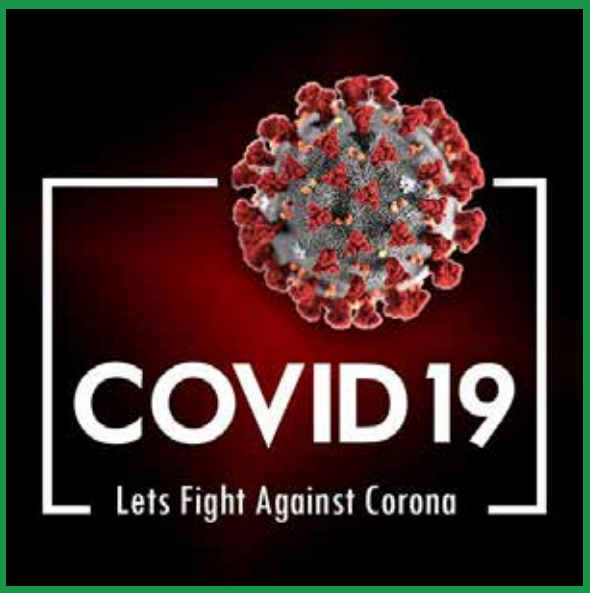
Special health care and benefits focused on employees and their eligible dependent's medical expenses provided the much needed support that NBPians required to give them some respite from the emotional and financial burden of Covid-19.

Recruitment activities remained unaffected as the hiring teams filled significant key positions. In a move to motivate employees and to keep up with the market trends of rewards and compensation, reward restructuring was carried out. Such periodical reviews and subsequent remuneration revisions help the Bank increase employee commitment and productivity.

Employee's grievances require an empathetic and impartial approach in a safe environment. A meticulous grievance handling policy was designed and implemented this year. A new online portal, Grievance Redressal Interface Program (GRIP) was introduced and Grievance Resolution Committee was formed which ensures swift and timely addressing of employee grievances and issues.

Revision, development and improvement of various HR policies in line with the best market practices were completed, including promotion policy and recruitment policy, as well as the development of grievance handling, remuneration and social media guidelines. Succession Planning was also initiated to help the management plan and strategize the development and career paths for various key positions.

NBP Cares



The Bank has taken unprecedented steps to counter the effects of Covid-19. During the pandemic, constant liaison with hospitals and staff in-need of treatment for Covid-19 was maintained by HRMG in order to provide priority attention and treatment to NBP employees.

- *Our teams remained available 24/7 to resolve the hospitalization claims and to arrange new panel hospitals that have Covid-19 hospitalization/isolation facilities for prompt treatment of NBP employees.*
- *The simplified approval process for Covid-19 related illnesses and constant liaison with panel hospitals for convenience and priority treatment*
- *Entire costs for Covid-19 related pathological tests, injections/medications and antibodies test for staff (and their dependent family members) are being covered by the Bank. All Covid-19 related medical expenses for hospitalization at Covid-19 prescribed panel hospitals are also borne by the Bank for staff and their eligible dependents.*
- *The Bank is compensating with an additional amount of PKR 1.5 million to the families of those NBP team members who have expired during the Covid-19 Pandemic.*
- *For quick and easy access to health care facilities several additional hospitals were enlisted as the Bank's approved to provide complete hospitalization facilities to Bank's employees.*
- *Hospitalization facilities were provided to approx. 3,552 lives of NBP family with a total cost of about PKR 94 million.*

Compliance

The Compliance function at NBP continuously strives for improving the compliance environment and minimizing compliance risk for the institution through independently assessing compliance risk and evaluating Banks Internal Controls for adherence to applicable laws, rules and regulations, including identifying compliance issues and independently reporting on the state of compliance activities across the institution.

Accordingly, the NBP's approach towards the management of compliance risk is further strengthened, under the support of the Compliance Committee of Management with zero tolerance towards regulatory requirements. In line with its oversight strategy for the overseas network, the Bank has established a Branch Compliance Committees of Managements (BCCM) in the overseas branches.

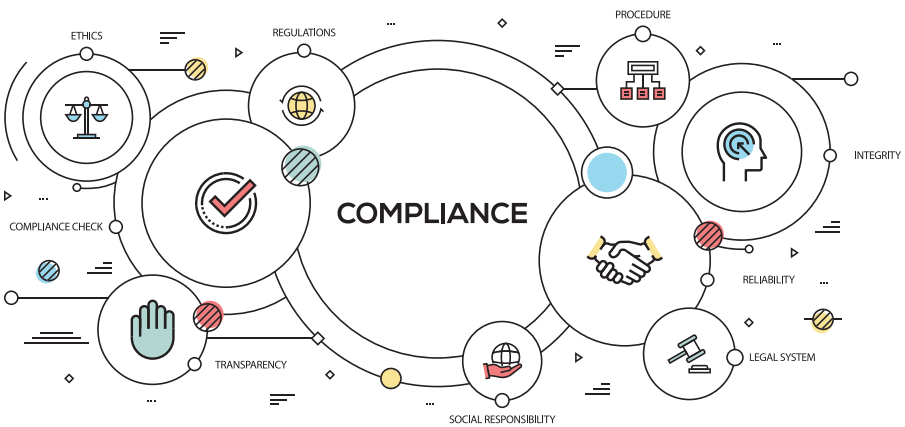
The Bank is committed to the best industry practices for compliance with all regulatory frameworks, including AML/CFT practices so that the interests of all stakeholders are protected and its continuously striving to ensure the same. Further, the Code of Ethics and Conduct signed by all employees acts as a guide for them in discharging their duties and sets out the standards of good practice.

As part of its commitment to the highest standards of AML-CFT, Compliance Group has already implemented some of the best-renowned systems in the industry for Transaction monitoring (i.e., Financial Crime & Control Management – FCCM) and name screening (i.e., Safe Watch) for its domestic operations. CG is also strongly focused on the implementation of compliance systems in the overseas network. Bank has implemented FCCM and Fircosoft (the recognized market leader) watch list filtering solution at NBP US operation and has already started the process of implementation at some other locations.

The Bank gives utmost importance to the Regulators in all jurisdictions and continued to maintain effective liaison with them to ensure that Regulatory instructions/guidelines are complied with in letter and spirit.

The Bank has appointed a team of experienced professionals in all functional areas of Compliance. Compliance Group assigns the highest importance to the training and developmental activities of all bank personnel on AML/CFT and Sanctions, and it is making continuous efforts on capacity building and knowledge development of all bank staff through Face to Face and online Trainings for domestic as well as overseas operations.

Compliance Group is dedicated to creating value for both internal and external customers whilst meeting its regulatory obligations. Thus, Compliance Group will continue to uphold a strong compliance culture representing the Bank's core values through the development of its functions and personnel.



Audit

The Bank has an independent internal audit function referred to as Audit & Inspection Group (A&IG). A&IG provides assurance of the Bank's control and compliance environment to the Board and the Management. A&IG assists the Board Audit Committee in discharging its responsibilities of oversight over financial reporting, internal controls, internal audit and external audit of the Bank. A&IG also plays a consultative role in developing various policies & procedures of the Bank.

During 2020, the pandemic has brought unforeseen challenges. A&IG continued its responsibilities by conducting off-site reviews during the lockdown and highlighted the internal control deficiencies and recommended corrective actions.

A&IG is progressing towards alignment of its activities with the standards of the Institute of Internal Auditors and SBP Guidelines of Internal Audit function issued in 2019. Further, in order to automate the complete audit cycle, A&IG is implementing an eAudit software which will be rolled out during 2021.

Centralized Operations & Administration

The Centralised Operations & Administration Group (COAG) has been established recently with a view of bringing operational efficiencies and effectiveness in processes and governance at both, Head Office as well as the branches. The centralisation of NBP's Operations is critical to creating a strong second line of defense and managing chronic control issues. The CoAG consists of four sub-groups being (i) Retail Operations; (ii) Corporate Operations; (iii) Logistics Support; and (iv) Service Quality Group.

Retails Operations

In order to bring efficiency to the overall operational environment of the Bank, the Retail Operations Group has taken multiple initiatives to strengthen and improve upon operational functions. Some of the salient initiatives taken by the Group in the various discipline(s) include:

- Centralization of Account opening on pan-Pakistan basis.
- Development and implementation of Centralized Operations Control Center (COCC).
- The Group in the year 2020 also cleansed and updated the bulk of records of legacy accounts portfolio, besides showing a reduction in penalties by the regulators in operational procedural violations.
- Under distressful conditions due to Covid -19 outbreak, the NBP customers were served through ADC Channels, mobile app etc, while the OTC service remained available for walk-in customers and bank's visiting customers or other banks for cash/chest services.

Service Quality

NBP realizes that the delivery of high-quality service is an absolute necessity to accomplish customer satisfaction and accordingly Service Quality Group has been focusing upon improving the delivery of services to Bank customers through continuous improvement in physical layout and enhancing customer-friendly ambiance at branches. We are continuing our efforts of making customers aware of available channels for customer feedback (web link, email, letter or call center), suggestions or lodgment of their grievances. Our Call Centre is becoming an effective tool in responding to customer queries, particularly in respect to new products & services, government sponsored schemes for youth business loans, low-cost housing and small business expansions.

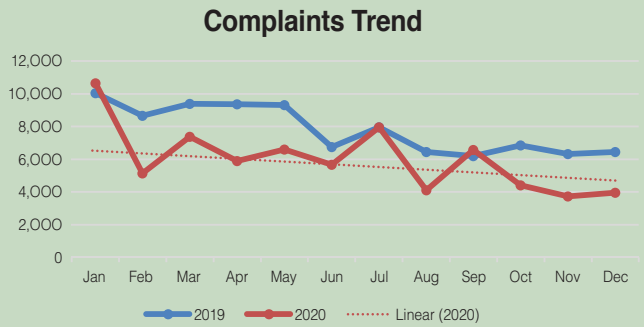
The SQ Group manages a complaint management system that is meant to facilitate the quick lodgment of customer grievances, SMS acknowledgement of lodged complaints, and its resolution on a fast-track basis. Now the complainants can track the status of their lodged complaint with a click at link activated on the Bank's website. As an outcome of coordinated efforts, there is a drastic reduction in the number of customers' complaints lodged with the Bank during 2020. Against 72,036 lodged complaints, 71,483 complaints were resolved with a resolution rate of 99%.

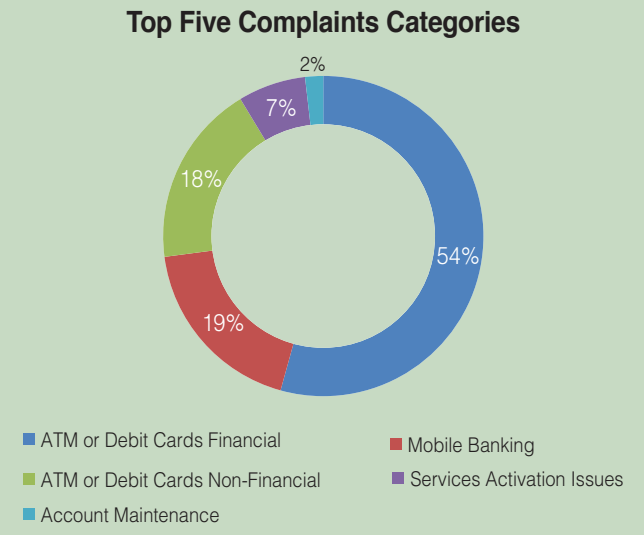
The Bank's Complaint Management Services is based on the following principles:

- Promote a culture that values customer experience with Courtesy
- Fair and efficient resolution of consumer grievances with Impartiality & Transparency
- Every complaint must be resolved within the shortest possible time as per customer satisfaction and prevailing rules.
- Constantly and consistently monitoring of complaints, processes, and channels to identify gaps and areas of improvement through root cause analyses and then undertake projects to improve operational efficiency via our business owners.

During the Covid-19 Pandemic lockdown period where accessibility to branches was limited, our call center remained an effective tool in facilitating customers to have responses of their queries, particularly in respect to products and services and government relief scheme for pandemic affected businesses besides Kamyab Jawan Youth Entrepreneurship Scheme and Low Cost Housing Scheme. As an outcome of our focused approach with continued progress to have multiple alternate power supply solutions, improved operational effectiveness, and efficient surveillance, NBP ATMs network uptime has significantly improved, and a number of transactions executed by NBP customers as well as other banks customers through NBP ATMs have reached new heights. This demonstrates the growing confidence of customers upon NBP and supporting our business strategy to promote ATMs as an alternate delivery channel other than Branch.

SQ Group also manages NBP Sports Complex facilities including NBP Cricket Academy and NBP Sports Club. After acquiring the services of Mr. Waseem Akram - the renowned Cricket Legend, as a Sports Consultant, we have been working together for enhancement in facilitations both at the cricket ground and at NBP Sports Club for the benefit of NBP Sports Club members. We will continue our program of hunting talent and grooming young sportspersons to play on the national side and represent their Country.





Financial Control

The role of the Financial Control Group "FCG" is of a key business partner in strategy formulation and helping its execution by providing decision-support information to key business and other functions in the Bank. This role of FCG is derived through its interrelated core functional activities being accounting, financial information, tax, financial controls and SBP reporting. All these activities relate to the production, flow, interpretation, communication and use of financial information, as well as related, explanatory non-financial information.

FCG plays an important role in strategic decision making by keeping the BoD and Executive Management abreast of the Bank's financial position & performance through actual, forecast and predictive analysis, thus translating the financial data into meaningful commentary, trends and actions by the concerned stakeholders. Executive level decision-support information produced by the FCG includes Group, segment and product performance review, monthly ALCO reports, statutory financial reporting, etc.

On the regulatory side, FCG is managing Financial Reporting, External Audit, Taxation and Regulatory Reporting to the State Bank of Pakistan. As the Bank's extension towards external stakeholders, FCG endeavours to promote the corporate governance image of the Bank through, inter alia, efficient Financial Reporting. This year, FCG achieved two prestigious recognitions (the first ever of this type for the Bank) for the Bank on quality Financial Reporting as follows:

1. Certificate Of Merit for Best Corporate & Sustainability Report Awards-2019 - by ICAP and ICMAP
2. SAFA Best Presented Annual Report Awards-2019 First Runner Up - by South Asian Association Federation of Accountants

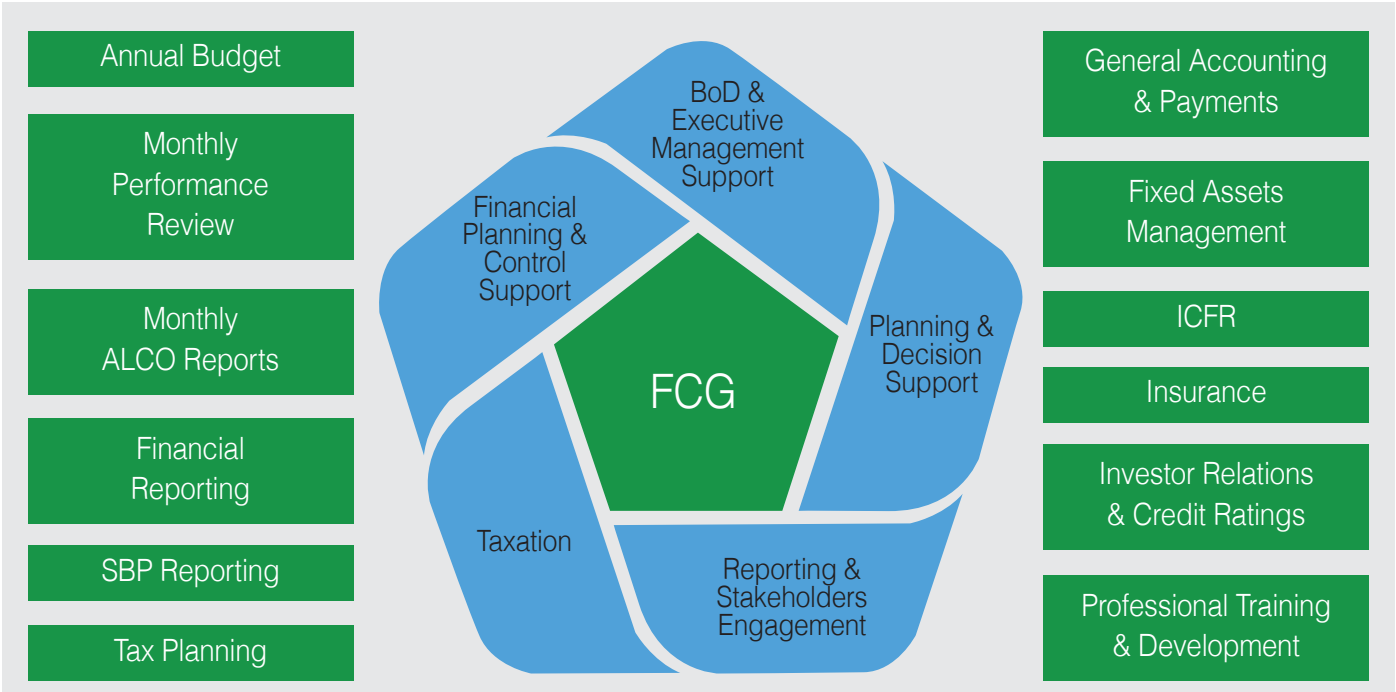
Efficiently managing the taxation affairs in 2020, FCG achieved additional tax refunds, leading to a reduction in provision for taxation and the Bank's net profit. To promote a tax compliance culture in the Bank with the objective of enhancing the number of tax filers, FCG arranged facilitation sessions to assist the Bank's employees in filing their income tax returns in a timely manner.



As a member of the cross-group team, FCG is making significant contributions towards balancing and reconciliation of GL. FCG has also contributed towards improvements in the functioning of the Bank through updating various procedures & controls related to financial reporting, payments, record keeping, etc. FCG is actively liaising with other stakeholders for timely implementation of ICFR, IFRS-9 and IFRS-16. During the lockdown due to the Covid-19, payment team at FCG continued providing uninterrupted services by efficiently & timely executing the payments at Head Office. This greatly helped the Bank's vendors as well as the staff in maintaining their financial outlay during these difficult times.

This year, FCG also implemented the ACCA Trainee scheme inducted quality resources into its talent pool. The scheme creates learning & growth opportunities for talented ACCA affiliates / students.

Going forwards, FCG has planned to register NBP as Mentor to implement the CA Trainee Scheme for those pursuing their CA qualification with the Institute of Chartered Accountants of Pakistan. This scheme will create professional learning & growth opportunities for CA students across the Country.



Technology & Digitization

The year 2020 has been one of the most challenging years in recent history for all of us in many aspects, and T&DG was confronted with adapting to new ways of delivering on its mission of ensuring continuity of the technology platforms that underpin the Bank's products and services.

T&DG displayed great dedication in managing IT operations and infrastructure, 24x7, under the pandemic and delivered on projects with limited resources, a testament to our commitment and can-do approach. Noteworthy achievements were accomplished by the Group and their focus remained on digitalization initiatives along with improvements and enhancements in the existing technology landscape and operations.

Launch of Prime Minister's Covid-19 Pandemic Relief Fund ePaymentPortal and Pandemic response strategy implementation (for T&DG and Bank-wide employees) were two of the initiatives T&DG took in due time to encounter challenges raised due to the pandemic situation.

On the Digital front, the year 2020 marks a great achievement for T&DG, as we added a new channel of Internet Banking for Customers to our Digital horizon. The key features include: Self-Registration, Funds Transfer to/from NBP Conventional/NBP Aitemaad (Islamic Banking) Accounts, IBFT (Funds Transfer to other bank account holders), Account to CNIC Funds Transfer, Utility Bill Payments, Government Payments, 1Bill Payments (including credit card), Mobile Postpaid/Prepaid Payments & Top-ups, School Fees Payments, Access to Multiple Accounts, Balance Inquiry & Account Statement, Beneficiary Management, MPIN Management, etc.

Additionally, the launch of EMV - PayPak Debit card, a domestic payment scheme was another milestone that T&DG achieved. The PayPak Debit card works at all 12,000 ATMs and 50,000 Point of Sale (merchants) in Pakistan. This is the first and only domestic payment card in Pakistan. Mobile Banking and POS transactions for Islamic Banking customers, SMS-based digitalization of Mobile App Registration process, EMV Card Activation through SMS, Regional languages and customer feedback option on IVR are significant achievements that are helping the bank to set its footprint in Digital Domain.

Launch of Retail Banking products "Choice Account" and "Sunehri Sahulat" Document management system for Centralized Account Opening (CAPU), Rollout of remittance system Moneta to all NBP Branches, Upgrades of Treasury Dealing System "Kondor" and SAP; the Bank's ERP, along with enabling Biometric verification for Dormant Accounts were the achievements in the area of consumer banking.

On the security end, Implementation of "PhishRod" Anti Phishing & Security Awareness Tool, Security Orchestration, Automation & Response platform, Penetration Tool and procurement of Endpoint Protection Solution is providing the bank a more secured platform and strengthening the Bank's cybersecurity posture.

The past year has brought unimaginable difficulties for an uncountable number of people, but amongst the seeming chaos and helplessness, there have been displays of resilience, ingenuity and dedication; and T&DG's is no exception to this. For 2021, T&DG key emphasis is to strengthen Bank's infrastructure and Digitalization platform to provide the best possible services to the customers.





Risk Management

Risk Management Group (RMG) is proactive in identifying, assessing, monitoring, and controlling the risks associated with Banking Business. RMG functions as an independent group reporting directly to the President with dotted line reporting to the Board Risk & Compliance Committee (BRCC).

The Bank follows a prudent path to risk management through developing/using effective tools to keep the Bank resilient, achieve corporate sustainability and minimize losses within the defined risk tolerance levels. Strategic goals, embedded into our approach to risk management are to maintain a robust framework, identify and escalate risks and support sustainable business growth. RMG acts as a second line of defense in the overall risk management structure of the Bank, assuming the role of establishing overall risk management framework, development of tools & systems for effective risk management, risk oversight along with review and reporting of deviations of activities from set standards, to Senior Management / BoD.

RMG has achieved many milestones during the year with the aim of continuous improvement in risk management practices through the introduction of new methodologies based on sophisticated tools. Few key achievements during the year include:

1- Integration of Credit Management Group and Asset Recovery Group into Risk Management Group to enhance the overall effectiveness of risk management governance.

2- Revision and approval of Credit Approval Authority Booklet (CAAB) to strengthen and simplify the credit approval process.

3- Revision and approval of Credit Risk Concentration Framework.

4- Senior Credit Officer framework has been introduced that provides sector and geographic coverage to address credit quality.

5- Formulation/revision of seasonal financing policies (wheat, rice, and cotton) after reviewing current market dynamics including Covid-19 scenario, which has resulted in the remarkable achievement of keeping NPL ratio in seasonal financing portfolio to a very low level.

6- Enhancement of Risk Profiling of advances portfolio through;
   a. Risk Appetite Framework ascertaining management to make well-informed risk-based decisions.

   b. Focus on early watch-list / watch-listing framework has also been enhanced.
   c. Development of detailed portfolio reporting template to align risk ratings, classifications, and early warning indicators, etc.

7- Implementation of the subjective classification process and aligning the same with the expected credit loss model under IFRS-9.

8- Revision and strengthening of various risk management policies, procedures, tools/MISs, and frameworks.

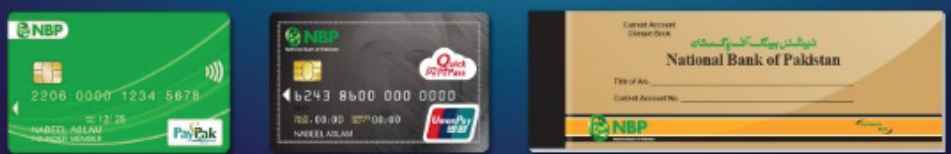


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4

Unconsolidated Financial Statements

Financial Statements of the Bank along with Report of the Independent Auditors

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INDEPENDENT AUDITORS' REPORT

To the members of National Bank of Pakistan

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of **National Bank of Pakistan (the Bank)**, which comprise the unconsolidated statement of financial position as at December 31, 2020, and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement for the year then ended, along with unaudited certified returns received from the branches except for 80 branches which have been audited by us and 9 branches audited by auditors abroad, and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, the unconsolidated statement of profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2020 and of the profit, the comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the unconsolidated Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the Code) as adopted by the Institute of Chartered Accountants of Pakistan and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note 25.3.3.1 to the unconsolidated financial statements which explains the contingency in relation to the pension obligations of the Bank. Based on the opinion of the legal counsel, the Bank is confident about the favorable outcome of this matter and hence, no provision has been made in these unconsolidated financial statements. Our opinion is not qualified in this respect.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current year. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

S. No.	Key Audit Matters	How the matters were addressed in our audit
1.	**Provision (impairment) of loans and advances** As disclosed in note 11 to the unconsolidated financial statements, gross loans and advances of the Bank were Rs. 1,160 billion against which non-performing loans and advances (NPLs) were of Rs. 171 billion. As at December 31, 2020, the Bank holds the provision of Rs. 154 billion against NPLs and Rs. 22 billion as general provision against performing loans. The carrying value of loans and advances to customers may be materially misstated, if provision is not appropriately identified and estimated as the determination of impairment provisions remains subjective and judgmental area in addition to objective criteria for classification of loans and advances as per Prudential Regulations. Further, the impact of the COVID-19 pandemic and regulatory relieves measures issued by State Bank of Pakistan (SBP) to dampen the effects of COVID-19 have been incorporated in the Bank's measurement of loans and advance portfolio. Furthermore, the Bank is required to make provision, if any, identified by the SBP. We considered this as a key audit matter as the Bank in addition to the following objective criteria also makes significant and subjective judgements and makes assumptions, including those related to COVID-19, to determine the provision and the timing of recognition of such provision and their impact could be material to the unconsolidated financial statements.	For selected samples, we: • Updated our understanding and evaluated design and implementation of relevant controls; • evaluated borrowers through repayment behavior and assessment of financial strength based on the available financial statements, adequacy of security/collateral, electronic credit information bureau reports, compliance with Prudential Regulations and impact of measures adopted by the Bank in respect of COVID-19; • evaluated the appropriateness of subjective evaluation made by management for performing parties; • ensured that any provision identified by the SBP was recognized; and • in case of restructured loans, we reviewed the detailed documentation of restructuring including approvals, legal opinions, terms of restructuring, payment records and any other relevant documents to ensure that restructuring was made in accordance with the Prudential Regulations. In addition to the above, on a sample basis, we also reviewed minutes of the meeting of credit and audit committees to identify risky exposures on which we performed the procedures as stated above. We had discussions with management to understand the Bank's assessment of the impact of COVID-19 on the Bank's portfolio of loans and advances. We issued instructions to auditors of those overseas branches which were selected for audit, highlighting 'Provision against advances' as a significant risk. The auditors of those branches performed audit procedures to check compliance with regulatory requirements and reported the results thereof to us.

S. No.	Key Audit Matters	How the matters were addressed in our audit
2.	**Valuation of listed equity shares, units of mutual funds and term finance certificates classified as available-for-sale** As disclosed in note 10.1 to the unconsolidated financial statements, the Bank has significant investments in equity shares, units of mutual funds and term finance certificates (TFCs) classified as Available for Sale (AFS). As per the Bank's policy, listed equity shares and units of mutual funds are required to be considered for impairment when there is a significant or prolonged decline in the fair value of investments except where SBP relaxation has been obtained. Further, TFCs are required to be assessed for impairment as per the SBP's Prudential Regulations which involves subjective criteria. Furthermore, to dampen the effect of COVID-19, SBP has allowed Banks to recognize impairment loss, if any, on the valuation of listed equity shares held as AFS in a phased manner equally on quarterly basis. The significance of the investment amount, subjectivity involved and assumptions used in impairment, including the guidance issued by SBP due to COVID-19, make it significant to the unconsolidated financial statements. Therefore, we have considered this as a key audit matter.	On a sample basis, we have performed the following procedures: • each investment's cost was compared to its market value wherever available to determine decline / surplus in valuation; • checked whether, in case of listed equity shares and units of mutual funds classified as available for sale, impact of significant or prolonged decline was recognized consistently as per the policy of the Bank as disclosed in note 5.24(c), • checked whether, in case of listed equity shares classified as AFS, calculation of impairment in a phased manner on a quarterly basis as per the guidance of SBP. • For TFCs, checked that listed TFCs which were traded in were valued as per the quoted prices and for unlisted TFCs, we checked that these were valued at cost less provision. Further, on sample bases, TFCs were also evaluated based on evidence of deterioration in the financial health of the investee.

Information Other than the Unconsolidated Financial Statements and Auditor's Report Thereon

Management is responsible for other information. The other information comprises the information included in the Annual Report, but does not include the unconsolidated financial statements, consolidated financial statements and our auditors' reports thereon and our review report on Code of Corporate Governance.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report the fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the unconsolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of unconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the unconsolidated financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

The Board of directors is responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As a part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to event: or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matter that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. Based on our audit, we further report that in our opinion:

   a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;

   b) the unconsolidated statement of financial position, the unconsolidated statement of profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flows statement together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017(XIX of 2017) and are in agreement with the books of account and returns;

   c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and

   d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

2. We confirm that for the purpose of our audit we have covered more than sixty (60) per cent of the total loans and advances of the Bank.

The engagement partners on the audit resulting in this independent auditors' report are Nadeem Yousuf Adil and Khaliq-ur-Rahman on behalf of Yousuf Adil and Grant Thornton Anjum Rahman respectively.

Yousuf Adil
Chartered Accountants

Grant Thornton Anjum Rahman
Chartered Accountants

Place: Karachi
Date: February 25, 2021

Unconsolidated Statement of Financial Position

As at December 31, 2020

2019	2020		Note	2020	2019
---------- (US Dollars in '000) ----------				---------- (Rupees in '000) ----------	
		ASSETS			
1,830,103	**1,559,487**	Cash and balances with treasury banks	7	**249,259,590**	292,513,379
82,716	**89,013**	Balances with other banks	8	**14,227,355**	13,220,807
843,248	**793,350**	Lendings to financial institutions	9	**126,804,675**	134,780,010
9,069,107	**9,155,714**	Investments	10	**1,463,398,076**	1,449,555,297
6,307,397	**6,151,708**	Advances	11	**983,254,527**	1,008,139,084
339,749	**340,437**	Fixed assets	12	**54,413,493**	54,303,565
2,346	**1,901**	Intangible assets	13	**303,813**	374,950
45,180	**41,729**	Right of use assets	14	**6,669,684**	7,221,266
1,027,817	**689,437**	Other assets	15	**110,195,768**	164,280,512
19,547,663	**18,822,776**			**3,008,526,981**	3,124,388,870
		LIABILITIES			
124,300	**105,079**	Bills payable	16	**16,795,186**	19,867,424
2,951,538	**866,766**	Borrowings	17	**138,539,005**	471,757,352
13,752,041	**15,134,204**	Deposits and other accounts	18	**2,418,966,479**	2,198,049,281
47,801	**47,134**	Lease liability against right of use assets	19	**7,533,691**	7,640,188
68,294	**18,634**	Deferred tax liabilities	20	**2,978,364**	10,915,802
1,148,345	**976,983**	Other liabilities	21	**156,155,514**	183,544,990
18,092,319	**17,148,800**			**2,740,968,239**	2,891,775,037
1,455,344	**1,673,976**	**NET ASSETS**		**267,558,742**	232,613,833
		REPRESENTED BY			
133,107	**133,107**	Share capital	22	**21,275,131**	21,275,131
327,268	**353,885**	Reserves	23	**56,562,933**	52,308,742
439,480	**461,098**	Surplus on revaluation of assets	24	**73,699,344**	70,244,060
555,489	**725,886**	Unappropriated profit		**116,021,334**	88,785,900
1,455,344	**1,673,976**			**267,558,742**	232,613,833
		CONTINGENCIES AND COMMITMENTS	25		

The annexed notes 1 to 51 and annexures I and II form an integral part of these unconsolidated financial statements.

Zubyr Soomro	**Arif Usmani**	**Abdul Wahid Sethi**	**Imam Bakhsh Baloch**	**Asif Jooma**
Chairman	President & CEO	Chief Financial Officer	Director	Director

Unconsolidated Profit and Loss Account

For the year ended December 31, 2020

2019	2020		Note	2020	2019
--------- (US Dollars in '000) ---------				---------- (Rupees in '000) ----------	
1,498,284	**1,612,988**	Mark-up / return / interest earned	26	**257,811,015**	239,477,316
1,048,398	**961,344**	Mark-up / return / interest expensed	27	**153,655,908**	167,570,039
449,886	**651,644**	Net mark-up / return / interest income		**104,155,107**	71,907,277
		NON MARK-UP / INTEREST INCOME			
119,652	**114,203**	Fee and commission income	28	**18,253,547**	19,124,546
19,710	**11,895**	Dividend income		**1,901,168**	3,150,298
37,822	**25,485**	Foreign exchange income		**4,073,396**	6,045,229
13,211	**49,335**	Gain on securities - net	29	**7,885,503**	2,111,612
36,086	**24,796**	Other income	30	**3,963,294**	5,767,800
226,481	**225,714**	Total non-mark-up / interest income		**36,076,908**	36,199,485
676,367	**877,358**	Total income		**140,232,015**	108,106,762
		NON MARK-UP / INTEREST EXPENSES			
411,082	**392,886**	Operating expenses	31	**62,796,623**	65,705,029
-	**-**	Workers welfare fund		**-**	-
927	**1,973**	Other charges	32	**315,307**	148,091
412,009	**394,859**	Total non-markup / interest expenses		**63,111,930**	65,853,120
264,358	**482,499**	Profit before provisions		**77,120,085**	42,253,642
89,156	**193,300**	Provisions and write offs - net	33	**30,895,938**	14,250,275
175,202	**289,199**	**PROFIT BEFORE TAXATION**		**46,224,147**	28,003,367
76,289	**98,009**	Taxation	34	**15,665,228**	12,193,556
98,913	**191,190**	**PROFIT AFTER TAXATION**		**30,558,919**	15,809,811
---------- (US Dollars) ----------				---------- (Rupees) ----------	
0.05	**0.09**	**Basic earnings per share**	35	**14.36**	7.43
0.05	**0.09**	**Diluted earnings per share**	36	**14.36**	7.43

The annexed notes 1 to 51 and annexures I and II form an integral part of these unconsolidated financial statements.

Zubyr Soomro	**Arif Usmani**	**Abdul Wahid Sethi**	**Imam Bakhsh Baloch**	**Asif Jooma**
Chairman	President & CEO	Chief Financial Officer	Director	Director

Unconsolidated Statement of Comprehensive Income

For the year ended December 31, 2020

2019	2020		2020	2019
------- (US Dollars in '000) -------			------- (Rupees in '000) --------	
98,914	**191,190**	Profit after taxation for the year	**30,558,919**	15,809,811
		Other comprehensive income		
		Items that may be reclassified to profit and loss account in subsequent periods:		
9,093	**7,497**	Exchange gain on translation of net assets of foreign branches	**1,198,299**	1,453,359
58,708	**17,781**	Movement in surplus on revaluation of investments - net of tax	**2,842,019**	9,383,632
67,801	**25,278**		**4,040,318**	10,836,991
		Items that will not be reclassified to profit and loss account in subsequent periods:		
(12,609)	**(3,116)**	Remeasurement loss on defined benefit obligations - net of tax	**(497,972)**	(2,015,359)
3,897	**3,938**	Movement in surplus on revaluation of operating fixed assets - net of tax	**629,407**	622,871
3,072	**1,340**	Movement in surplus on revaluation of non-banking assets - net of tax	**214,238**	490,984
(5,640)	**2,162**		**345,673**	(901,504)
161,075	**218,630**	**Total comprehensive income**	**34,944,910**	25,745,298

The annexed notes 1 to 51 and annexures I and II form an integral part of these unconsolidated financial statements.

Zubyr Soomro	**Arif Usmani**	**Abdul Wahid Sethi**	**Imam Bakhsh Baloch**	**Asif Jooma**
Chairman	President & CEO	Chief Financial Officer	Director	Director

National Bank of Pakistan
نیشنل بینک آف پاکستان

Unconsolidated Statement of Changes in Equity
For the year ended December 31, 2020

	Share capital	Reserve						Surplus on revaluation of assets			Unappropriated profit	Total
		Exchange translation	Statutory reserve	Merger reserve	General loan loss reserve	Revenue general reserve	Total	Investments	Fixed / non-banking assets	Total		
	(Rupees in '000)											
Balances as at December 31, 2018	21,275,131	8,918,433	31,490,829	343,802	12,000,000	521,338	53,274,402	16,275,620	43,710,505	59,986,125	72,332,877	206,868,535
Profit after taxation for the year ended December 31, 2019	-	-	-	-	-	-	-	-	-	-	15,809,811	15,809,811
Other comprehensive income - net of tax	-	1,453,359	-	-	-	-	1,453,359	9,383,632	1,113,855	10,497,487	(2,015,359)	9,935,487
Transfer to statutory reserve	-	-	1,580,981	-	-	-	1,580,981	-	-	-	(1,580,981)	-
Transfer from loan loss reserve to unappropriated profit	-	-	-	-	(4,000,000)	-	(4,000,000)	-	-	-	4,000,000	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(239,552)	(239,552)	239,552	-
Transactions with owners, recorded directly in equity												
Cash dividend paid (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2019	**21,275,131**	**10,371,792**	**33,071,810**	**343,802**	**8,000,000**	**521,338**	**52,308,742**	**25,659,252**	**44,584,808**	**70,244,060**	**88,785,900**	**232,613,833**
Profit after taxation for the year ended December 31, 2020	-	-	-	-	-	-	-	-	-	-	30,558,919	30,558,919
Other comprehensive income - net of tax	-	1,198,299	-	-	-	-	1,198,299	2,842,018	843,645	3,685,663	(497,972)	4,385,990
Transfer to statutory reserve	-	-	3,055,892	-	-	-	3,055,892	-	-	-	(3,055,892)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(230,379)	(230,379)	230,379	-
Transactions with owners, recorded directly in equity												
Cash dividend paid (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2020	**21,275,131**	**11,570,091**	**36,127,702**	**343,802**	**8,000,000**	**521,338**	**56,562,933**	**28,501,270**	**45,198,074**	**73,699,344**	**116,021,334**	**267,558,742**

The annexed notes 1 to 51 and annexures I and II form an integral part of these unconsolidated financial statements.

Zubyr Soomro
Chairman

Arif Usmani
President & CEO

Abdul Wahid Sethi
Chief Financial Officer

Imam Bakhsh Baloch
Director

Asif Jooma
Director

Unconsolidated Cash Flow Statement

For the year ended December 31, 2020

2019	2020		Note	2020	2019
-------- (US Dollars in '000) -------				---------- (Rupees in '000) ----------	
		CASH FLOW FROM OPERATING ACTIVITIES			
175,202	**289,200**	Profit before taxation		**46,224,147**	28,003,367
(19,710)	**(11,895)**	Less: Dividend income		**(1,901,168)**	(3,150,298)
155,492	**277,305**			**44,322,979**	24,853,069
		Adjustments:			
27,351	**27,219**	Depreciation		**4,350,604**	4,371,552
2,856	**1,320**	Amortization		**210,961**	456,532
89,156	**193,300**	Provision and write-offs	33	**30,895,938**	14,250,275
(185)	**(67)**	Gain on sale of fixed assets		**(10,775)**	(29,569)
4,662	**4,912**	Finance charges on leased assets		**785,032**	745,083
69	**(13)**	Unrealized (gain) / loss on revaluation of investments classified as held-for-trading		**(2,074)**	10,996
46,897	**46,250**	Charge for defined benefit plans - net		**7,392,388**	7,495,742
170,806	**272,921**			**43,622,074**	27,300,611
326,298	**550,226**			**87,945,053**	52,153,680
		(Increase) / decrease in operating assets			
(284,349)	**59,282**	Lendings to financial institutions		**9,475,335**	(45,448,677)
726,543	**(378,914)**	Held-for-trading securities		**(60,563,416)**	116,126,609
(590,543)	**(37,033)**	Advances		**(5,919,170)**	(94,389,067)
(8,139)	**310,664**	Other assets (excluding advance taxation)		**49,654,870**	(1,300,855)
(156,488)	**(46,001)**			**(7,352,381)**	(25,011,990)
		Increase / (decrease) in operating liabilities			
62,085	**(19,221)**	Bills payable		**(3,072,238)**	9,923,246
479,906	**(1,839,289)**	Borrowings		**(293,981,639)**	76,705,422
1,167,859	**1,382,163**	Deposits and other accounts		**220,917,198**	186,664,080
41,808	**(203,421)**	Other liabilities		**(32,513,646)**	6,682,377
1,751,658	**(679,768)**			**(108,650,325)**	279,975,125
(4,662)	**(4,912)**	Financial charges paid		**(785,032)**	(745,083)
(73,544)	**(132,696)**	Income tax adjusted / paid	15.6	**(21,209,420)**	(11,754,887)
(10,118)	**(11,371)**	Benefits paid		**(1,817,492)**	(1,617,201)
1,833,144	**(324,522)**	Net cash flow (used in) / generated from operating activities		**(51,869,597)**	292,999,644
		CASH FLOW FROM INVESTING ACTIVITIES			
(695,627)	**(496,940)**	Net investments in available-for-sale securities		**(79,428,088)**	(111,185,087)
(915,269)	**817,393**	Net investments in held-to-maturity securities		**130,647,453**	(146,291,431)
19,710	**11,895**	Dividends received		**1,901,168**	3,150,298
(13,351)	**(12,307)**	Investments in operating fixed assets		**(1,967,003)**	(2,133,961)
344	**305**	Proceeds from sale of operating fixed assets		**48,771**	54,929
9,093	**7,497**	Effect of translation of net investment in foreign branches		**1,198,299**	1,453,359
(1,595,100)	**327,843**	Net cash flow generated from / (used in) investing activities		**52,400,600**	(254,951,893)
		CASH FLOW FROM FINANCING ACTIVITIES			
(12,789)	**(12,766)**	Payments of lease obligations	37.1	**(2,040,384)**	(2,044,189)
(14)	**(7)**	Dividend paid		**(1,152)**	(2,200)
(12,803)	**(12,773)**	Net cash flow used in financing activities		**(2,041,536)**	(2,046,389)
225,241	**(9,452)**	**(Decrease) / increase in cash and cash equivalents**		**(1,510,533)**	36,001,362
1,424,930	**1,650,172**	Cash and cash equivalents at beginning of the year		**263,754,250**	227,752,888
1,650,171	**1,640,720**	Cash and cash equivalents at end of the year	37	**262,243,717**	263,754,250

The annexed notes 1 to 51 and annexures I and II form an integral part of these unconsolidated financial statements.

Zubyr Soomro	**Arif Usmani**	**Abdul Wahid Sethi**	**Imam Bakhsh Baloch**	**Asif Jooma**
Chairman	President & CEO	Chief Financial Officer	Director	Director

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2020

1. STATUS AND NATURE OF BUSINESS

National Bank of Pakistan (the Bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on Pakistan Stock Exchange (PSX). It's registered and head office is situated at I.I. Chundrigar Road, Karachi. The Bank is engaged in providing commercial banking and related services in Pakistan and overseas. The Bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The Bank operates 1,514 (2019: 1,509) branches in Pakistan and 21 (2019: 21) overseas branches (including the Export Processing Zone branch, Karachi). The Bank also provides services in respect of Endowment Fund for student loans scheme.

1.1 Impact of COVID-19

The global outbreak of novel coronavirus (COVID 19) during early 2020 caused disruptions in normal lives and businesses in many ways. Global economy and banking systems have also been impacted significantly, both from business as well as accounting and reporting perspective. State Bank of Pakistan (SBP) responded to the crisis by cutting the Policy Rate by 625 basis points to 7.00% during the period from March 2020 to December 2020. Further, SBP relief measures included reduction in the capital conservation buffer, deferment of borrowers' principal loans payment by one year, increasing the regulatory limit on extension of credit to SMEs liquidity support as well as relaxing regulatory criteria for restructured / rescheduled loans for borrowers who require relief of principal repayment exceeding one year and / or mark-up.

In line with regulatory measures the Bank has aligned its policies / procedures and issued instructions. The Bank is continuously reviewing the portfolio, to identify accounts and industries susceptible to higher risk, resulting from the COVID-19 outbreak. Further, with respect to information security risk management arising as a result of COVID-19, the Bank took appropriate actions to monitor and respond to these evolving cybersecurity risks due to work from home environment and adopted a heightened state of cybersecurity. For detailed risk assessment of the Bank, refer note 47 to these unconsolidated financial statements.

2. BASIS OF PRESENTATION

2.1 In accordance with the directives of the Federal Government of Pakistan regarding shifting of banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible form of trade related mode of financing includes purchase of goods by the Bank from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

Key financial figures of the Islamic banking branches of the Bank have been disclosed in annexure II of these unconsolidated financial statements.

2.2 These are unconsolidated financial statements of the Bank in which the investments in subsidiaries, associates and joint ventures are stated at cost and have not been accounted for on the basis of reported results and net assets of the investees which is done in the consolidated financial statements.

2.3 The US Dollar amounts shown on the statement of financial position, profit and loss account, statement of comprehensive income and cash flow statement are stated as additional information solely for the convenience of readers. For the purpose of conversion to US Dollars, the rate of Rs. 159.8344 to 1 US Dollar has been used for 2020 and 2019 as it was the prevalent rate as on December 31, 2020.

3. STATEMENT OF COMPLIANCE

3.1 These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS), issued by Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and
- Directive issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Where the requirements of the Banking Companies Ordinance, 1962, the Companies Acts, 2017, or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2020

3.2 SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

3.3 The SECP, through SRO 229(I)/2019 dated February 14, 2019, has notified that IFRS 9, Financial Instruments, is applicable for accounting periods ending on or after June 30, 2019. However, based on the guidance received from the SBP, the requirements of IFRS 9 have not been considered for Pakistan operations of the Bank in preparation of these unconsolidated financial statements. However, bank is required to submit their pro-forma financial statements based on IFRS-9 to SBP.

3.4 The SECP vide SRO 56 (1) / 2016 dated January 28, 2016, has notified that the requirements of IFRS 10 (Consolidated Financial Statements) and section 228 of the Companies Act, 2017 will not be applicable with respect to the investment in mutual funds established under trust structure.

3.5 Application of new and revised International Financial Reporting Standards (IFRSs)

3.5.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended December 31, 2020

The following standards, amendments and interpretations are effective for the year ended December 31, 2020. These standards, interpretations and amendments are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's unconsolidated financial statements other than certain additional disclosures:

- Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS. Effective from accounting period beginning on or after January 01, 2020.
- Amendments to IFRS 3 'Business Combinations' - Definition of a business. Effective from accounting period beginning on or after January 01, 2020.
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material. Effective from accounting period beginning on or after January 01, 2020.
- Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform. Effective from accounting period beginning on or after January 01, 2020.

Certain annual improvements have also been made to a number of IFRSs.

3.5.2 New accounting standards, amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's unconsolidated financial statements other than certain additional disclosures:

	Effective from accounting period beginning on or after
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	June 01, 2020
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2020
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IFRS 3 Business Combinations‘ Amendment in the definition of business‘	January 01, 2022
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2020

There are certain new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these unconsolidated financial statements.

3.5.3 Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

3.5.4 "The management anticipates that these new standards, interpretations and amendments will be adopted in the Bank's unconsolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the unconsolidated financial statements of the Bank in the period of initial application.

4. BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost convention except for revaluation of land and buildings and non-banking assets acquired in satisfaction of claims which are stated at revalued amount and certain investments and derivative financial instruments that are carried at fair value. In addition, obligations in respect of defined benefit plan are carried at present value.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policy adopted in preparation of these unconsolidated financial statements are consistent with those of the previous financial year.

5.1 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks and balances with other banks and call money lendings, less call borrowings and overdrawn nostro accounts.

5.2 Investments

Investments other than those categorised as held-for-trading are initially recognised at fair value which includes transaction costs associated with the investments. Investments classified as held-for-trading are initially recognised at fair value, and transaction costs are expensed in the profit and loss account.

All regular way purchases / sales of investments are recognised on the trade date, i.e., the date the Bank commits to purchase / sell the investments. Regular way purchases or sales of investments require delivery of securities within the time frame generally established by regulation or convention in the market place.

The Bank has classified its investment portfolio, except for investments in subsidiaries, associates and joint ventures, into 'held-for-trading', 'held-to-maturity' and 'available-for-sale' as follows:

- Held-for-trading – These are securities which are acquired with the intention to trade by taking advantage of short-term market / interest rate movements and are to be sold within ninety (90) days. These are carried at market value, with the related unrealized gain / (loss) on revaluation being taken to profit and loss account.
- Held-to-maturity – These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortised cost.
- Available-for-sale – These are investments that do not fall under the held-for-trading or held-to-maturity categories. These are carried at market value except in case of unquoted securities where market value is not available, which are carried at cost less provision for diminution in value, if any. Surplus / (deficit) on revaluation is taken to 'surplus / (deficit) on revaluation of assets' account shown in equity. Provision for diminution in value of investments in respect of unquoted shares is calculated with reference to break-up value of the same. On derecognition or impairment in quoted available-for-sale investments, the cumulative gain or loss previously reported as 'surplus / (deficit) on revaluation of assets' in equity is included in the profit and loss account for the year.

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2020

- Provision for diminution in value of investments in unquoted debt securities is calculated as per the SBP's Prudential Regulations.

Held-for-trading and quoted available-for-sale securities are marked to market with reference to ready quotes on Reuters page or MUFAP (PKRV/ PKISRV) or the Stock Exchanges, as the case may be.

Investments in subsidiaries, associates and joint venture companies are stated at cost. Provision is made for impairment in value, if any.

5.3 Repurchase and resale agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of financial position and are measured in accordance with accounting policies for investment securities. The counterparty liability for amounts received under these agreements is included in borrowings. The difference between sale and repurchase price is treated as mark-up / return / interest expense and accrued over the life of the repo agreement using effective yield method.

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the statement of financial position, as the Bank does not obtain control over the securities. Amounts paid under these agreements are included in lendings to financial institutions. The difference between purchase and resale price is treated as mark-up / return / interest income and accrued over the life of the reverse repo agreement using effective yield method.

5.4 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the dates on which the derivative contracts are entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative instruments is taken to the profit and loss account.

5.5 Financial instruments

All financial assets and financial liabilities are recognized at the time when the Bank becomes a party to the contractual provisions of the instrument. A financial asset is derecognised where (a) the rights to receive cash flows from the asset have expired; or (b) the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (i) the Bank has transferred substantially all the risks and rewards of the asset, or (ii) the Bank has neither transferred nor retained substantially all the risk and rewards of the asset, but has transferred control of the asset. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account.

5.6 Advances

Advances are stated net of specific and general provisions. Provisions are made in accordance with the requirements of Prudential Regulations issued by the SBP and charged to the profit and loss account. These regulations prescribe an age based criteria (as supplemented by subjective evaluation of advances by the banks) for classification of non-performing loans and advances and computing provision there against. Such regulations also require the Bank to maintain general provision against consumer and SME advances at specified percentage of such portfolio. General provision for loan losses of overseas branches is made as per the requirements of the respective central banks. Advances are written off where there are no realistic prospects of recovery.

5.6.1 Islamic financing and related assets

Under Murabaha financing, funds disbursed for the purchase of goods are recorded as advance against Murabaha finance and the financing is recorded at the deferred sale price. Goods purchased but remaining unsold at the statement of financial position date are recorded as inventories.

Assets given on Ijarah are stated at cost less accumulated depreciation. Ijarah assets are depreciated on a reducing balance basis over the term of the Ijarah after taking into account the estimated residual value. Impairment of Ijarah assets is recognized in line with the Prudential Regulations or upon the occurrence of an impairment event which indicates that the carrying value of the Ijarah asset may exceed its recoverable amount.

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2020

In Running Musharakah, the Bank and the customer enter a Musharakah agreement where the Bank agrees to finance the operating activities of the customer's business and share in the profit or loss in proportion to an agreed ratio at an agreed frequency.

Under Diminishing Musharakah financing, the Bank creates joint ownership with the customer over the tangible assets to fulfill capital expenditure / project requirements. The Bank receives periodic payments from the customer against the gradual transfer of its share of ownership to the customer.

In Istisna transactions, the Bank finances the cost of goods manufactured by the customer. Once the goods are manufactured, these are sold by the customer as an agent of the Bank to recover the cost plus the agreed profit.

Under Tijarah, the Bank purchases the finished goods from the customer against payment, takes possession and appoint customer as an agent to sell these goods to ultimate buyer on deferred payment basis. Profit is recognized on accrual basis over the period of transaction.

Wakalah is an agency contract in which Bank provides funds to the customer who invests it in a Shariah compliant manner.

In Musawamah financing, the Bank purchases the goods and after taking the possession, sells them to the customer either in spot or credit transaction, without disclosing the cost.

5.7 Fixed assets and depreciation

5.7.1 Property and equipment

5.7.1.1 Owned assets

Property and equipment except land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Land is stated at revalued amount. Buildings are stated at revalued amount less accumulated depreciation and impairment, if any. Cost of fixed assets of foreign branches include exchange differences arising on translation at year-end rates. Depreciation is charged to profit and loss account applying the straight line method except buildings, which are depreciated on diminishing balance method at the rates stated in note 12.2. Depreciation is charged from the month in which the assets are brought into use and no depreciation is charged for the month the assets are disposed.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

Assets are derecognised when disposed off or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property and equipment are included in profit and loss account.

The assets' residual values and useful lives are reviewed annually, and adjusted if appropriate, at statement of financial position date.

Land and buildings' valuations are carried out by professionally qualified valuers with sufficient regularity to ensure that their carrying amounts do not differ materially from their fair value.

- Any revaluation increase arising on the revaluation of such assets is recognised in statement of comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit and loss account, in which case the increase is credited to profit and loss account to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such assets is recognised in profit and loss account to the extent that it exceeds the balance, if any, held in the fixed assets revaluation reserve relating to a previous revaluation of that asset.

- Depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account.

- An amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on Revaluation of Fixed Assets account" to unappropriated profit through statement of changes in equity to record realization of surplus to the extent of the incremental depreciation charge for the year; and,

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2020

- On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to unappropriated profit.

5.7.2 Capital work-in-progress

Capital work-in-progress is stated at cost less impairment. These are transferred to specific assets as and when assets are available for use.

5.7.3 Impairment

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, fixed assets are written down to their recoverable amounts.

The resulting impairment loss is taken to profit and loss account except for impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of assets. Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognized as income in profit and loss account.

5.8 Lease liability and right-of-use assets

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees, if any.
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are to be discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the Bank would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs

The Bank leases various offices / branches for the purpose of its operational activities. Rental contracts are typically made for fixed periods of 3 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

5.9 Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged to profit and loss account applying the straight-line method at the rates stated in note 13. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2020

5.10 Non-banking assets acquired in satisfaction of claims

In accordance with the requirements of the 'Regulations for Debt Property Swap' (the regulations) issued by SBP vide its BPRD Circular No. 1 of 2016, dated January 1, 2016, the non-banking assets are carried at revalued amounts less accumulated depreciation. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation is credited to the 'surplus on revaluation of assets' account and any deficit arising on revaluation is taken to the profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property is charged to profit and loss account and not capitalized.

5.11 Deposits and their cost

Deposits are recorded at the fair value of proceeds received.

Deposit costs are recognised as an expense in the period in which these are incurred using effective yield method.

5.12 Taxation

5.12.1 Current

Provision of current taxation is based on taxable income for the year determined in accordance with the prevailing laws of taxation on income earned for local as well as foreign operations, as applicable to the respective jurisdictions. The charge for the current tax also includes adjustments wherever considered necessary relating to prior years, arising from assessments framed during the year.

5.12.2 Deferred

Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilized. Deferred tax is not recognised on differences relating to investment in subsidiaries and branches to the extent the deductible temporary difference probably will not reverse in the foreseeable future.

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit or deductible temporary differences will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to gain / loss recognized on surplus on revaluation of assets is charged / credited to such account.

5.13 Employee benefits

5.13.1 Defined benefit plans

The Bank operates an approved funded pension scheme, an un-funded post retirement medical benefits scheme and an un-funded benevolent scheme for its eligible employees. The Bank also operates an un-funded gratuity scheme for its eligible contractual employees. An actuarial valuation of all defined benefit schemes is conducted every year. The valuation uses the Projected Unit Credit method. Remeasurements of the net defined benefit liability / assets which comprise actuarial gains and losses, return on plan assets (excluding interest) and the effect of asset ceiling (if any, excluding interest) are recognized immediately in other comprehensive income. Past-service costs are recognized immediately in profit and loss account when the plan amendment occurs.

5.13.2 Other employee benefits

Employees' compensated absences

The Bank also makes provision in the financial statements for its liability towards compensated absences. This liability is estimated on the basis of actuarial advice under the Projected Unit Credit method.

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2020

5.14 Revenue recognition

Income on loans and advances and debt security investments are recognized on a time proportion basis that takes into account effective yield on the asset. In case of advances and investments classified under the Prudential Regulations, interest / mark-up is recognized on receipt basis.

Interest / mark-up on rescheduled / restructured advances and investments is recognized in accordance with the Prudential Regulations issued by SBP.

Fee, brokerage and commission income other than commission on letter of credit and guarantees is recognized upon performance of services.

Commission on letters of credit and guarantees is recognized on time proportion basis.

Dividend income on equity investments and mutual funds is recognized when right to receive is established.

Premium or discount on debt securities classified as held-for-trading, available-for-sale and held-to-maturity securities is amortized using the effective interest method and taken to profit and loss account.

Gains and losses on disposal of investments and fixed assets are dealt with through the profit and loss account in the year in which they arise.

Income from lease financing is accounted for using the financing method. Under this method, the unearned lease income (defined as the sum of total lease rentals and estimated residual value less the cost of the leased assets) is deferred and taken to income over the term of the lease so as to produce a constant periodic rate of return on the outstanding net investment in the lease. Gains or losses on termination of lease contracts are recognized through the profit and loss account when these are realized. Unrealized lease income and other fees on classified leases are recognized on a receipt basis.

5.15 Net investment in finance lease

Leases where the bank transfers substantially all the risk and rewards incidental to ownership of the assets to the lessee are classified as finance leases. Net investment in finance lease is recognised at an amount equal to the aggregate of minimum lease payment including any guaranteed residual value and excluding unearned finance income, write-offs and provision for doubtful lease finances, if any.

5.16 Foreign currencies translation

The Bank's financial statements are presented in Pak Rupees (Rs.) which is the Bank's functional and presentation currency.

Foreign currency transactions are converted into Rupees applying the exchange rate at the date of the respective transactions. Monetary assets and liabilities in foreign currencies and assets / liabilities of foreign branches are translated into Rupees at the rates of exchange prevailing at the statement of financial position date. Forward foreign exchange contracts are valued at the rates applicable to their respective maturities. All gains or losses on dealing in foreign currencies are taken to profit and loss account.

Profit and loss account balances of foreign branches are translated at average exchange rate prevailing during the year. Gains and losses on translation are included in the profit and loss account except gains / losses arising on translation of net assets of foreign branches, which is credited to statement of comprehensive income.

Statement of financial position balances of foreign branches are translated at exchange rate prevailing at balance sheet date. Gains and losses on translation are included in the profit and loss account except gains / losses arising on translation of net assets of foreign branches, which is credited to statement of comprehensive income.

Commitments for outstanding forward foreign exchange contracts are disclosed in these unconsolidated financial statements at committed amounts. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the statement of financial position date.

5.17 Provision for off balance sheet obligations

Provision for guarantees, claims and other off balance sheet obligations is made when the Bank has legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of amount can be made. Charge to profit and loss account is stated net of expected recoveries.

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2020

5.18 Off setting

Financial assets and financial liabilities are only set off and the net amount is reported in the unconsolidated financial statements when there is a legally enforceable right to set off and the Bank intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

5.19 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Bank in the statement of financial position.

5.20 Dividend and other appropriations

Dividend and other appropriation to reserves, except appropriations which are required by the law, are recognised in the Bank's unconsolidated financial statements in the year in which these are approved.

5.21 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no dilutive potential ordinary shares in issue at December 31, 2020.

5.22 Bai Muajjal

Bai Muajjal transactions represent sales of Sukuks on a deferred payment basis and are shown in lendings to financial institutions except for transactions undertaken directly with the Government of Pakistan which are disclosed as investments.

The difference between the deferred payment amount receivable and the carrying value at the time of sale is accrued and recorded as income over the life of the transaction.

5.23 Segment reporting

A segment is a distinguishable component of the Bank that is subject to risks and rewards that are different from those of other segments. A business segment is one that is engaged either in providing certain products or services, where as a geographical segment is one engaged in providing certain products or services within a particular economic environment. Segment information is presented as per the Bank's functional and management reporting structure.

During the year the Bank changes its organizational structure in a manner that causes the composition of its reportable segments to change, and accordingly the prior year disclosure is restated to reflect the current reportable segments in note 43.

Business segments

The Bank primary segment reporting is based on following business segments:

I. **Retail Banking Group** includes retail lending and deposits, banking services, cards and branchless banking.

II. **Inclusive Development Group** consists of loans to individuals, agriculture, SME, commodity and commercial customers.

III. **Corporate and Investment Banking;** this segment offers a wide range of financial services to medium and large sized public and private sector entities. These services include, providing and arranging tenured financing, corporate advisory, underwriting, cash management, trade products, corporate finance products and customer services.

IV. **Treasury** includes fixed income, equity, foreign exchange, credit, funding, own position securities, lendings and borrowings and derivatives for hedging and market making.

V. **International Financial Institution and Remittance** segment includes the results of all international branches, correspondent banking business and global remittances. This represents Groups operations in 14 countries including one branch in export processing zones in Karachi.

VI. **Aitemaad and Islamic Banking** provides shariah compliant services to customers including loans, deposits and other transactions

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2020

VII. **Head Office / Others** includes the head office related activities and other functions which cannot be classified in any of the above segments.

Geographical segments

The Bank is operating following geographic lines for monitoring and reporting purpose:

I. Pakistan

II. Asia Pacific (including South Asia)

III. Europe

IV. United States of America

V. Middle East

5.24 Accounting estimates and judgments

The preparation of unconsolidated financial statements in conformity with the approved accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting polices. The estimates, judgments and associated assumptions used in the preparation of the unconsolidated financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas of estimates and judgments in relation to these unconsolidated financial statements are as follows:

a) Provision against non-performing loans and advances

The Bank reviews its loan portfolio to assess amount of non-performing loans and determine provision required there against on a quarterly basis. While assessing this requirement various factors including the past dues, delinquency in the account, financial position and future business / financial plan of the borrower, value of collateral held and requirements of Prudential Regulations are considered. The Bank also considers the effect of Forced Sale Value (FSV) of collaterals in determining the amount of provision, however, no benefit of FSV of collateral is taken during the year in determining provisioning amount.

General provision for loan losses of overseas branches is made as per the requirements of the respective central banks.

The amount of general provision against domestic consumer and SME advances is determined in accordance with the relevant Prudential Regulations and SBP directives.

In addition, the Bank has also made general provision in respect of its corporate portfolio on prudent basis. This general provision is in addition to the requirements of Prudential Regulations.

b) Fair value of derivatives

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant interest and exchange rates over the term of the contract.

c) Impairment of available-for-sale investments

The Bank considers that available-for-sale equity investments and mutual funds are impaired when there has been a significant or prolonged decline in the fair value below its cost except for investments where relaxation has been allowed by SBP. This determination of what is significant or prolonged requires judgment. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

Further the Bank has developed internal criteria according to which a decline of 30% in the market value of any scrip below its cost shall constitute as a significant decline and where market value remains below the cost for a period of one year shall constitute as a prolonged decline.

d) Held-to-maturity investments

The Bank follows the guidance provided in the SBP circulars on classifying non-derivative financial assets with fixed or

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2020

determinable payments and fixed maturity as held-to-maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investments till maturity.

e) Income taxes

In making the estimates for current and deferred taxes, the management looks at the income tax law and the decisions of appellate authorities on certain issues in the past. There are certain matters where the Bank's view differs with the view taken by the income tax department and such amounts are shown as contingent liability.

f) Fixed asset and intangible assets, revaluation, depreciation and amortization

In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern.

The Bank also revalues its properties on a periodic basis. Such revaluations are carried out by independent valuer and involves estimates / assumptions and various market factors and conditions.

g) Employees' benefit plans

The liabilities for employees' benefits plans are determined using actuarial valuations. The actuarial valuations involve assumptions about discount rates, expected rates of return on assets, future salary increases, future inflation rates and future pension increases as disclosed in note 39. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

h) Provision against contingencies

Provision against contingencies is determined based on the management judgement regarding the probability of future outflows of resources embodying economic benefits to settle an obligation arising from past events.

6. CLOSURE OF FOREIGN SUBSIDIARIES AND OPERATIONS

The Board of Directors (BoD) of the Bank, in their meeting held on January 20 and 21, 2020, have decided for closure of their two overseas Subsidiaries in Almaty (Kazakhstan) and Dushanbe (Tajikistan) along with three overseas branches in Baku (Azerbaijan), Bishkek (Kyrgyzstan) and Asghabat (Turkmenistan) so their carrying amount will be recovered principally through continuing use. With regards to regulatory approval, the Bank applied to ministry of finance and State Bank of Pakistan for their endorsements and accordingly received their approval, with respect to the BoD decision, on April 07, 2020 and April 24, 2020 respectively.

Further, it has been decided by BoD to restrict their country operations in Afghanistan (Jalalabad) and Bangladesh (Sylhet, Chittagong and Gulshan) to one branch in each country located in Kabul and Dhaka respectively.

Particulars	CJSC Subsidiary Bank of NBP in Kazakhstan (Almaty)	CJSC Subsidiary Bank of NBP in Tajikistan (Dushanbe)	Baku (Azerbaijan)	Bishkek (Kyrgyzstan)	Ashgabat (Turkmenistan)	Total
	----------(Subsidiaries) ----------		---------- (Branches) ----------			
	----------(Rupees in '000) ----------					
Cost of investment - net of impairment	1,003,778	453,632	-	-	-	1,457,410
Total Assets	-	-	1,133,887	2,137,273	2,127,420	5,398,580
Total Liabilities	-	-	274,831	519,126	1,881,502	2,675,459
Profit / (Loss) for the year	-	-	(20,109)	72,612	3,034	55,537

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2020

		Note	2020	2019
			(Rupees in '000)	
7.	**CASH AND BALANCES WITH TREASURY BANKS**			
	In hand:			
	Local currency		**48,290,809**	48,571,567
	Foreign currency		**6,425,017**	4,565,061
			54,715,826	53,136,628
	With State Bank of Pakistan in:			
	Local currency current accounts	7.1	**125,017,240**	168,326,804
	Foreign currency current accounts	7.2	**10,209,399**	9,116,381
	Foreign currency deposit accounts	7.2	**21,022,297**	27,850,977
	Foreign currency collection accounts		**1,618,084**	1,473,861
			157,867,020	206,768,023
	With other central banks in:			
	Foreign currency current accounts	7.3	**29,581,326**	25,994,672
	Foreign currency deposit accounts	7.3	**4,789,170**	4,865,977
			34,370,496	30,860,649
	Prize bonds		**2,306,248**	1,748,079
			249,259,590	**292,513,379**

7.1 This includes statutory liquidity reserves maintained with the SBP under Section 22 of the Banking Companies Ordinance, 1962.

7.2 These represent mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.

7.3 These balances pertain to the foreign branches and are held with central banks of respective countries. These include balances to meet the statutory and regulatory requirements in respect of liquidity and capital requirements of respective countries. The deposit accounts carry interest at the rate of 0 to 3.5% per annum (2019: 0% to 2.17% per annum).

		Note	2020	2019
			(Rupees in '000)	
8.	**BALANCES WITH OTHER BANKS**			
	In Pakistan:			
	In current account		**-**	-
	In deposit accounts	8.1	**11,948**	5,841
			11,948	5,841
	Outside Pakistan:			
	In current accounts		**8,336,597**	6,476,086
	In deposit accounts	8.2	**5,878,810**	6,738,880
			14,215,407	13,214,966
			14,227,355	13,220,807

8.1 These include various deposits with banks and carry interest at rates ranging from 2% to 8% per annum (2019: 2.5% to 11.25% per annum).

8.2 These include various deposits with correspondent banks outside Pakistan and carry interest at rates ranging from 0% to 2.5% per annum (2019: 0% to 2.17% per annum).

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2020

		Note	2020	2019
			(Rupees in '000)	
9.	**LENDINGS TO FINANCIAL INSTITUTIONS**			
	Call / clean money lendings	9.1	**2,040,800**	540,800
	Repurchase agreement lendings (reverse repo)	9.2 & 9.7	**124,763,875**	132,180,048
	Bai Muajjal receivable with State Bank of Pakistan	9.3	**-**	2,059,162
	Letters of placement	9.4	**176,150**	176,150
		9.5	**126,980,825**	134,956,160
	Less: provision held against lendings to financial institutions	9.6 & 9.8	**(176,150)**	(176,150)
	Lendings to financial institutions - net of provision		**126,804,675**	134,780,010

9.1 This includes zero rate lending to a financial institution amounting to Rs. 40.8 million (2019: Rs. 40.8 million) which is guaranteed by the SBP.

9.2 These carry mark-up at rates ranging from 6% to 7.29% per annum (2019: 13.0% to 13.58% per annum) with maturities ranging from January 4, 2021 to January 26, 2021.

9.3 This represents Bai Muajjal agreement entered into with SBP and carries profit rate of Nil (2019: 10.39%) per annum.

9.4 These are overdue placements and full provision has been made against these placements as at December 31, 2020.

		2020	2019
		(Rupees in '000)	
9.5	**Particulars of lending**		
	In local currency	**126,980,825**	134,956,160
	In foreign currencies	**-**	-
		126,980,825	134,956,160
9.6	**Movement in provision held against lendings is as follows:**		
	Opening balance	**176,150**	176,150
	Charge for the year	**-**	-
	Closing balance	**176,150**	176,150

9.7 Securities held as collateral against lendings to financial institutions

	2020			2019		
	Held by Bank	**Further given as collateral**	**Total**	Held by Bank	Further given as collateral	Total
	(Rupees in '000)					
Market Treasury Bills	**91,230,121**	**-**	**91,230,121**	124,080,048	-	124,080,048
Pakistan Investment Bonds	**33,533,754**	**-**	**33,533,754**	8,100,000	-	8,100,000
Total	**124,763,875**	**-**	**124,763,875**	132,180,048	-	132,180,048

9.7.1 Market value of the securities under repurchase agreement lendings amounts to Rs. 125,094 million (2019: Rs. 132,453 million).

9.8 Category of classification

	2020		2019	
	Classified lending	**Provision held**	Classified lending	Provision held
Domestic	(Rupees in '000)			
Loss	**176,150**	**176,150**	176,150	176,150
Total	**176,150**	**176,150**	176,150	176,150

10. INVESTMENTS

10.1 Investments by type:

	Note	2020				2019			
		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
		(Rupees in '000)							
Held-for-trading securities									
Market treasury bills		96,157,306	-	3,529	96,160,835	26,911,821	-	(24,649)	26,887,172
Pakistan investment bonds		496,805	-	(1,455)	495,350	9,116,239	-	15,695	9,131,934
Ordinary shares of listed companies		-	-	-	-	75,705	-	(2,042)	73,663
		96,654,111	-	2,074	96,656,185	36,103,765	-	(10,996)	36,092,769
Available-for-sale securities									
Pakistan investment bonds		470,136,168	-	2,776,564	472,912,732	322,248,605	-	(1,961,853)	320,286,752
Market treasury bills		529,397,138	-	690,816	530,087,954	593,936,881	-	967,544	594,904,425
Ijarah sukuks		6,000,000	-	15,600	6,015,600	2,000,000	-	(21,200)	1,978,800
Ordinary shares of listed companies	10.12/10.13	33,237,574	(5,568,236)	20,238,444	47,907,782	29,025,568	(5,723,164)	18,487,730	41,790,134
Ordinary shares of unlisted companies		1,865,982	(410,893)	-	1,455,089	2,101,182	(507,573)	-	1,593,609
Preference shares		1,445,308	(539,708)	194,250	1,099,850	570,214	(490,826)	-	79,388
Investments in mutual funds		619,646	(41,167)	1,421,691	2,000,170	619,646	(41,167)	1,324,745	1,903,224
Ordinary shares of a bank outside Pakistan	10.6	463,295	-	17,189,483	17,652,778	463,294	-	18,368,462	18,831,756
Term finance certificates / Musharika and Sukuk bonds		60,199,753	(5,196,406)	856,659	55,860,007	60,253,886	(4,942,505)	941,278	56,252,659
GoP foreign currency bonds		10,429,632	-	411,243	10,840,875	21,138,771	-	1,337,759	22,476,530
Foreign Government securities		2,795,017	-	52,159	2,847,176	3,474,324	-	17,527	3,491,851
Foreign currency debt securities		79,438	-	1,202	80,640	1,408,492	-	13,779	1,422,271
		1,116,668,951	(11,756,410)	43,848,111	1,148,760,653	1,037,240,863	(11,705,235)	39,475,771	1,065,011,399
Held-to-maturity securities									
Pakistan investment bonds		168,422,981	-	-	168,422,981	184,864,103	-	-	184,864,103
Market treasury bills		-	-	-	-	114,091,320	-	-	114,091,320
Debentures, bonds, sukuks, participation term certificates and term finance certificates		414,972	(407,134)	-	7,838	416,707	(407,134)	-	9,573
Bai muajjal with Government of Pakistan		11,641,133	-	-	11,641,133	10,395,235	-	-	10,395,235
GoP foreign currency bonds		-	-	-	-	4,087,591	-	-	4,087,591
Foreign Government securities		32,328,738	-	-	32,328,738	29,600,343	-	-	29,600,343
Foreign currency debt securities		618	-	-	618	596	-	-	596
		212,808,442	(407,134)	-	212,401,308	343,455,895	(407,134)	-	343,048,761

	Note	2020 Cost / amortised cost	2020 Provision for diminution	2020 Surplus / (deficit)	2020 Carrying value	2019 Cost / amortised cost	2019 Provision for diminution	2019 Surplus / (deficit)	2019 Carrying value
		(Rupees in '000)							
Associates	10.8 / 10.9	**4,970,863**	**(3,821,854)**	**-**	**1,149,009**	4,970,863	(3,999,416)	-	971,447
Joint Venture	10.11	**2,362,433**	**-**	**-**	**2,362,433**	2,362,433	-	-	2,362,433
Subsidiaries		**3,906,750**	**(1,838,263)**	**-**	**2,068,487**	3,906,750	(1,838,262)	-	2,068,488
Total investments		**1,437,371,550**	**(17,823,660)**	**43,850,185**	**1,463,398,076**	1,428,040,569	(17,950,047)	39,464,775	1,449,555,297
10.2 **Investments by segments:**									
Federal Government Securities									
Market Treasury Bills		**625,554,444**	**-**	**694,345**	**626,248,789**	734,940,022	-	942,895	735,882,917
Pakistan Investment Bonds		**639,055,954**	**-**	**2,775,109**	**641,831,063**	516,228,947	-	(1,946,158)	514,282,789
Bai Muajjal Government of Pakistan		**11,641,133**	**-**	**-**	**11,641,133**	10,395,235	-	-	10,395,235
Ijarah Sukuks		**6,000,000**	**-**	**15,600**	**6,015,600**	2,000,000	-	(21,200)	1,978,800
		1,282,251,531	**-**	**3,485,054**	**1,285,736,585**	1,263,564,204	-	(1,024,463)	1,262,539,741
Shares									
Listed Companies	10.12 / 10.13	**33,237,574**	**(5,568,236)**	**20,238,444**	**47,907,782**	29,101,273	(5,723,164)	18,485,688	41,863,797
Unlisted Companies		**1,865,982**	**(410,893)**	**-**	**1,455,089**	2,101,182	(507,573)	-	1,593,609
		35,103,556	**(5,979,129)**	**20,238,444**	**49,362,871**	31,202,455	(6,230,737)	18,485,688	43,457,406
Non Government Debt Securities Term Finance Certificates / Musharika / Bonds / Debentures and Sukuk Bonds									
Listed		**25,822,479**	**(1,031,475)**	**279,518**	**25,070,522**	22,471,459	(971,908)	405,860	21,905,411
Unlisted		**34,792,246**	**(4,572,066)**	**577,141**	**30,797,321**	38,199,134	(4,377,731)	535,418	34,356,821
		60,614,725	**(5,603,541)**	**856,659**	**55,867,843**	60,670,593	(5,349,639)	941,278	56,262,232
Foreign Securities									
GoP Foreign Currency Bonds		**10,429,632**	**-**	**411,243**	**10,840,875**	25,226,362	-	1,337,759	26,564,121
Foreign Government Securities		**35,123,755**	**-**	**52,159**	**35,175,914**	33,074,667	-	17,527	33,092,194
Foreign Currency Debt Securities		**80,056**	**-**	**1,202**	**81,258**	1,409,088	-	13,779	1,422,867
		45,633,443	**-**	**464,604**	**46,098,047**	59,710,117	-	1,369,065	61,079,182
Preference shares		**1,445,308**	**(539,708)**	**194,250**	**1,099,850**	570,214	(490,826)	-	79,388

	Note	2020				2019			
		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
		(Rupees in '000)							
Investments in mutual funds		**619,646**	**(41,167)**	**1,421,691**	**2,000,170**	619,646	(41,167)	1,324,745	1,903,224
Ordinary shares of a bank outside Pakistan	10.6	**463,295**	**-**	**17,189,483**	**17,652,778**	463,294	-	18,368,462	18,831,756
Associates									
- Listed									
First Credit and Investment Bank Limited		**157,429**	**(28,829)**	**-**	**128,600**	157,429	(106,430)	-	50,999
Land Mark Spinning Mills Limited		**39,710**	**(39,710)**	**-**	**-**	39,710	(39,710)	-	-
S.G. Allied Business Limited		**218,535**	**(218,535)**	**-**	**-**	218,535	(218,535)	-	-
Nina Industries Limited		**49,060**	**(49,060)**	**-**	**-**	49,060	(49,060)	-	-
NBP Stock Fund		**600,000**	**(121,326)**	**-**	**478,674**	600,000	(156,183)	-	443,817
Agritech Limited	10.7	**3,665,605**	**(3,123,870)**	**-**	**541,735**	3,665,605	(3,217,164)	-	448,441
	10.8	**4,730,339**	**(3,581,330)**	**-**	**1,149,009**	4,730,339	(3,787,082)	-	943,257
- Unlisted									
Pakistan Emerging Venture Limited		**50,563**	**(50,563)**	**-**	**-**	50,563	(50,563)	-	-
National Fructose Company Limited		**6,500**	**(6,500)**	**-**	**-**	6,500	(6,500)	-	-
National Assets Insurance Company Limited		**44,817**	**(44,817)**	**-**	**-**	44,817	(16,627)	-	28,190
Dadabhoy Energy Supply Company Limited		**32,105**	**(32,105)**	**-**	**-**	32,105	(32,105)	-	-
Pakistan Mercantile Exchange Limited		**106,539**	**(106,539)**	**-**	**-**	106,539	(106,539)	-	-
	10.10	**240,524**	**(240,524)**	**-**	**-**	240,524	(212,334)	-	28,190
		4,970,863	**(3,821,854)**	**-**	**1,149,009**	4,970,863	(3,999,416)	-	971,447
Joint Venture									
United National Bank Limited	10.11	**2,362,433**	**-**	**-**	**2,362,433**	2,362,433	-	-	2,362,433
Subsidiaries									
CJSC Subsidiary Bank of NBP in Kazakhstan		**2,185,644**	**(1,181,866)**	**-**	**1,003,778**	2,185,644	(1,181,866)	-	1,003,778
CJSC Subsidiary Bank of NBP in Tajikistan		**953,783**	**(500,151)**	**-**	**453,632**	953,783	(500,151)	-	453,632
NBP Exchange Company Limited		**300,000**	**-**	**-**	**300,000**	300,000	-	-	300,000
NBP Modaraba Management Company Limited		**105,000**	**(105,000)**	**-**	**-**	105,000	(105,000)	-	-
Taurus Securities Limited		**24,725**	**-**	**-**	**24,725**	24,725	-	-	24,725
Cast-N-Link Products Limited		**1,245**	**(1,245)**	**-**	**-**	1,245	(1,245)	-	-
NBP Funds Management Limited		**336,353**	**(50,000)**	**-**	**286,353**	336,353	(50,000)	-	286,353
		3,906,751	**(1,838,262)**	**-**	**2,068,488**	3,906,750	(1,838,262)	-	2,068,488
Total investments		**1,437,371,550**	**(17,823,660)**	**43,850,185**	**1,463,398,076**	1,428,040,569	(17,950,047)	39,464,775	1,449,555,297

10.2.1 Investments given as collateral

	2020	2019
	(Rupees in '000)	
Pakistan Investment Bonds	2,300,000	4,150,000
Market Treasury Bills	3,000,000	360,000,000
	5,300,000	364,150,000

10.2.2 Associates

	Number of shares	Percentage of holding	Country of incorporation	Based on the financial statements as at	Assets	Liabilities	Revenue	Profit / (loss) after taxation	Total comprehensive income
					(Rupees in '000)				
Listed									
First Credit and Investment Bank Limited	20,000,000	30.77	Pakistan	June 30, 2020	1,667,186	928,395	154,763	28,703	46,801
National Fibres Limited	17,030,231	20.19	Pakistan	-	-	-	-	-	-
Land Mark Spinning Mills Limited	3,970,859	32.79	Pakistan	June 30, 2020	174,448	252,160	-	(16,925)	(16,925)
SG Allied Businesses Limited	3,754,900	25.03	Pakistan	June 30, 2020	1,148,303	600,882	5,245	(2,170)	414,712
Nina Industries Limited	4,906,000	20.27	Pakistan	-	-	-	-	-	-
Agritech Limited	106,014,565	27.01	Pakistan	December 31, 2019	69,135,919	58,399,826	12,174,419	(652,777)	15,624,634
NBP Stock Fund	31,347,444	2.64	Pakistan	June 30, 2020	13,985,018	283,399	72,309	(384,270)	(384,270)
Unlisted									
Pakistan Emerging Venture Limited	12,500,000	33.33	Pakistan	June 30, 2019	1,194	345	96	(175)	(175)
National Fructose Company Limited	1,300,000	39.50	Pakistan	-	-	-	-	-	-
Venture Capital Fund Management	33,333	33.33	Pakistan	-	-	-	-	-	-
Kamal Enterprises Limited	11,000	20.37	Pakistan	-	-	-	-	-	-
Mehran Industries Limited	37,500	32.05	Pakistan	-	-	-	-	-	-
National Assets Insurance Company Limited	4,481,500	8.96	Pakistan	December 31, 2019	668,041	8,392	75,275	29,439	29,680
Tharparkar Sugar Mills Limited	2,500,000	21.52	Pakistan	-	-	-	-	-	-
Youth Investment Promotion Society	644,508	25.00	Pakistan	-	-	-	-	-	-
Dadabhoy Energy Supply Company Limited	9,900,000	23.11	Pakistan	-	-	-	-	-	-
K-Agricole Limited	5,000	20.00	Pakistan	-	-	-	-	-	-
New Pak Limited	200,000	20.00	Pakistan	-	-	-	-	-	-

* " - " Not available

	Number of shares	Percentage of holding	Country of incorporation	Based on the financial statements as at	Assets	Liabilities	Revenue	Profit / (loss) after taxation	Total comprehensive income
					(Rupees in '000)				
Pakistan Mercantile Exchange Limited	10,653,860	33.98	Pakistan	June 30, 2020	2,862,573	2,821,581	317,150	31,832	31,832
Prudential Fund Management Limited	150,000	20.00	Pakistan	-	-	-	-	-	-

10.2.3 Joint Venture

United National Bank Limited	20,250,000	45.00	United Kingdom	December 31, 2019	104,391,593	88,500,998	1,062,408	(146,159)	1,614,231

10.2.4 Subsidiaries

CJSC Subsidiary Bank of NBP in Kazakhstan	8,650	100.00	Kazakhstan	December 31, 2019	4,839,487	639,516	263,016	(234,132)	(62,552)
CJSC Subsidiary Bank of NBP in Tajikistan	10,000	100.00	Tajikistan	December 31, 2019	133,181	79,364	6,556,209	1,749	27,275
NBP Exchange Company Limited	85,758,750	100.00	Pakistan	December 31, 2019	1,176,712	59,129	294,723	110,751	110,751
NBP Modaraba Management Company Limited	10,500,000	100.00	Pakistan	December 31, 2019	112,870	96,016	-	(11,412)	(11,412)
Taurus Securities Limited	7,875,002	58.32	Pakistan	December 31, 2019	618,688	321,846	91,035	596	(3,208)
Cast-N-Link Products Limited	1,245,000	76.51	Pakistan	-	-	-	-	-	-
NBP Fund Management Limited	13,499,996	54.00	Pakistan	June 30, 2020	2,410,170	1,314,609	1,075,476	185,112	182,079

* " - " Not available

10.3 Provision for diminution in value of investments

	2020	2019
	(Rupees in '000)	
Opening balance	**17,950,047**	14,908,363
Charge / reversals		
Charge for the year	**1,164,846**	3,425,825
Reversals for the year	**(1,291,233)**	(384,143)
	(126,387)	3,041,682
Closing balance	**17,823,660**	17,950,047

10.3.1 Particulars of provision against debt securities

Category of classification	2020		2019	
	NPI	Provision	NPI	Provision
	(Rupees in '000)			
Domestic				
Doubtful	**-**	**-**	426,170	213,086
Loss	**5,671,871**	**5,603,540**	5,145,314	5,136,554
Total	**5,671,871**	**5,603,540**	5,571,484	5,349,640

Building Resilience. Creating Opportunities.

Notes to the Unconsolidated Financial Statements
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	2020	2019
	---------- (Rupees in '000) ----------	

10.4 Quality of available for sale securities

Details regarding quality of available for sale securities are as follows:

Federal government securities - government guaranteed		
Market treasury bills	**529,397,138**	593,936,881
Pakistan investment bonds	**470,136,168**	322,248,605
Ijarah sukuks	**6,000,000**	2,000,000
Cost	**1,005,533,306**	918,185,486
Shares		
Listed companies sector - wise		
Automobile Assembler	**536,303**	212,858
Automobile Parts and Accessories	**843,923**	757,309
Cable and Electrical Goods	**211,166**	249,604
Cement	**1,882,741**	2,876,794
Chemical	**753,684**	261,598
Commercial Banks	**3,896,815**	2,874,502
Engineering	**855,646**	670,867
Fertilizer	**2,457,103**	1,539,023
Food and Personal Care	**1,393,503**	1,359,655
Glass and Ceramics	**203,855**	73,016
Insurance	**1,713,756**	980,165
Investment Banks / Investment companies / Securities companies	**508,688**	341,624
Leasing Companies	**21,890**	21,891
Leather and Tanneries	**189,470**	189,470
Modarabas	**120**	120
Oil and Gas Exploration Companies	**2,408,733**	2,357,129
Oil and Gas Marketing Companies	**5,954,784**	5,799,864
Paper and Board	**402,039**	172,695
Pharmaceuticals	**512,974**	361,833
Power Generation and Distribution	**2,988,617**	2,778,748
Real Estate Investment Trust	**586,526**	586,526
Refinery	**900,998**	1,253,494
Sugar and Allied Industries	**288,528**	288,527
Synthetic and Rayon	**91,980**	91,980
Technology and Communication	**960,033**	993,620
Textile Composite	**1,890,534**	1,242,681
Textile Spinning	**638,440**	485,713
Textile Weaving	**25,854**	25,854
Transport	**32,385**	32,385
Vanaspati and Allied Industries	**-**	58,890
Woollen	**-**	647
Miscellaneous	**86,486**	86,486
	33,237,574	29,025,568

Notes to the Unconsolidated Financial Statements

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Unlisted companies	2020		2019	
	Cost	Breakup value	Cost	Breakup value
	(Rupees in '000)			
Digri Sugar Mills Limited	4,063	135,585	4,063	135,585
JDM Textile Mills Limited	4,784	324,651	4,784	324,651
Gelcaps Pakistan Limited	4,665	8,842	4,665	9,801
Pakistan Agriculture Storage Service Corporation	5,500	1,623	5,500	109,831
Al Ameen Textile	327	N/A	327	N/A*
Al Zamin Modarba Management (Private) Limited	1,000	2,134	1,000	2,134
AMZ Venture Limited Class A	121	N/A	121	N/A
Arabian Sea Country Club	6,500	(6,640)	6,500	N/A
Atlas Power Limited	375,000	1,328,000	375,000	1,130,503
Attock Textile Mills Limited	200	N/A	200	N/A
Bunny's Limited	-	-	235,200	140,743
Pakistan Mortgage Refinance Company Limited	600,000	770,195	600,000	608,951
F.T.C. Management Company Private Limited	250	46,998	250	36,908
Fauji Akbar Portia Marines Terminal Limited	321,076	570,680	321,076	515,937
Fauji Oil Terminals and Distribution Limited	10,886	99,059	10,886	69,747
First Women Bank Limited	21,100	71,946	21,100	71,946
Fortune Securities Limited	5,000	7,574	5,000	7,408
Frontier Textile Mills Limited	500	272	500	272
Gulistan Power Generation Limited	2,200	8,096	2,200	8,096
Hazara Woolen Mills Limited	200	N/A	200	N/A
Industrial Development Bank of Pakistan	107	N/A	107	N/A
Inter Asia Leasing Company Limited	500	N/A	500	N/A
ISE Towers REIT Management Company Limited	30,346	46,890	30,346	43,979
Junaid Cotton Mills Limited	327	N/A	327	N/A
Kaisar Arts and Krafts Limited	8,395	N/A	8,395	N/A
Kaytex Mills Limited	3,778	N/A	3,778	N/A
Mian Mohammad Sugar Mills Limited	15	N/A	15	N/A
Muslim Ghee Mills Limited	1,810	N/A	1,810	N/A
Myfip Video Industries Limited	5,373	N/A	5,373	N/A
National Asset Leasing Corporation Limited	14	N/A	14	N/A
National Construction Limited	250	597	250	597
National Institution of Facilitation Technology (Private) Limited	1,526	74,484	1,526	71,187
National Investment Trust Limited	100	830,782	100	832,931
National Woolen Mills Limited	183	N/A	183	N/A
Natover Lease and Refinance	2,602	N/A	2,602	N/A
Nowshehra Engineering Works Limited	41	N/A	41	N/A
Pakistan Export Finance Guarantee Agency Limited	11,529	1,152	11,529	1,152
Pakistan Paper Corporation Limited	373	N/A	373	N/A
Pakistan Telephone Cables	143	N/A	143	N/A
Pakistan Textile City	100,000	12,410	100,000	12,410

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Unlisted companies	2020 Cost	2020 Breakup value	2019 Cost	2019 Breakup value
	(Rupees in '000)			
Pakistan Tourism Development Corporation	**100**	**82**	100	24,983
People Steel Mills Limited	**3,276**	**N/A**	3,276	* N/A
Qadri Textile Mills Limited	**500**	**N/A**	500	N/A
Rehman Cotton Mills Limited	**16,958**	**107,895**	16,958	107,895
Rishabh Metals and Chemicals Private Limited	**4,589**	**N/A**	4,589	N/A
Rousch Power Pakistan Limited	**132,888**	**1,322,458**	132,888	1,269,793
Ruby Rice and General Mills Limited	**750**	**N/A**	750	N/A
Sahrish Textile Mills	**21**	**N/A**	21	N/A
Shoaib Capital	**272**	**544**	272	544
SME Bank Limited	**26,950**	**(318)**	26,950	(318)
South Asia Regional Fund	**287**	**N/A**	287	N/A
Star Salica Industries Limited	**267**	**N/A**	267	N/A
Syed Match Industries	**2**	**N/A**	2	N/A
Union Insurance Company of Pakistan	**4**	**N/A**	4	N/A
Unity Modaraba	**28**	**N/A**	28	N/A
Zafar Textiles Mills Limited	**257**	**N/A**	257	N/A
Zulsham Engineering Works Limited	**330**	**N/A**	330	N/A
Information System Associates Limited	**1,719**	**N/A**	1,719	N/A
1 Link (Guarantee) Limited	**50,000**	**139,362**	50,000	147,332
Pakistan Corporate Restructuring Company Limited	**96,000**	**N/A**	96,000	N/A
	1,865,982		2,101,182	

* Not available

	2020	2019
	(Rupees in '000)	
Debt Securities		
Listed		
- AAA	**1,547,210**	1,547,830
- AA+, AA, AA-	**13,709,811**	7,739,909
- A+, A, A-	**700,000**	299,880
- BBB+, BBB, BBB-	**299,820**	-
- Unrated	**9,537,168**	12,855,892
Cost	**25,794,009**	22,443,511
Unlisted		
- AAA	**19,792,680**	23,554,109
- AA+, AA, AA-	**1,236,000**	801,000
- A+, A, A-	**1,866,667**	500,000
- Unrated	**11,510,397**	12,955,266
Cost	**34,405,744**	37,810,375

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Foreign Securities

Government Securities	2020 Cost (Rupees in '000)	2020 Rating	2019 Cost (Rupees in '000)	2019 Rating
USA	**2,795,017**	**AA+**	3,474,324	AA+

Non Government Debt Securities - Cost

	2020	2019
	---------- (Rupees in '000) ----------	
Listed		
- A+	**79,438**	1,408,492

10.5 Particulars relating to Held to Maturity securities are as follows:

Federal Government Securities - Government guaranteed

Market Treasury Bills	**-**	114,091,320
Pakistan Investment Bonds	**168,422,981**	184,864,103
Bai muajjal with Government of Pakistan	**11,641,133**	10,395,235
	180,064,114	309,350,658

Debt Securities

Listed		
- AA+, AA, AA-	**27,948**	27,948
Unlisted		
- Unrated	**387,025**	388,759
	387,025	388,759

Foreign Securities

Government Securities	2020 Cost (Rupees in '000)	2020 Rating	2019 Cost (Rupees in '000)	2019 Rating
Azerbaijan	**646,649**	**BB+**	484,683	BB+
Bangladesh	**27,277,984**	**Ba3**	24,741,528	BB-
Kyrgyzstan	**1,118,290**	**B2**	1,400,585	B2
Kingdom of Saudi Arabia	**2,551,243**	**A**	2,302,368	A+
Korea	**734,572**	**AA**	671,179	AA
	32,328,738		29,600,343	

	2020	2019
	---------- (Rupees in '000) ----------	
Non Government Debt Securities		
Listed		
- Unrated - Cost	**618**	596

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10.5.1 The market value of securities classified as held-to-maturity as at December 31, 2020 amounted to Rs. 218,678 million (2019: Rs. 328,496 million).

10.6 Investment in shares of a bank incorporated outside Pakistan - Bank Al-Jazira

The Bank holds 30,333,333 (2019: 30,333,333) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 3.7% (2019: 3.7%) holding in total equity of BAJ. The investment has been marked to market using closing price as quoted on the Saudi Stock Exchange in accordance with SBP concurrence vide letter No. BSD/SU-13/331/685/2006 dated February 17, 2006. BAJ's Viability Rating is BB+ with short term and long term IDR at BBB+ by Fitch Rating Agency.

10.7 The 94,273,510 (2019: 94,273,510) shares of Agritech Limited were acquired from Azgard Nine Limited as part of multiple agreements including the Master Restructuring Agreement (MRA). These shares were acquired at an agreed price of Rs. 35 per share. The market value of these shares at December 31, 2020 amounted to Rs. 5.11 per share resulting in an impairment of Rs. 3,124 million (2019: Rs. 3,217 million) which has been fully recorded in these unconsolidated financial statements.

There is a put option available to Azgard Nine Limited, under which Azgard Nine Limited has the right to sell 58.29 million preference shares of Agritech Limited to the Bank at a price of Rs. 5.25 per share subject to the occurrence of certain events under the agreement.

10.8 Aggregate market value of investment in associates (quoted) on the basis of quoted prices amounts to Rs. 1,456 million (2019: Rs. 1,014 million).

10.9 Associates with zero carrying amount, represent the investments acquired from former National Development Finance Corporation (NDFC) which have negative equity or whose operations were closed at the time of amalgamation.

10.10 The details of break-up value based on latest available financial statements of unlisted investments in associates are as follows:

	Year / Period ended	Break-up value
		Rupees in '000
National Assets Insurance Limited	December 31, 2019	59,124
Pakistan Emerging Venture Limited	June 30, 2019	283
Pakistan Mercantile Exchange Limited	June 30, 2020	13,928

	Note	2020	2019
		(Rupees in '000)	
10.11 Investments in joint venture			
United National Bank Limited (UNBL) (Incorporated in United Kingdom)	10.1 / 10.2 / 10.11.1	2,362,433	2,362,433

10.11.1 Under a joint venture agreement, the Bank holds 20.25 million ordinary shares (45%) and United Bank Limited (UBL) holds 23.25 million ordinary shares (55%) in UNBL. In addition to ordinary shares, four preference shares categories as "A", "B", "C" and "D" have been issued and allotted. The "B" and "D" category shares are held by the Bank and category "A" and "C" are held by UBL. Dividends payable on "A" and "B" shares are related to the ability of the venture to utilize tax losses that have been surrendered to it on transfer of business from the Bank or UBL as appropriate. Dividends payable on "C" and "D" shares are related to loans transferred to the venture by the Bank or UBL that have been written-off or provided for at the point of transfer and the ability of the venture to realize in excess of such loan value.

10.12 The investments in shares include shares of Pakistan State Oil Company Limited, Sui Northern Gas Pipeline Limited and Pakistan Engineering Company with cost of Rs. 4,603 million (2019: Rs. 4,603 million) that have been frozen by the Government of Pakistan for sale in the equity market due to their proposed privatization.

10.13 The investments also include shares acquired under tri-partite consent agreement dated June 29, 2011. These strategic investments comprise of the shares of Pakistan State Oil (38,055,247 shares), shares of Sui Northern Gas Pipeline Limited (18,805,318 shares) and Pakistan Engineering Company (135,242). The cost of these shares amounts to Rs. 4,603 million and market value as at December 31, 2020 amounts to Rs. 9,065 million. These shares can not be sold without concurrence of privatization commission.

11. ADVANCES

	Note	Performing		Non Performing		Total	
		2020	2019	2020	2019	2020	2019
		(Rupees in '000)					
Loans, cash credits, running finances, etc.		931,976,385	936,148,400	160,045,212	141,787,259	1,092,021,597	1,077,935,659
Islamic financing and related assets		37,546,863	33,880,111	602,913	203,934	38,149,776	34,084,045
Net investment in finance lease	11.1	58,239	71,576	-	-	58,239	71,576
Bills discounted and purchased		18,998,127	32,463,246	10,646,008	6,760,524	29,644,135	39,223,770
Advances - gross	11.2	988,579,614	1,002,563,333	171,294,133	148,751,717	1,159,873,747	1,151,315,050
Provision against advances							
- Specific		-	-	154,145,472	134,170,016	154,145,472	134,170,016
- General		22,473,748	9,005,950	-	-	22,473,748	9,005,950
	11.4	22,473,748	9,005,950	154,145,472	134,170,016	176,619,220	143,175,966
Advances - net of provision		966,105,866	993,557,383	17,148,661	14,581,701	983,254,527	1,008,139,084

11.1 Net investment in finance lease

	2020				2019			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	(Rupees in '000)							
Lease rentals receivable	10,911	556	-	11,467	11,634	10,434	-	22,068
Residual value	46,535	815	-	47,350	45,666	9,617	-	55,283
Minimum lease payments	57,446	1,371	-	58,817	57,300	20,051	-	77,351
Financial charges for future periods	546	32	-	578	4,982	793		5,775
Present value of minimum lease payments	56,900	1,339	-	58,239	52,318	19,258	-	71,576

The leases executed are for a term of 1 to 5 years. Security deposit is generally obtained upto 10% of the cost of leased assets at the time of disbursement. The Bank requires the lessee to insure the leased assets in favor of the Bank. Additional surcharge is charged on delayed rentals. The average return implicit ranges from 10.19% to 17.30% (2019: 10.19% to 19.46%) per annum.

11.2 Particulars of advances (Gross)

	2020	2019
	(Rupees in '000)	
In local currency	1,071,844,946	1,052,019,665
In foreign currencies	88,028,801	99,295,385
	1,159,873,747	1,151,315,050

Notes to the Unconsolidated Financial Statements
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11.3 Advances includes Rs. 171,294 million (2019: Rs.148,752 million) which have been placed under non-performing status as detailed below.

Category of Classification	2020 Non Performing Loans	2020 Provision	2019 Non Performing Loans	2019 Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	**1,617,988**	**45,392**	1,290,081	78,430
Substandard	**5,418,693**	**1,336,002**	10,292,449	2,550,709
Doubtful	**15,767,573**	**7,881,223**	6,439,788	3,207,031
Loss	**106,144,785**	**103,816,435**	89,680,047	88,523,275
	128,949,039	**113,079,052**	107,702,365	94,359,445
Overseas				
Not past due but impaired				
Overdue by:				
>365 days	**42,345,094**	**41,066,420**	41,049,352	39,810,571
	42,345,094	**41,066,420**	41,049,352	39,810,571
Total	**171,294,133**	**154,145,472**	148,751,717	134,170,016

11.4 Particulars of provision against advances

	Note	2020 Specific	2020 General	2020 Total	2019 Specific	2019 General	2019 Total
		(Rupees in '000)					
Opening balance		**134,170,016**	**9,005,950**	**143,175,966**	126,266,039	7,207,104	133,473,143
Exchange adjustments		**1,468,169**	**15,535**	**1,483,704**	3,803,802	28,732	3,832,534
Charge for the year		**18,982,569**	**13,707,207**	**32,689,776**	11,335,930	2,018,117	13,354,047
Reversals		**(3,047,958)**	**(321,795)**	**(3,369,753)**	(4,681,591)	(248,003)	(4,929,594)
		15,934,611	**13,385,412**	**29,320,023**	6,654,339	1,770,114	8,424,453
Amounts written off	11.5.1	**(89,494)**	**-**	**(89,494)**	(33,004)	-	(33,004)
Amounts charged off - agriculture financing	11.4.1.3	**(193,807)**	**-**	**(193,807)**	(232,480)	-	(232,480)
Transfer from other Assets		**2,855,977**	**66,851**	**2,922,828**			-
Amount Charged off international branches		**-**	**-**	**-**	(1,776,734)	-	(1,776,734)
Other movement		**-**	**-**	**-**	(511,946)	-	(511,946)
Closing balance		**154,145,472**	**22,473,748**	**176,619,220**	134,170,016	9,005,950	143,175,966

11.4.1 Particulars of provision against advances

	2020 Specific	2020 General	2020 Total	2019 Specific	2019 General	2019 Total
	(Rupees in '000)					
In local currency	**113,079,052**	**22,274,089**	**135,353,141**	94,359,445	8,550,135	102,909,580
In foreign currencies	**41,066,420**	**199,659**	**41,266,079**	39,810,571	455,815	40,266,386
	154,145,472	**22,473,748**	**176,619,220**	134,170,016	9,005,950	143,175,966

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11.4.1.1 The Bank maintains general reserve in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing and Prudential Regulations for Small and Medium Enterprise Financing issued by the SBP.

The Bank has also maintained general provision of Rs. 17,078 million (2019: Rs. 3,850 million) in respect of its underperforming portfolio on prudent basis.

11.4.1.2 The SBP has allowed specific relaxation to the Bank for non-classification of overdue loans of certain Public Sector Entities (PSEs) which are guaranteed by Government of Pakistan as non-performing loans up till December 31, 2021.

11.4.1.3 These represent non-performing advances for agriculture finance which have been classified as loss and fully provided for more than 3 years. These non-performing advances have been charged off by extinguishing them against the provision held in accordance with Prudential Regulations for Agriculture Financing issued by the SBP. This charge off does not, in any way, prejudice the Bank's right of recovery from these customers.

11.4.1.4 State Bank of Pakistan ('SBP'), vide its BPRD circular letter No. 13 of 2020, has provided regulatory relief to dampen the effects of Covid-19 and allowed banks to offer deferral of principal component of installments to its borrowers for one year, provided that the borrower will continue to service the mark-up amount as per agreed terms & conditions.

During the year ended December 31, 2020, 77 corporate borrowers, having aggregate outstanding exposure of Rs. 145,851 million, have availed regulatory relief extended by SBP amounted to Rs. 27,357 million.

		Note	2020	2019
			(Rupees in '000)	
11.5	**Particulars of write-offs**			
11.5.1	Against provisions	11.5.2	**89,494**	33,004
11.5.2	Write-offs of Rs. 500,000 and above			
	- Domestic	11.6	**40,260**	5,957
	Write-offs of below Rs. 500,000		**49,234**	27,047
			89,494	33,004

11.6 Details of loan write-off of Rs. 500,000/- and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the Statement in respect of written-off loans or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended is given in Annexure-I (except where such disclosure is restricted by overseas regulatory authorities).

		Note	2020	2019
			(Rupees in '000)	
12.	**FIXED ASSETS**			
	Capital work-in-progress	12.1	**2,154,184**	2,114,172
	Property and equipment	12.2	**52,259,309**	52,189,393
			54,413,493	54,303,565
12.1	**Capital work-in-progress**			
	Civil works		**2,040,456**	1,999,863
	Equipment		**10,825**	15,446
	Advances to suppliers and contractors		**58,733**	58,372
	License and implementation fee for core banking software		**-**	40,491
	Software implementation in progress		**44,170**	-
			2,154,184	2,114,172

12.2 Property and equipment

	2020									
	Freehold land	Leasehold land	Building on freehold land	Building on leasehold land	Furniture and fixture	Computer and peripheral equipment	Electrical, office equipment	Vehicles	Assets held under finance lease - vehicles	Total
	(Rupees in '000)									
At January 1, 2020										
Cost / revalued amount	20,108,881	19,362,870	6,465,668	4,310,442	5,712,163	4,092,424	5,737,394	1,233,476	165,253	67,188,571
Accumulated depreciation	-	-	(948,528)	(729,730)	(3,974,903)	(3,967,926)	(4,548,202)	(664,637)	(165,252)	(14,999,178)
Net book value	20,108,881	19,362,870	5,517,140	3,580,712	1,737,260	124,498	1,189,192	568,839	1	52,189,393
Year ended December 2020										
Opening net book value	20,108,881	19,362,870	5,517,140	3,580,712	1,737,260	124,498	1,189,192	568,839	1	52,189,393
Additions	-	-	3,622	45,369	798,720	272,507	516,285	195,700	-	1,832,203
Movement in surplus on assets revalued	261,564	310,289	28,757	59,671	-	-	-	-	-	660,281
Disposals	-	-	-	-	(14,393)	(1,354)	(1,796)	(185,097)	-	(202,640)
Depreciation charge	-	-	(293,375)	(172,973)	(660,371)	(247,409)	(631,469)	(360,513)	-	(2,366,110)
Depreciation adjustment - disposal	-	-	-	-	11,618	1,354	1,726	149,946	-	164,644
Exchange rate adjustments	-	-	-	(38,834)	(764)	39,548	(21,661)	3,249	-	(18,462)
Other adjustments / transfers	-	-	-	(9,554)	9,554	-	-	-	-	-
Closing net book value	20,370,445	19,673,159	5,256,144	3,464,391	1,881,624	189,144	1,052,277	372,124	1	52,259,309
At December 31, 2020										
Cost / revalued amount	20,370,445	19,673,159	6,498,047	4,367,094	6,505,280	4,403,125	6,230,222	1,247,328	165,253	69,459,953
Accumulated depreciation	-	-	(1,241,903)	(902,703)	(4,623,656)	(4,213,981)	(5,177,945)	(875,204)	(165,252)	(17,200,644)
Net book value	20,370,445	19,673,159	5,256,144	3,464,391	1,881,624	189,144	1,052,277	372,124	1	52,259,309
Rate of depreciation (percentage)	Nil	Nil	5% on book value	5% on book value	20% on cost	33.33% on cost	20% on cost	20% on cost	20% on cost	

	2019									
	Freehold land	Lease hold land	Building on freehold land	Building on lease hold land	Furniture and fixture	Computer and peripheral equipment	Electrical, office equipment	Vehicles	Assets held under finance lease - vehicles	Total
	(Rupees in '000)									
At January 1, 2019										
Cost / Revalued amount	20,108,881	18,684,751	6,465,668	3,954,408	5,021,096	3,984,144	5,125,318	1,219,804	165,253	64,729,323
Accumulated depreciation	-	-	(662,018)	(555,859)	(3,320,728)	(3,686,363)	(3,980,964)	(432,861)	(165,252)	(12,804,045)
Net book value	20,108,881	18,684,751	5,803,650	3,398,549	1,700,368	297,781	1,144,354	786,943	1	51,925,278
Year ended December 2019										
Opening net book value	20,108,881	18,684,751	5,803,650	3,398,549	1,700,368	297,781	1,144,354	786,943	1	51,925,278
Additions	-	-	-	50,606	686,788	86,550	595,897	127,606	-	1,547,447
Movement in surplus on assets revalued	-	566,789	-	86,281	-	-	-	-	-	653,070
Disposals	-	-	-	-	(15,440)	(2,283)	(4,998)	(115,378)	-	(138,099)
Depreciation charge	-	-	(286,510)	(173,871)	(667,117)	(283,627)	(571,077)	(325,670)	-	(2,307,872)
Depreciation adjustment - disposal	-	-	-	-	12,942	2,064	3,839	93,894	-	112,739
Exchange rate adjustments	-	-	-	12,204	19,719	24,013	21,177	1,444	-	78,557
Other adjustments / transfers	-	111,330	-	206,943	-	-	-	-	-	318,273
Closing net book value	20,108,881	19,362,870	5,517,140	3,580,712	1,737,260	124,498	1,189,192	568,839	1	52,189,393
At December 31, 2019										
Cost / Revalued amount	20,108,881	19,362,870	6,465,668	4,310,442	5,712,163	4,092,424	5,737,394	1,233,476	165,253	67,188,571
Accumulated depreciation	-	-	(948,528)	(729,730)	(3,974,903)	(3,967,926)	(4,548,202)	(664,637)	(165,252)	(14,999,178)
Net book value	20,108,881	19,362,870	5,517,140	3,580,712	1,737,260	124,498	1,189,192	568,839	1	52,189,393
Rate of depreciation (percentage)	Nil	Nil	5% on book value	5% on book value	20% on cost	33.33% on cost	20% on cost	20% on cost	20% on cost	

During the year ended December 31, 2020, land and building were revalued. The basis of revaluations were desktop valuations and were carried by RBS associates Private Limited (PBA registered valuer) independant of the bank, resulting in surplus of Rs.660 million. For the purpose of the value assessment, factors like commercial value, location, utilization, nature of title etc. were kept in mind.

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For the year ended December 31, 2020

12.3 Details of disposals of fixed assets to related parties

The particulars of disposal of fixed assets to related parties are given below:

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Purchaser name
	---------- (Rupees in '000) ----------						
Office Equipment & Electrical Installations	50	10	10	-	As per entitlement	Ex-Employee	Muhammad Saleem Qasim
Office Equipment & Electrical Installations	50	13	13	-	As per entitlement	Ex-Employee	Amjad Pervaiz
Office Equipment & Electrical Installations	49	33	33	-	As per entitlement	Ex-Employee	Zia Ur Rashid Ibrahim
Office Equipment & Electrical Installations	155	-	-	-	As per entitlement	Ex-Employee	Nasir Hussain
Office Equipment & Electrical Installations	50	-	-	-	As per entitlement	Employee	Muhammad Naeem Ansari
Office Equipment & Electrical Installations	464	-	-	-	As per entitlement	Ex-Employee	Aamir Sattar
Office Equipment & Electrical Installations	800	-	-	-	As per entitlement	Ex-Employee	Aamir Sattar
Office Equipment & Electrical Installations	35	15	15	-	As per entitlement	Ex-Employee	Muhammad Najmuddin
Office Equipment & Electrical Installations	30	-	-	-	As per entitlement	Ex-Employee	Khadija Adnan
Office Equipment & Electrical Installations	50	-	-	-	As per entitlement	Employee	Muhammad Naeem Ansari
	1,733	**71**	**71**	**-**			
Computer Equipment	93	-	9	9	As per entitlement	Employee	Amber Memon
Computer Equipment	59	-	6	6	As per entitlement	Employee	Prem Kumar
Computer Equipment	87	-	9	9	As per entitlement	Ex-Employee	Faraz Haider
Computer Equipment	64	-	6	6	As per entitlement	Employee	Shahid Ali Khan
Computer Equipment	101	-	10	10	As per entitlement	Employee	Abdul Wajid
Computer Equipment	90	-	9	9	As per entitlement	Ex-Employee	Saleem
Computer Equipment	140	-	14	14	As per entitlement	Employee	Asad Saleem
Computer Equipment	99	-	10	10	As per entitlement	Ex-Employee	Syed Tariq Hasan
Computer Equipment	99	-	10	10	As per entitlement	Employee	Umar Azim Daudpota
Computer Equipment	183	-	-	-	As per entitlement	Ex-Employee	Nasir Hussain
Computer Equipment	110	-	-	-	As per entitlement	Ex-Employee	Amjad Pervaiz
Computer Equipment	140	-	14	14	As per entitlement	Employee	Muhammad Naeem Ansari
	1,265	**-**	**97**	**97**			

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For the year ended December 31, 2020

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Purchaser name
	---------- (Rupees in '000) ----------						
Furniture & Fixtures	125	71	71	-	As per entitlement	Ex-Employee	Muhammad Akhtar
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Maqsood Ahmed
Furniture & Fixtures	150	31	31	-	As per entitlement	Ex-Employee	Farhat Anjum Shaikh
Furniture & Fixtures	150	35	35	-	As per entitlement	Ex-Employee	Niaz Ahmed Chatha
Furniture & Fixtures	125	25	25	-	As per entitlement	Ex-Employee	Muhammad Adnan
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Bilqees Talat
Furniture & Fixtures	125	39	39	-	As per entitlement	Ex-Employee	Sharaf Ahmed
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Ashraf
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Akram
Furniture & Fixtures	125	67	67	-	As per entitlement	Ex-Employee	Naveed Akhtar
Furniture & Fixtures	125	60	60	-	As per entitlement	Ex-Employee	Muhammad Aslam Lalani
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Shaheen Aijaz
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Late Mehboob Ali Abro
Furniture & Fixtures	125	17	17	-	As per entitlement	Ex-Employee	Muhammad Ilyas Bashir
Furniture & Fixtures	150	45	45	-	As per entitlement	Ex-Employee	Haji Anwar Baloch
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Tariq Mehmood Bukhari
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Muhammad Rafique
Furniture & Fixtures	125	31	31	-	As per entitlement	Ex-Employee	Ghulam Akbar Chandio
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Nasir Ehsan
Furniture & Fixtures	150	78	78	-	As per entitlement	Ex-Employee	Muhammad Ejaz
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Late Mehboob Ellahi
Furniture & Fixtures	125	41	41	-	As per entitlement	Ex-Employee	Muhammad Fayyaz Qureshi
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Farooq
Furniture & Fixtures	125	1	1	-	As per entitlement	Ex-Employee	Shaheen Haider
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Akhtar Hussain
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Mureed Hussain Shaikh
Furniture & Fixtures	125	63	63	-	As per entitlement	Ex-Employee	Manzoor Hussain
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Muhammad Hayat
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Syed Iftikhar Hussain
Furniture & Fixtures	175	-	-	-	As per entitlement	Ex-Employee	Masood Iqbal
Furniture & Fixtures	175	70	70	-	As per entitlement	Ex-Employee	Zia Ur Rashid Ibrahim
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Shahid Iqbal
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Ismail
Furniture & Fixtures	125	15	15	-	As per entitlement	Ex-Employee	Sajida Ishaq
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Javed Iqbal
Furniture & Fixtures	125	68	68	-	As per entitlement	Ex-Employee	Muhammad Javed
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Shahid Javid
Furniture & Fixtures	150	35	35	-	As per entitlement	Ex-Employee	Dilpazir Khan
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Bashir Ahmed Khan
Furniture & Fixtures	125	58	58	-	As per entitlement	Ex-Employee	Muhammad Rasheed
Furniture & Fixtures	300	-	-	-	As per entitlement	Ex-Employee	Shafiq Ahmed Khan
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Jamil Khan

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Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Purchaser name
	---------- (Rupees in '000) ----------						
Furniture & Fixtures	150	50	50	-	As per entitlement	Ex-Employee	Muhammad Asghar
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Farooq Khan
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Ali Khan
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Late Abdul Sami
Furniture & Fixtures	150	70	70	-	As per entitlement	Ex-Employee	Khalid Mehmood
Furniture & Fixtures	150	69	69	-	As per entitlement	Ex-Employee	Hassan Ali Memon
Furniture & Fixtures	150	82	82	-	As per entitlement	Ex-Employee	Tariq Mehmood
Furniture & Fixtures	190	44	44	-	As per entitlement	Ex-Employee	Wasi Murtaza
Furniture & Fixtures	125	29	29	-	As per entitlement	Ex-Employee	Raja Sultan Mehmood
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Tariq Mahmood
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Nazia Ghulam Muhammad
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	S.M Rashid Nabi
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Khurshud Agned Nishat
Furniture & Fixtures	150	16	16	-	As per entitlement	Ex-Employee	Muhammad Najamuddin
Furniture & Fixtures	175	19	19	-	As per entitlement	Ex-Employee	Amjad Pervez
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Agha Fazalullah
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Abdul Rahim Qureshi
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Ramzan
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Abdul Rauf
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Mian Shafiq Ur Rehman
Furniture & Fixtures	175	55	55	-	As per entitlement	Ex-Employee	Muhammad Salim Qasim
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Ch.Muhammad Shafi
Furniture & Fixtures	125	53	53	-	As per entitlement	Ex-Employee	Muhammad Shafi
Furniture & Fixtures	125	43	43	-	As per entitlement	Ex-Employee	Muhammad Sabir
Furniture & Fixtures	125	75	75	-	As per entitlement	Ex-Employee	Muhammad Saleem
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Muhammad Sohail
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Shahzad Saleem
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Abdul Razzak Shaikh
Furniture & Fixtures	150	69	69	-	As per entitlement	Ex-Employee	Muhammad Shahid
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	M. Shamim Shakir
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Abdul Latif Solongi
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Fazeel Tahir
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Usman
Furniture & Fixtures	150	21	21	-	As per entitlement	Ex-Employee	Ghulam Qadir Jam
Furniture & Fixtures	190	82	82	-	As per entitlement	Ex-Employee	Syed Ajmal Habib
Furniture & Fixtures	190	63	63	-	As per entitlement	Ex-Employee	Muhammad Saleem Adil
Furniture & Fixtures	150	34	34	-	As per entitlement	Ex-Employee	Abdul Qayum Zia
Furniture & Fixtures	175	83	83	-	As per entitlement	Ex-Employee	Arif Raza Abdy
Furniture & Fixtures	150	20	20	-	As per entitlement	Ex-Employee	Arshad Mahmood
Furniture & Fixtures	175	7	7	-	As per entitlement	Employee	Muhammad Naeem Ansari
Furniture & Fixtures	500	319	319	-	As per entitlement	Ex-Employee	Tariq Jamali
Furniture & Fixtures	150	34	34	-	As per entitlement	Ex-Employee	Abid Ali Siddiqi

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Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Purchaser name
	(Rupees in '000)						
Furniture & Fixtures	160	63	63	-	As per entitlement	Ex-Employee	Bilqis Sikandar
Furniture & Fixtures	150	64	64	-	As per entitlement	Ex-Employee	Muhammad Younas
Furniture & Fixtures	300	95	95	-	As per entitlement	Employee	Imdad Hussain
Furniture & Fixtures	175	33	33	-	As per entitlement	Ex-Employee	Khadija Adnan
Furniture & Fixtures	335	131	131	-	As per entitlement	Employee	Azra Naila Uzair
Furniture & Fixtures	175	41	41	-	As per entitlement	Ex-Employee	Hafiz Muhammad Fayyaz
Furniture & Fixtures	175	22	22	-	As per entitlement	Ex-Employee	Abdul Aziz Nadeem
Furniture & Fixtures	150	5	5	-	As per entitlement	Ex-Employee	Hamid Rasool Qadri
Furniture & Fixtures	200	82	82	-	As per entitlement	Ex-Employee	Mumtaz Rafi
Furniture & Fixtures	125	57	57	-	As per entitlement	Ex-Employee	Raja Ejaz Ahmed
	14,190	2,780	2,780	-			
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Asad Saleem
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Farooq Ahmed Soomro
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Mashkoor Ahmed Khan
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Ahmed Naseem
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Salman Talat
Motor Vehicles	1,873	468	468	-	As per entitlement	Employee	Shaukat Mahmood
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Abid Kithclew
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	M.Mubashir Ahmad
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Tariq Zafar Iqbal
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Hidayat Ali Shar
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Abdul Majeed Arshad
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Syed Naveed Asghar
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Muhammad Akram Khan
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Aziz Ur Rehman
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	M.Ehsan Tabassum
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Abdul Jamal Tariq
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	M.Zaman Khan
Motor Vehicles	1,858	372	372	-	As per entitlement	Employee	Ovais Asad Khan
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Hamid Raza
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Kamran Masud Khan
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Rashid Mirza
Motor Vehicles	1,658	304	332	28	As per entitlement	Ex-Employee	Abdul Qadir
Motor Vehicles	1,658	304	332	28	As per entitlement	Ex-Employee	Saeed Habib
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Manzur Ahmad
Motor Vehicles	1,858	341	372	31	As per entitlement	Employee	Muhammad Ismail Usuf
Motor Vehicles	1,858	372	372	-	As per entitlement	Employee	M.Atlas Khan
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Syed Waseem Akhtar
Motor Vehicles	1,858	372	372	-	As per entitlement	Employee	S.H.Irtiza Kazmi
Motor Vehicles	1,858	341	372	31	As per entitlement	Employee	Karim Akram Khan
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Muhammad Farrukh Ghouri

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Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Purchaser name
	---------- (Rupees in '000) ----------						
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Sarfaraz Ahmed
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Shaikh Tariq Abdullah
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Wajahat Malik
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Ahmad Sohail Warraich
Motor Vehicles	1,858	372	372	-	As per entitlement	Employee	Khadim Hussain
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Tarannum Sarwar
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Farooq Hasan
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	M.Iqbal Malik
Motor Vehicles	1,873	343	375	32	As per entitlement	Employee	Shahid Iqbal Choudry
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Ahmer Liaquat
Motor Vehicles	1,658	221	332	111	As per entitlement	Ex-Employee	Aziz Ur Rehman
Motor Vehicles	1,673	446	446	-	As per entitlement	Ex-Employee	Masood Iqbal
Motor Vehicles	1,567	313	313	-	As per entitlement	Employee	Mahmood Akhtar Nadeem
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	M.Ahsan Aslam
Motor Vehicles	1,658	276	332	56	As per entitlement	Ex-Employee	M.Khursheed Khan
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Amjad Pervaiz
Motor Vehicles	1,673	446	446	-	As per entitlement	Ex-Employee	Muhammad Salim Qasim
Motor Vehicles	1,664	610	610	-	As per entitlement	Ex-Employee	Talat Khurshid
Motor Vehicles	1,789	745	745	-	As per entitlement	Ex-Employee	Shafiq Ahmed Khan
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Saleem Saleemi
Motor Vehicles	1,658	635	635	-	As per entitlement	Ex-Employee	M.Saleem Baig
Motor Vehicles	5,106	766	766	-	As per entitlement	Ex-Employee	Kausar Iqbal Malik
Motor Vehicles	1,643	438	438	-	As per entitlement	Ex-Employee	Syed Tariq Hasan
Motor Vehicles	1,858	186	186	-	As per entitlement	Ex-Employee	Nasir Hussain
Motor Vehicles	1,714	996	996	-	As per entitlement	Ex-Employee	Syed Hasan Mustafa Naqvi
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Dawood Jan Khan
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Masood Yasin
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Muhammad Amjad
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Muhammad Saqib
Motor Vehicles	1,673	279	335	56	As per entitlement	Employee	Rafique Ahmed Bhurgri
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Farhan Javaid Durrani
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Ghulam Rasool
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Mansoor Hussain Qureshi
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Aqeel Muslim
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Nasir Khan
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Hananeel Azhar Joseph
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Muhammad Mumtaz Ahmed Farooq
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Nadeem Khan
Motor Vehicles	1,893	725	725	-	As per entitlement	Ex-Employee	Khawar Saeed
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Qaiser Rasheed
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Irshad Ahmed
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Akhtar Munir
Motor Vehicles	1,673	279	335	56	As per entitlement	Employee	Syed Rehan Mobin
Motor Vehicles	1,673	279	335	56	As per entitlement	Employee	Abdul Hadi Palekar
Motor Vehicles	1,673	251	335	84	As per entitlement	Employee	Rashid Ata

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Purchaser name
	---------- (Rupees in '000) ----------						
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Shakeel Ahmed
Motor Vehicles	1,743	349	349	-	As per entitlement	Employee	Shahzad Karimi
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Muhammad Akram
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Shahid Iqbal Khan
Motor Vehicles	5,136	978	1,027	49	As per entitlement	Employee	Syed Jamal Baquar
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Hakim Ali Laghari
Motor Vehicles	1,673	307	335	28	As per entitlement	Ex-Employee	Akhter Hussain Khan
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Rana Mujahid Ali
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Aamir Shabbir
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Ashfaq Ahmed Qadir
Motor Vehicles	1,658	-	166	166	As per entitlement	Employee	Umar Azim Daudpota
Motor Vehicles	1,673	223	335	112	As per entitlement	Employee	Ahmar Qadeer
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Muhammad Zulfiqar Ali
Motor Vehicles	1,673	279	335	56	As per entitlement	Employee	Pir Baksh
Motor Vehicles	1,743	335	335	-	As per entitlement	Employee	Zahida Hamid
Motor Vehicles	1,664	555	1,054	499	As per entitlement	Ex-Employee	Ansar Raza Goraha
Motor Vehicles	1,658	83	332	249	As per entitlement	Ex-Employee	Arif Raza Abdy
Motor Vehicles	1,708	370	370	-	As per entitlement	Employee	Muhammad Naeem Ansari
Motor Vehicles	5,106	-	511	511	As per entitlement	Ex-Employee	Tariq Jamali
Motor Vehicles	1,673	390	390	-	As per entitlement	Ex-Employee	Khadija Adnan
Motor Vehicles	1,673	223	223	-	As per entitlement	Ex-Employee	Tanvir Yaqub
Motor Vehicles	1,538	308	527	219	As per entitlement	Ex-Employee	Hafiz Muhammad Fayyaz
Motor Vehicles	1,824	942	942	-	As per entitlement	Ex-Employee	Abdul Aziz Nadeem
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Noor Ul Islam
	177,480	**35,177**	**38,279**	**3,102**			
	194,668	**38,028**	**41,227**	**3,199**			

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	Core Banking Application	Computer software	Total
	---------- (Rupees in 000) ----------		
13. INTANGIBLE ASSETS			
At January 1, 2020			
Cost	**2,913,952**	**1,000,731**	**3,914,683**
Accumulated amortisation and	**(2,913,952)**	**(625,781)**	**(3,539,733)**
Net book value	**-**	**374,950**	**374,950**
Year ended December 2020			
Opening net book value	**-**	**374,950**	**374,950**
Additions:			
- developed internally	**-**	**94,788**	**94,788**
Adjustments - addition	**-**	**45,756**	**45,756**
Amortisation charge	**-**	**(210,961)**	**(210,961)**
Exchange rate adjustments	**-**	**(720)**	**(720)**
Closing net book value	**-**	**303,813**	**303,813**
At December 31, 2020			
Cost	**2,913,952**	**1,140,555**	**4,054,507**
Accumulated amortisation and	**(2,913,952)**	**(836,742)**	**(3,750,694)**
Net book value	**-**	**303,813**	**303,813**
Rate of amortisation (percentage)	**33.33 % on cost**	**33.33 % on cost**	
Useful life	**3 years**	**3 years**	
At January 1, 2019			
Cost	2,913,952	414,907	3,328,859
Accumulated amortisation and	(2,800,926)	(282,275)	(3,083,201)
Net book value	113,026	132,632	245,658
Year ended December 2019			
Opening net book value	113,026	132,632	245,658
Additions:			
- through acquisitions / purchased	-	406,947	406,947
Amortisation charge	(113,026)	(204,842)	(317,868)
Adjustments - additions	-	178,877	178,877
Adjustments - depreciation	-	(138,664)	(138,664)
Closing net book value	-	374,950	374,950
At December 31, 2019			
Cost	2,913,952	1,000,731	3,914,683
Accumulated amortisation and impairment	(2,913,952)	(625,781)	(3,539,733)
Net book value	-	374,950	374,950
Rate of amortisation (percentage)	33.33 % on cost	33.33 % on cost	
Useful life	3 years	3 years	

There is no such intangible asset having indefinite useful life.

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2020

		2020	2019
		---------- (Rupees in '000) ----------	
14.	**RIGHT OF USE ASSETS**		
	The recognized right of use assets relate to the following types of assets:		
	Balance as at January 01,	**7,221,266**	7,908,684
	Additions during the period	**1,331,535**	1,185,554
	Depreciation charged for the period	**1,883,117**	1,872,972
	Balance as at December 31,	**6,669,684**	7,221,266

The right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right of use assets at the date of initial application.

		Note	2020	2019
			---------- (Rupees in '000) ----------	
15.	**OTHER ASSETS**			
	Income / return / mark-up accrued in local currency - net of provision		**39,642,348**	52,625,336
	Income / return / mark-up accrued in foreign currency - net of provision		**2,274,912**	2,551,275
	Advances, deposits, advance rent and other prepayments	15.1	**2,918,231**	7,816,695
	Advance taxation (payments less provisions)	15.6	**2,904,317**	9,155,744
	Income tax refunds receivable	15.6	**24,278,882**	42,667,383
	Compensation for delayed tax refunds		**17,556,551**	13,722,128
	Non-banking assets acquired in satisfaction of claims	15.4	**3,750,925**	3,284,853
	Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)		**208,423**	208,423
	Commission receivable on Government. treasury transactions		**4,612,174**	4,065,704
	Stationery and stamps on hand		**499,511**	435,733
	Barter trade balances		**195,399**	195,399
	Receivable on account of Government transactions	15.2	**323,172**	323,172
	Receivable from Government under VHS scheme	15.3	**418,834**	418,834
	Receivable against sale of shares		**88,996**	310,374
	Acceptances		**15,741,754**	26,934,779
	Others		**6,437,628**	9,941,052
			121,852,057	174,656,884
	Less: Provision held against other assets	15.5	**11,873,693**	10,853,587
	Other assets (net of provision)		**109,978,364**	163,803,297
	Surplus on revaluation of non-banking assets acquired in satisfaction of claims		**217,404**	477,215
	Other assets - total		**110,195,768**	164,280,512

15.1 This includes Rs. 800 million (2019: Rs. 5,808 million) advance against Pre-IPO placement of Term Finance Certificates.

15.2 This represents amount receivable from GoP on account of encashment of various instruments handled by the Bank for GoP as an agent of the SBP. Due to uncertainty about its recoverability, full amount has been provided for.

15.3 This represents payments made under the Voluntary Handshake Scheme (VHS), recoverable from GoP. Due to uncertainty about its recoverability, full amount has been provided for.

		2020	2019
		---------- (Rupees in '000) ----------	
15.4	Market value of Non-banking assets acquired in satisfaction of claims	**3,968,329**	3,762,068

An independent valuation of the Bank's non-banking assets were performed by an independent professional valuer to determine the fair value of the assets as at December 31, 2020. The valuation was carried out by an independent valuer Imtech (private) Limited, registered at SBP panel of valuers. The valuation conforms to International Valuation Standards.

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2020

		2020	2019
		---------- (Rupees in '000) ----------	
15.4.1	**Non-banking assets acquired in satisfaction of claims**		
	Opening balance	**3,762,068**	3,594,660
	Revaluation	**217,404**	477,215
	Depreciation	**(15,784)**	(29,577)
	Adjustment	**4,641**	38,043
	Transfer to operating fixed Assets	**-**	(318,273)
	Closing balance	**3,968,329**	3,762,068
15.5	**Provision held against other assets**		
	Income / mark-up accrued in local currency	**152,607**	152,607
	Advances, deposits, advance rent and other prepayments	**837,949**	837,949
	Stationery and stamps on hand	**96,542**	96,542
	Barter trade balances	**195,399**	195,399
	Receivable on account of Government transactions	**323,172**	323,172
	Receivable from Government under VHS scheme	**418,834**	418,834
	Protested bills	**4,092,280**	2,555,322
	Provision against FE-25 loans	**-**	1,734,591
	Ex-MBL / NDFC	**770,398**	770,398
	Assets acquired from corporate and industrial restructuring corporation asset (CIRC)	**208,423**	208,423
	Others	**4,778,089**	3,560,350
		11,873,693	10,853,587
15.5.1	**Movement in provision held against other assets**		
	Opening balance	**10,853,587**	8,884,661
	Charge for the year	**1,517,709**	1,589,466
	Transfer in / (out)	**(484,393)**	457,739
	Adjustment against provision	**(13,210)**	(78,279)
	Closing balance	**11,873,693**	10,853,587

15.6 During the year, the Bank has adjusted its advance tax liability and demand of previous tax year against income tax refunds receivables.

		2020	2019
		---------- (Rupees in '000) ----------	
16.	**BILLS PAYABLE**		
	In Pakistan	**16,718,064**	19,648,708
	Outside Pakistan	**77,122**	218,716
		16,795,186	19,867,424
17.	**BORROWINGS**		
	Secured		
	Borrowings from State Bank of Pakistan		
	Under Export Refinance Scheme	**2,451,874**	1,908,291
	Under Export Refinance Scheme (New Scheme)	**28,686,149**	20,687,441
	Financing Scheme for Renewable Energy	**481,261**	236,175
	Refinance Facility for Modernization of SMEs	**177,976**	45,000
	Financing Facility for storage of Agriculture Produce (FFSAP)	**256,184**	284,012
	Under Long-Term Financing Facility (LTFF)	**16,380,117**	8,923,286
	Refinance Scheme for Payment of Wages and Salaries	**1,167,527**	-
	Temporary Economic Refinance Facility	**537,912**	-
	Refinance Facility for Combating Covid-19	**61,448**	-
		50,200,448	32,084,205
	Repurchase agreement borrowings	**5,266,007**	332,053,770
	Bai Muajjal	**79,788,522**	59,069,167
	Total secured	**135,254,977**	423,207,142
	Unsecured		
	Call borrowings	**2,047,588**	39,052,969
	Overdrawn nostro accounts	**1,236,440**	3,467,767
	Bai Muajjal	**-**	6,029,474
	Total unsecured	**3,284,028**	48,550,210
		138,539,005	471,757,352

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2020

	2020	2019
17.1 Particulars of borrowings with respect to currencies	(Rupees in '000)	
In local currency	**136,491,430**	432,843,644
In foreign currencies	**2,047,575**	38,913,708
	138,539,005	471,757,352

17.2 Mark-up / interest rates and other terms are as follows:

- The Bank has entered into agreements with the SBP for extending export refinance to customers. As per the terms of the agreement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting the current account maintained by the Bank with the SBP. These borrowings carry mark-up 3% (2019: 3%).
- Repurchase agreement borrowings carry mark-up ranging from 7% to 7.05% per annum (2019: 13.2% to 13.32% per annum) having maturity on January 8, 2021.
- Call borrowings carry interest ranging from 0% to 2% per annum (2019: 1.75% to 4.0% per annum).

17.3 Borrowings from the SBP under export oriented projects refinance schemes of the SBP are secured by the Bank's cash and security balances held by the SBP.

17.4 Pakistan Investment Bond and Market Treasury Bill having maturity of 5 years and 6 months respectively, are pledged as security under borrowing having carrying amount of Rs. 5,266 million (2019: Rs. 332,054 million).

18. DEPOSITS AND OTHER ACCOUNTS

	2020			2019		
	In Local currency	**In Foreign currencies**	**Total**	In Local currency	In Foreign currencies	Total
	(Rupees in '000)					
Customers						
Current deposits - remunerative	**405,738,851**	**-**	**405,738,851**	320,884,110	-	320,884,110
Current deposits - non- remunerative	**433,284,063**	**115,191,412**	**548,475,475**	387,100,580	138,036,876	525,137,456
Savings deposits	**637,694,450**	**66,126,336**	**703,820,786**	533,399,568	52,363,840	585,763,408
Term deposits	**276,454,916**	**81,153,488**	**357,608,404**	285,062,513	75,428,176	360,490,689
Others	**4,683,735**	**316,040**	**4,999,775**	4,970,352	3,924	4,974,276
	1,757,856,015	**262,787,276**	**2,020,643,291**	1,531,417,123	265,832,816	1,797,249,939
Financial Institutions						
Current deposits	**360,581,882**	**1,634,466**	**362,216,348**	357,600,795	1,225,295	358,826,090
Savings deposits	**4,253,051**	**3,246,855**	**7,499,906**	4,405,416	2,911,091	7,316,507
Term deposits	**12,613,687**	**8,883,345**	**21,497,032**	21,888,152	5,932,636	27,820,788
Others	**7,109,902**	**-**	**7,109,902**	6,549,217	286,740	6,835,957
	384,558,522	**13,764,666**	**398,323,188**	390,443,580	10,355,762	400,799,342
	2,142,414,537	**276,551,942**	**2,418,966,479**	1,921,860,703	276,188,578	2,198,049,281

	2020	2019
18.1 Composition of deposits	(Rupees in '000)	
Individuals	**847,611,816**	700,462,343
Government (Federal and Provincial)	**674,985,259**	602,779,800
Public Sector Entities	**257,331,543**	237,284,226
Banking companies	**368,855,014**	380,226,047
Non-Banking Financial Institutions	**29,468,173**	20,573,295
Private sector	**240,714,674**	256,723,570
	2,418,966,479	2,198,049,281

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2020

18.2 Foreign currencies deposits includes deposit of foreign branches amounting to Rs. 73,145 million (2019: Rs. 85,488 million).

18.3 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 981,942 million (2019: Rs. 859,148 million) including islamic branches.

19. LEASE LIABILITY AGAINST RIGHT OF USE ASSETS

	2020	2019
	(Rupees in '000)	
Lease liabilities included in the statement of financial position As at December 31	**7,533,691**	7,640,188
Of which are:		
Current lease liability	**1,367,840**	1,237,717
Non-current lease liability	**6,165,851**	6,402,471
	7,533,691	7,640,188
Maturity analysis - contractual undiscounted cash flows		
Less than one year	**2,315,989**	1,948,040
One to five years	**5,869,956**	6,610,167
More than five years	**5,839,515**	6,652,960
Total undiscounted lease liabilities as at December 31	**14,025,460**	15,211,167

20. DEFERRED TAX

	At January 01, 2020	Recognised in profit and loss account	Recognised in other comprehensive income	At December 31, 2020
	(Rupees in '000)			
Deductible temporary differences on				
- Tax losses carried forward	**10,705**	**-**	**-**	**10,705**
- Post retirement employee benefits	**3,852,716**	**-**	**268,139**	**4,120,855**
- Provision for diminution in the value of investments	**236,751**	**-**	**-**	**236,751**
- Provision against loans and advances	**2,625,495**	**6,459,106**	**-**	**9,084,601**
- Provision against off-balance sheet obligations	**115,222**	**-**	**-**	**115,222**
- Other provisions	**105,416**	**-**	**-**	**105,416**
	6,946,305	**6,459,106**	**268,139**	**13,673,550**
Taxable temporary differences on				
- Surplus on revaluation of fixed assets	**(1,689,317)**	**459,830**	**(30,874)**	**(1,260,361)**
- Surplus on revaluation of investments	**(13,816,519)**	**-**	**(1,530,321)**	**(15,346,840)**
- Surplus on revaluation of non-banking assets	**(41,439)**	**-**	**(3,274)**	**(44,713)**
- Other	**(2,314,832)**	**2,314,832**	**-**	**-**
	(17,862,107)	**2,774,662**	**(1,564,469)**	**(16,651,914)**
	(10,915,802)	**9,233,769**	**(1,296,330)**	**(2,978,364)**

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2020

	At January 01, 2019	Recognised in profit or loss account	Recognised in Other comprehensive income	At December 31, 2019
	---------- (Rupees in '000) ----------			
Deductible Temporary Differences on				
- Tax losses carried forward	10,705	-	-	10,705
- Post retirement employee benefits	2,767,522	-	1,085,194	3,852,716
- Provision for diminution in the value of investments	236,751	-	-	236,751
- Provision against loan and advances	622,390	2,003,105	-	2,625,495
- Provision against off-balance sheet obligations	115,222	-	-	115,222
- Other provisions	105,416	-	-	105,416
	3,858,006	2,003,105	1,085,194	6,946,305
Taxable Temporary Differences on				
- Surplus on revaluation of fixed assets	(1,805,306)	146,188	(30,199)	(1,689,317)
- Surplus on revaluation of investments	(6,667,702)	-	(7,148,817)	(13,816,519)
- Surplus on revaluation of non-banking assets	(55,208)	-	13,769	(41,439)
- Other	(2,314,832)	-	-	(2,314,832)
	(10,843,048)	146,188	(7,165,247)	(17,862,107)
	(6,985,042)	2,149,293	(6,080,053)	(10,915,802)

	Note	2020	2019
		---------- (Rupees in '000) ----------	
21. OTHER LIABILITIES			
Mark-up / Return / Interest payable in local currency		**37,808,884**	57,027,903
Mark-up / Return / Interest payable in foreign currency		**844,452**	439,959
Unearned commission and income on bills discounted		**1,574,563**	3,045,278
Accrued expenses		**18,183,815**	19,000,508
Advance payments		**362,466**	397,099
Unclaimed dividends		**185,516**	186,668
Unrealized loss on forward foreign exchange contracts		**2,918,017**	4,358,883
Unrealized loss on put option		**306,339**	306,339
Branch adjustment account		**917,487**	926,311
Employee benefits:			
Pension fund		**15,704,077**	14,785,647
Post retirement medical benefits		**22,282,747**	18,333,947
Benevolent scheme		**2,054,218**	1,749,006
Gratuity scheme		**2,711,914**	2,206,599
Compensated absences		**9,251,755**	8,344,182
Staff welfare fund		**371,257**	371,257
Liabilities relating to Barter trade agreements		**2,142,033**	5,539,436
Provision against off-balance sheet obligations		**627,494**	627,494
Provision against contingencies	21.1	**4,180,071**	4,629,645
Payable to brokers		**65,137**	38,667
PIBs shortselling		**3,237,676**	256,284
Acceptances		**15,741,754**	26,934,779
Others		**14,683,842**	14,039,099
		156,155,514	183,544,990

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2020

		Note	2020	2019
			(Rupees in '000)	
21.1	**Provision against contingencies**			
	Opening balance		**4,629,645**	3,734,889
	Charge during the year		**381,090**	1,152,495
	Transfer out		**(830,664)**	(457,739)
	Other movement		**-**	200,000
	Closing balance	21.1.1	**4,180,071**	4,629,645

21.1.1 This represents provision made on account of regulatory violations and reported instances of financial improprieties for which investigations are in progress.

22. SHARE CAPITAL

22.1 Authorized capital

2020	2019		2020	2019
(Number of shares)			(Rupees in '000)	
2,500,000,000	2,500,000,000	Ordinary shares of Rs. 10 each	**25,000,000**	25,000,000

22.2 Issued, subscribed and paid up

2020	2019		2020	2019
(Number of shares)			(Rupees in '000)	
140,388,000	140,388,000	Fully paid in cash	**1,403,880**	1,403,880
1,987,125,026	1,987,125,026	Issued as bonus shares	**19,871,251**	19,871,251
2,127,513,026	2,127,513,026		**21,275,131**	21,275,131

The Federal Government and the SBP held 75.60% (2019: 75.60%) shares of the Bank.

22.3 Shares of the Bank held by subsidiary and associate

	2020	2019
	(Number of shares)	
Following shares were held by the associate of the Bank as of year end:		
First Credit & Investment Bank Limited	**70,000**	70,000
NBP Stock Funds	**-**	330,000
	70,000	400,000

23. RESERVES

23.1 Exchange translation reserve

This comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

23.2 Statutory reserve

Every bank incorporated in Pakistan is required to transfer 20% of their profits to a statutory reserve until the reserve equals share capital, thereafter 10% of the profits of the Bank are to be transferred to this reserve.

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23.3 Merger reserve

As per the Scheme of Amalgamation, all the assets, liabilities and obligations of NBP Leasing Limited were merged with, transferred to, vested in and assumed by the Bank as at the Effective Date July 31, 2017. The reserve represents the excess of net assets transferred to the Bank over its investment in NBP Leasing Limited.

23.4 General loan loss reserve

The Bank is cognizant of the fact that a part of its credit or loan portfolio (funded and non-funded) which is not currently impaired as per the applicable Prudential Regulations is underperforming and therefore the potential for risk of credit losses on this part of portfolio is higher than the usual risk. Therefore, as a matter of abundant caution and in order to protect the equity base of the Bank from future contingencies in respect of the credit portfolio, the Board of Directors in their meeting held on April 29, 2015 decided to transfer an aggregate amount of Rs. 12 billion from the unappropriated profits to a "General loan loss reserve". This appropriation was made on the basis of the management's best estimates and judgement regarding the inherent portfolio risks. Subsequently, Board of directors in their meeting held on 11 & 12 July, 2019 decided to transfer Rs. 4 billion from general loss reserve to unappropriated profit based on revised estimates.

	Note	2020	2019
		(Rupees in '000)	
24. SURPLUS ON REVALUATION OF ASSETS			
Surplus on revaluation of:			
- Available for sale securities	10.1	**43,848,111**	39,475,771
- Fixed assets	24.1	**44,882,399**	44,576,547
- Non-banking assets accquired in satisfaction of claims	24.2	**2,757,207**	2,539,695
		91,487,717	86,592,013
Deferred tax on surplus on revaluation of:			
- Available for sale securities		**(15,346,840)**	(13,816,519)
- Fixed assets	24.1	**(2,396,819)**	(2,489,995)
- Non-banking assets accquired in satisfaction of claims	24.2	**(44,713)**	(41,439)
		(17,788,373)	(16,347,953)
		73,699,344	70,244,060
24.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1		**44,576,547**	44,292,018
Recognised during the year		**660,281**	653,070
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		**(230,379)**	(239,552)
Related deferred tax liability on incremental depreciation charged during the year		**(124,050)**	(128,989)
Surplus on revaluation of fixed assets as at December 31		**44,882,399**	44,576,547
Less: related deferred tax liability on:			
- revaluation as at January 1		**(2,489,995)**	(2,588,785)
- revaluation recognised during the year		**(30,874)**	(30,199)
- incremental depreciation charged during the year		**124,050**	128,989
		(2,396,819)	(2,489,995)
		42,485,580	42,086,552

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		Note	2020	2019
			---------- (Rupees in '000) ----------	
24.2	**Surplus on revaluation of non-banking assets accquired in satisfaction of claims**			
	Surplus on revaluation as at January 1		**2,539,695**	2,062,480
	Recognised during the year		**217,512**	477,215
	Surplus on revaluation as at December 31		**2,757,207**	2,539,695
	Less: related deferred tax liability on:			
	- revaluation as at January 1		**(41,439)**	(55,208)
	- revaluation recognised during the year		**(3,274)**	13,769
			(44,713)	(41,439)
			2,712,494	2,498,256
25.	**CONTINGENCIES AND COMMITMENTS**			
	Guarantees	25.1	**206,831,672**	161,579,745
	Commitments	25.2	**1,433,601,765**	1,761,652,119
	Other contingent liabilities	25.3	**34,820,672**	30,664,297
			1,675,254,109	1,953,896,161
25.1	**Guarantees**			
	Financial guarantees		**137,366,954**	101,841,274
	Performance guarantees		**69,464,718**	59,738,471
			206,831,672	161,579,745
25.2	**Commitments**			
	Documentary credits and short-term trade-related transactions			
	- letters of credit		**986,016,071**	937,616,635
	Commitments in respect of:			
	- forward foreign exchange contracts	25.2.1	**419,327,735**	801,290,548
	- forward government securities transactions	25.2.2	**27,625,340**	22,164,581
	Commitments for acquisition of:			
	- operating fixed assets		**632,619**	566,855
	Other commitments	25.2.3	**-**	13,500
			1,433,601,765	1,761,652,119
25.2.1	**Commitments in respect of forward foreign exchange contracts**			
	Purchase		**272,245,550**	478,842,756
	Sale		**147,082,185**	322,447,792
			419,327,735	801,290,548

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Commitments for outstanding forward foreign exchange contracts are disclosed in these unconsolidated financial statements at contracted rates. Commitments denominated in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the statement of financial position date.

		2020	2019
		(Rupees in '000)	
25.2.2	**Commitments in respect of forward government securities transactions**		
	Purchase	**496,331**	256,814
	Sale	**27,129,009**	21,907,767
		27,625,340	22,164,581

Commitments for outstanding forward government securities transactions are disclosed in these unconsolidated financial statements at contracted rates.

		2020	2019
		(Rupees in '000)	
25.2.3	Professional services to be received	**-**	13,500
25.3	**Other contingent liabilities**		
25.3.1	Claim against the Bank not acknowledged as debt	**34,820,672**	30,664,297

Claims against the Bank not acknowledged as debts includes claims relating to former Mehran Bank Limited amounting to Rs.1,597 million (2019: Rs. 1,597 million).

25.3.2 Taxation

Tax returns of the Bank have been filed up to tax year 2020 and amended by tax authorities up to tax year 2018. Tax year 2019 has been selected for tax audit under section 177 of the Income Tax Ordinance, 2001 in July 2020 which is on-going. For Azad Kashmir and Gilgit Baltistan branches no amendment to returns filed under section 120 of the Ordinance has been made, hence returns filed are deemed assessments for all the years till tax year 2020.

a) During the year the Taxation Officer issued show-cause notices under section 221 of the Income Tax Ordinance, 2001 to the Bank to withdraw compensation on delayed refunds already given to the Bank, and questioned issuance of refund orders already issued to the Bank in the past several years which had become past and closed transactions and thus legally fall outside the scope of rectification. The amount involved is Rs. 14.8 billion and Rs. 21.25 billion respectively. These notices being totally illegal were challenged by the Bank before the Honourable Sindh High Court (SHC) which instructed the taxation officer not to take adverse action. The Honourable SHC has stayed the recovery of tax demands. The Bank as a matter of abundant caution, have also filed appeal befor CIR(A), the hearing may take place after the Honourable SHC decides the outcome of petitions filed in favor of the Bank.

b) Sindh High Court had quashed the show-cause notices issued in previous round in 2013 for passing orders for tax years 2006 and 2007 under section 161 of the Ordinance on the grounds that these were time-barred in terms of section 174(3) of the Ordinance. Supreme Court on Department's appeal has subsequently allowed taxation officer to initiate proceedings through fresh notices, subject to certain directions. Orders are recently passed by taxation officer for tax years 2006 and 2007 on June 30, 2020, treating the Bank as taxpayer-in-default and raising tax demands of Rs. 1,032 million and Rs. 1,395 million respectively. Bank has filed appeals before CIR(A) primarily on the grounds that Supreme Court's instructions have been blatantly ignored as cogent reasons for late proceedings were not given and neither amount of tax default nor names of parties were disclosed in the show-cause notices or the orders. The orders are also assailed for being passed in quite arbitrary manner and various legal and factual mistakes are made therein.

c) The Additional Commissioner, PRA has passed an order creating the Punjab sales tax liability on the non-withholding of Punjab Sales Tax on the insurance services received by the Bank for the tax periods January 2016-December 2016 and January 2017-December 2017 amounting to Rs. 254.734 million and Rs. 281.774 million respectively. The rectification application has been submitted under section 79 of the Punjab Sales Tax on Services Act, 2012 for the apparent mistake of

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facts. After the rectification, the net principal exposure would be Rs. 56.621 million and Rs. 50.685 million. Based on the legal and factual position, the Tax Advisor is confident that the ultimate outcome of the proceeding will be decided in the Bank's favor.

d) The other matters under tax contingencies include interest credited to suspense account, allocation of common expenditure between taxable income and exempt / low tax rate income, reversal of bad debts expense, reversal of provisions of non-performing loans, provisions for diminution in value of investment. Surplus on revaluation of Available for Sale Securities disclosed in the Statement of Comprehensive Income has been taxed in respect of tax year 2013. Miscellaneous Application before CIR(A) as well as appeal before Appellate Tribunal have been filed by Bank. The aggregate effect of these contingencies as on December 31, 2020, including amount of Rs. 645.97 million (December 31, 2019: Rs. 183.455 million) in respect of indirect tax issues, amounts to Rs. 21.163 billion (December 31, 2019: Rs. 18.166 billion). No provision has been made against these contingencies, based on the opinion of tax consultants of the Bank, who expect favorable outcome upon decisions of pending appeals.

25.3.3 Contingencies in respect of employees benefits and related matters

The following are the details of the contingencies arising out of the various legal cases pending adjudication in respect of employees' benefits and related matters. The Bank considers that except for Pensionary benefits note 25.3.3.1, the financial impact of other matters is impracticable to determine with sufficient reliability.

25.3.3.1 Pensionary benefits to retired employees

In 1977 the Federal Govt. vide letter No. 17 (9) 17 XI / 77 dated November 30, 1977, addressed to the Pakistan Banking Council, directed that all executives / officers of all the nationalized banks would be paid pension as calculated @ 70% of average emoluments upon completion of 30 years of qualifying service of employees and where qualifying service was less than 30 years but not less than 10 years, proportionate reduction in percentage was to be made. This pension scheme was made applicable with effect from May 01, 1977.

In the year 1997, the Banks Nationalization Act, 1974 ("BNA, 1974") was substantially amended whereby the Pakistan Banking Council was abolished and the Board of Directors of the nationalized banks were empowered / mandated respectively to determine personnel policies with the President of the Bank deciding the remuneration and benefits of the employees in accordance with policies determined by the Board. In the year 1999, by virtue of the said amendments in BNA, the Board of Directors of the Bank approved the Revised Pay Structure for the officers / executives of the Bank with effect from January 01, 1999 vide Circular No.37/1999, whereby the basic salary was increased by 110 % to 140% and besides giving multifarious benefits to its employees, formula for monthly gross pension was revised. However, the amount of gross pension on the basis of existing Basic Pay and existing formula was protected.

A number of Bank's employees, after attaining the age of superannuation filed Writ Petitions before the Lahore High Court and the Peshawar High Court, praying for re-calculation of their pensionary benefits and increases in accordance with the Bank circular No. 228 (C) dated December 26, 1977 and furthermore, for allowing the increases in their pension as per the increases allowed by the Federal Government to its employees. This litigation started in the year 2010 and 2011.

The Peshawar High Court, in terms of judgment dated June 03, 2014, dismissed the petition while observing that the petition was hit by laches and that the Petitioners could not claim the benefits granted to the similarly placed employees of other institutions who were governed through different Statutes and Service Rules.

The Lahore High Court, Lahore, vide its judgement dated January 15, 2016, allowed the Writ Petitions on the same matter and the Bank was directed to release the pensionary benefits of the Petitioners. The said order was assailed by the Bank by filing Intra Court Appeals in January 2016 which were dismissed by the Lahore High Court, Lahore, through its judgement dated January 16, 2017. The Bank assailed the said judgement by filing appeals in the Supreme Court of Pakistan.

The Honorable Supreme Court of Pakistan after hearing the arguments of both Parties, vide its judgement dated September 25, 2017 upheld the decision of the Division Bench of the Lahore High Court on the contention of increase in Bank's employees' pension, thereby instructing the Bank to give pension benefits to its employees in the light of Head Office Instruction Circular No. 228 (c) of 1977. Under this Circular, the pension of employees was to be calculated @ 70% of average emoluments upon completion of minimum qualifying service requirement, besides requiring the Bank to follow subsequent revisions in pension scheme and rates granted by the Federal Government to civil servants from time to time as well.

The Bank as well as Federal Government filed Review petitions against the aforesaid judgment of the Honorable Supreme Court of Pakistan and also made an application for constitution of larger bench of the Supreme Court to hear the Review petition, which was reportedly accepted by the Chief Justice. However on March 18, 2019, the matter came up for hearing before a three member Bench instead of a larger bench. As advised by our legal counsels, the Bank considers that due to conflicting decision of the other bench of the Supreme Court in a case which, in all material facts and circumstances, is identical to the Bank's case and various other legal infirmities in the judgement as highlighted by the Bank in its Review Petition, the Bank has a reasonably strong case on

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legal grounds to convince the Supreme Court for review of its decision. The Review Petition is ongoing and is expected to be listed for hearing soon.

In case this matter is decided unfavorably, the Bank estimates based on the actuarial advice that the financial impact arising from the additional liability would be approximately Rs. 68.2 billion excluding any penal interest / profit payment (if any) due to delayed payment. Pension expense for the current year and onward will also increase by Rs.6.8 billion due to this decision. Based on the opinion of legal counsel. No provision has been made in these unconsolidated financial statements for the above-mentioned amount as the Bank is confident about the favorable outcome of the matter.

25.3.3.2 Regularizing the temporary hires / workers deployed by service provider companies under outsourcing arrangements

The Bank outsourced certain noncore jobs to various service provider companies after entering into contracts with them. The resources deployed by the service provider companies were their employees and the said companies have had sole administrative control over these resources. Some of these resources filed writ petitions before the High Courts and NIRC seeking to be absorbed by the Bank in its regular service based on grounds that they were in fact employees of the Bank. Presently, there are 6 cases on appeal pending at the Supreme Court where these have been clubbed to be heard as one. The Chief Justice of Pakistan has constituted a larger bench comprising of five Judges being headed by himself for adjudication. The case is ongoing and is presently adjourned for a date to be fixed. A favorable outcome of this case is expected.

25.3.3.3 Litigation related to management trainee program

Treatment of Non-MTOs (regular employees) at Par with the MTOs (also appointed in regular cadres) - Litigation arising out of order dated September 21,2016 passed by the Supreme Court in our CA No.1644/2013 out of our CPLA No. 805/2013 filed against order dated March 13, 2013 of the Division Bench of Sindh High Court, Sukkar in CP No. D-417/2010.

Mr. Ashfaq Ali and three (3) others filed a CP No. D-417/2010 before the Sindh High Court, Bench at Sukkur while praying to treat them equally in respect of remunerations with other employees (MTOs) having same grade, nature of job and qualification.

The Honorable Division Bench at Sukkur, vide order dated March 13, 2013, directed the Bank to ensure equal treatment to the petitioners with similarly placed employees without any discrimination.

The aforementioned order of the Sindh High Court was assailed by the Bank before the Apex Court through CP No. 805/2013. The Civil Appeal was dismissed vide order September 21, 2016 in terms of which the Order of the Sindh High Court was upheld to pay arrears. Review Petition filed by the Bank was also dismissed vide order dated April 14, 2017.

Moreover, a number of Bank employees, after their representations were declined by the Bank, filed Writ Petitions before Various Benches of the Sindh High Court, Lahore High Court and Islamabad High Court. The Petitions filed before the Sindh High Court were disposed off with directions to the Bank to constitute a Committee for examining the cases of not only the Petitioners but all employees of the NBP with regard to their entitlement of the benefits as available to the similarly placed staff members keeping in view the judgement given by the honorable Supreme Court of Pakistan in Civil appeal number 1644/2013 dated September 21, 2016. Subsequently, the Karachi Bench of Sindh High Court modified their earlier judgment and restricted the same to the extent of Petitioners only. The Bank formed a Committee and cases of the petitioners / employees, claiming to be similarly placed with the MTOs, were reviewed by the Bank on the touch stone of intelligible differentia.

One of those Writ Petitions filed by Mr. Muhammad Naeem in the year 2013 was allowed by the Peshawar High Court, Peshawar, vide order dated May 30, 2018, in the light of the aforesaid judgment of the Supreme Court. The Bank assailed the said order before the Apex court however the same was dismissed vide order dated October 2, 2019 which has now attained finality.

During the year, the Bank has entered an out of court settlements which has successfully been executed with many Non-MTO employees ('petitioners') and accordingly compromise agreements ('the agreement'), offering waiver of loans, increase in basic salaries and provision of other allowances, were signed with those petitioners who have withdrawn their cases against the Bank. Further, the Bank has carried out an assessment to ascertain the financial implications of the case with respect to non-petitioners and accordingly, they were also encouraged to enter into a similar agreement with Bank. The management is in the process of negotiation and is confident to undertake the agreement with remaining petitioners and non-petitioners. Furthermore, with respect to ongoing litigation, the management has reflected any potential impact it may have in an appropriate manner in these unconsolidated financial statements

25.4 Compliance and risk matters relating to anti-money laundering

The Bank and its New York Branch have entered into a Written Agreement with the Federal Reserve Bank of New York and New York State Department of Financial Services (US regulators) in 2016 which inter-alia requires the Bank to address certain compliance and risk management matters relating to anti-money laundering and the US bank secrecy law requirements and the implementation of the requisite systems and controls and allocation of adequate resources to ensure full compliance with such requirements. Management continues to address the matters highlighted in the Written Agreement and in the subsequent inspections and gets them independently validated. The Bank has made considerable progress and seeks to comply with all possible laws and regulations.

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		Note	2020	2019
			(Rupees in '000)	
26.	**MARK-UP / RETURN / INTEREST EARNED**			
	Loans and advances		**99,780,695**	109,645,808
	Investments		**154,040,914**	122,337,007
	On securities purchased under resale agreements		**2,373,880**	5,366,881
	Balances with other banks		**1,615,526**	2,127,620
			257,811,015	239,477,316
27.	**MARK-UP / RETURN / INTEREST EXPENSED**			
	Deposits		**103,380,273**	110,075,180
	Borrowings		**6,929,625**	6,981,845
	Cost of foreign currency swaps against foreign currency deposits / borrowings		**9,175,328**	9,157,133
	Finance charge on lease liability against right of use assets		**754,180**	719,136
	Securities sold under repurchase agreements		**33,416,502**	40,636,745
			153,655,908	167,570,039
28.	**FEE AND COMMISSION INCOME**			
	Branch banking customer fees		**1,234,426**	1,450,895
	Consumer finance related fees		**773,004**	810,367
	Card related fees		**1,054,031**	657,077
	Credit related fees		**181,504**	237,625
	Investment banking fees		**670,458**	616,320
	Commission on trade		**2,723,962**	3,359,376
	Commission on guarantees		**477,271**	440,867
	Commission on cash management		**14,149**	22,656
	Commission on remittances including home remittances		**1,038,763**	912,379
	Commission on bancassurance		**278,406**	392,746
	Commission on government transactions		**9,652,545**	9,958,006
	Others		**155,028**	266,232
			18,253,547	19,124,546
29.	**GAIN / (LOSS) ON SECURITIES - NET**			
	Realised	29.1	**7,883,429**	2,122,608
	Unrealised - held for trading	10.1	**2,074**	(10,996)
			7,885,503	2,111,612
29.1	**Realised gain on**			
	Federal Government securities		**5,346,600**	557,418
	Shares		**1,868,517**	1,536,727
	Ijarah sukuks		**8**	28,463
	Foreign securities		**668,304**	-
			7,883,429	2,122,608
30.	**OTHER INCOME**			
	Rent on property		**36,919**	49,969
	Gain on sale of fixed assets - net		**10,775**	29,569
	Postal, SWIFT and other charges recovered		**48,071**	44,202
	Compensation for delayed tax refunds	30.1	**3,834,424**	5,639,569
	Others		**33,105**	4,491
			3,963,294	5,767,800

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30.1 This represents compensation of delayed refunds determined under Section 171 of Income Tax Ordinance 2001.

	Note	2020	2019
		(Rupees in '000)	
31. OPERATING EXPENSES			
Total compensation expenses	31.1	**40,749,696**	45,284,522
Property expenses			
Rent and taxes		**411,294**	911,933
Insurance	31.2	**34,734**	34,124
Utilities cost		**1,345,619**	1,192,225
Security (including guards)		**2,726,215**	2,530,919
Repair and maintenance (including janitorial charges)		**1,134,368**	1,055,179
Depreciation		**466,348**	460,382
Depreciation on non banking assets		**15,784**	29,577
Depreciation on Ijarah assets		**85,593**	161,131
Depreciation on ROUA		**1,883,117**	1,872,972
		8,103,072	8,248,442
Information technology expenses			
Software maintenance		**1,366,196**	1,066,582
Hardware maintenance		**19,802**	15,419
Depreciation		**247,410**	283,627
Amortisation		**210,961**	317,868
Network charges		**559,235**	522,070
		2,403,604	2,205,566
Other operating expenses			
Directors' fees and allowances		**36,160**	38,613
Fees and allowances to Shariah Board		**9,290**	9,163
Legal and professional charges		**2,315,145**	851,077
Outsourced services costs	31.3	**829,229**	794,629
Travelling and conveyance		**653,230**	1,050,731
NIFT clearing charges		**189,866**	153,825
Depreciation		**1,652,352**	1,563,863
Training and development		**62,039**	112,538
Postage and courier charges		**213,403**	199,800
Communication		**322,654**	303,023
Stationery and printing		**1,128,834**	1,009,799
Marketing, advertisement and publicity		**317,000**	299,864
Contributions for other corporate and social responsibility	31.4	**85,447**	26,868
Auditors' remuneration	31.5	**198,063**	197,756
Financial charges on leased assets		**30,852**	25,947
Entertainment		**252,132**	276,128
Clearing charges, verification and licence fee		**342,554**	436,517
Brokerage		**121,092**	110,284
Insurance general		**369,473**	415,779
Vehicle expenses		**149,421**	145,957
Deposit premium expense		**1,388,248**	1,244,433
Repairs and maintenance general		**508,258**	387,878
Others		**365,509**	312,027
		11,540,251	9,966,499
		62,796,623	65,705,029

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		2020	2019
		(Rupees in '000)	
31.1	**Total compensation expense**		
	Managerial Remuneration		
	i) Fixed	**13,157,852**	17,727,960
	ii) Variable		
	of which;		
	a) Cash bonus / awards etc.	**4,413,504**	4,187,847
	Charge for defined benefit plan	**7,392,388**	7,495,742
	Rent & house maintenance	**4,591,965**	4,471,577
	Utilities	**1,712,734**	1,661,707
	Medical	**3,141,830**	3,101,904
	Conveyance	**3,192,648**	3,289,910
	Club Membership & Subscription	**80,796**	42,519
	Education Allowance	**1,463,449**	1,570,297
	Insurance	**440,776**	292,665
	Honorarium to Staff and Staff Welfare	**206,662**	262,111
	Overtime	**25,196**	53,628
	Special Duty Allowance	**477**	1,143
	Washing Allowance	**15,971**	16,707
	Key Allowance	**72,208**	78,886
	Unattractive Area Allowance	**57,929**	48,282
	Leave Encashment	**9,246**	80,128
	Teaching Allowance	**9,199**	7,962
	Incentive on CASA deposits mobilization	**6,790**	26,063
	Meal Allowance	**126,585**	126,561
	Liveries	**1,086**	490
	Hill, Late Sitting & Saturday allowance etc.	**630,405**	740,433
		40,749,696	45,284,522
	Grand Total	**40,749,696**	45,284,522

31.2 This includes Rs. 3.550 million (2019: Rs. 3.201 million) insurance premium against directors' liability insurance.

31.3 Total cost for the year included in other operating expenses relating to outsourced activities is Rs. 829 million (2019: Rs. 795 million). Out of this cost, Rs. 821 million (2019: Rs. 787 million) pertains to the payment to companies incorporated in Pakistan and Rs. 8 million (2019: Rs. 8 million) pertains to payment to companies incorporated outside Pakistan. Total Cost of outsourced activities for the year given to related parties is Rs Nil (Prior Year: Rs Nil). Outsourcing shall have the same meaning as specified in Annexure-I of BPRD Circular No. 06 of 2017. The material outsourcing arrangements along with their nature of services are as follows:

Name of Company	Nature of Services	2020	2019
		(Rupees in '000)	
ICON Consultant (Private) Limited	IT support Services, sales services, collection, reconciliation and engineering services etc.	**270,438**	265,011
HTECH Solutions (Private) Limited	Call center management	**97,407**	-
Virtual World (Private) Limited	Call center management	**5,497**	60,994
		373,342	326,005

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31.4 Contributions for Corporate & Social Responsibilities include following amounts exceeding Rs. 500,000:

Description	2020	2019
	(Rupees in '000)	
Karachi Relief Trust (KRT)	**20,000**	-
Rural Community Development Program	**20,000**	-
National Rural Support Program	**25,000**	-
SAFCO Support Program	**5,000**	-
Thardeep Mirco Finance Foundation	**5,000**	-
Agha Khan Rural Support Program	**5,000**	-
Namal College-Mianwali	**5,200**	5,198
DHQ Hospital Gawadar	**-**	3,750
Syed Abad Botanical Garden University of Chitral	**-**	525
Earthquake Effectees of Mirpur AJ&K.	**-**	7,500
Aman Foundation	**-**	2,000
Total	**85,200**	18,973

31.4.1 None of the Directors, Sponsor shareholders and Key Management Personnel or their spouse have an interest in the Donee.

31.5 Auditors' remuneration

	Yousuf Adil	Grant Thornton Anjum Rahman	Total 2020	Total 2019
	(Rupees in '000)			
Audit fee	**6,226**	**6,226**	**12,452**	12,452
Review of interim financial statements	**2,178**	**2,178**	**4,356**	4,356
Fee for audit of domestic branches	**5,060**	**5,060**	**10,120**	10,120
Fee for other statutory certifications	**-**	**2,500**	**2,500**	3,500
Special certifications and sundry advisory services	**1,136**	**1,968**	**3,104**	8,472
Tax services	**-**	**20,000**	**20,000**	20,000
Sales Tax	**1,168**	**3,035**	**4,203**	4,712
Out-of-pocket expenses	**4,500**	**4,500**	**9,000**	9,000
	20,268	**45,467**	**65,735**	72,612
Fee for audit of overseas branches including advisory services and out-of-pocket expenses	**-**	**-**	**132,328**	125,144
	20,268	**45,467**	**198,063**	197,756

	Note	2020	2019
		(Rupees in '000)	
32. OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		**310,588**	141,015
Penalties imposed by other regulatory bodies (Central bank of international branches)		**4,719**	7,076
		315,307	148,091
33. PROVISIONS AND WRITE OFFS - NET			
Provisions for diminution in value of investments	10.3	**(126,387)**	3,041,682
Provisions against loans and advances	11.4	**29,320,023**	8,424,453
Provision against other assets and other liabilities		**1,702,302**	2,784,140
		30,895,938	14,250,275

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2020

		Note	2020	2019
			(Rupees in '000)	
34.	**TAXATION**			
	Current	34.1	**24,898,997**	13,286,008
	Prior years		**-**	1,056,841
	Deferred		**(9,233,769)**	(2,149,293)
			15,665,228	12,193,556
34.1	Current taxation includes Rs. Nil (2019: Rs. 319 million) of overseas branches.			
34.2	**Relationship between tax expense and accounting profit**			
	Accounting profit before tax		**46,224,147**	28,003,367
	Income tax at statutory rate @ 35% (2019: 35%)		**16,178,451**	9,804,386
	Super tax at statutory rate @ 4% (2019: 4%)		**1,848,966**	1,120,501
	Inadmissible items		**122,970**	57,755
	Prior year tax effects		**-**	1,056,841
	Impact of tax order		**(2,314,832)**	-
	Others		**(170,327)**	154,073
	Tax charge for current and prior years		**15,665,228**	12,193,556

		2020	2019
35.	**BASIC EARNINGS PER SHARE**		
	Profit for the year (Rupees in 000's)	**30,558,919**	15,809,811
	Weighted average number of ordinary shares (Number in 000's)	**2,127,513**	2,127,513
	Basic earnings per share (Rupees)	**14.36**	7.43
36.	**DILUTED EARNINGS PER SHARE**		
	Profit for the year (Rupees in 000's)	**30,558,919**	15,809,811
	Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares) (Number in 000's)	**2,127,513**	2,127,513
	Diluted earnings per share (Rupees)	**14.36**	7.43

		Note	2020	2019
			(Rupees in '000)	
37.	**CASH AND CASH EQUIVALENTS**			
	Cash and balances with treasury banks	7	**249,259,590**	292,513,379
	Balances with other banks	8	**14,227,355**	13,220,807
	Call / clean money lendings	9	**2,040,800**	540,800
	Call borrowings	17	**(2,047,588)**	(39,052,969)
	Overdrawn nostro accounts	17	**(1,236,440)**	(3,467,767)
			262,243,717	263,754,250

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2020

37.1 Reconciliation of movements of liabilities to cash flows arising from financing activities

	2020	
	Lease Obligation	**Unclaimed Dividend**
	(Rupees in '000)	
Balance as at January 1, 2020	**7,640,188**	**186,668**
Changes from financing cashflows		
Payment of lease obligation / dividend	**(2,040,384)**	**(1,152)**
Total charges from financing activities	**(2,040,384)**	**(1,152)**
Other charges		
Renewed lease during the period	**1,237,488**	**-**
Interest unwinding	**754,180**	**-**
Foreign exchange loss	**(57,781)**	**-**
Total other charges	**1,933,887**	**-**
Balance as at December 31, 2020	**7,533,691**	**185,516**

	2019	
	Lease Obligation	Unclaimed Dividend
	(Rupees in '000)	
Balance as at January 1, 2019	7,656,551	188,868
Changes from financing cashflows		
Payment of lease obligation / dividend	(2,044,189)	(2,200)
Total charges from financing activities	(2,044,189)	(2,200)
Other charges		
Renewed lease during the period	1,183,911	-
Interest unwinding	719,136	-
Foreign exchange gain	124,779	-
Total other charges	2,027,826	-
Balance as at December 31, 2019	7,640,188	186,668

38. STAFF STRENGTH

	2020	2019
	(Numbers)	
Permanent	**10,751**	11,096
On Bank contract	**4,358**	4,092
Bank's own staff strength at the end of the year	**15,109**	15,188

38.1 In addition to the above, 1,838 (2019: 2,102) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services. Further, 1,825 employees are working domestically (2019: 2,096) and abroad 13 (2019: 6) respectively.

39. DEFINED BENEFIT PLAN

39.1 General description

General description of the type of defined benefit plan and accounting policy for remeasurements of the net defined liability / asset is disclosed in note 5.13 to the unconsolidated financial statements.

39.2 Number of employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2020	2019
	(Numbers)	
Pension fund	**10,751**	11,430
Gratuity scheme	**3,985**	3,776
Benevolent scheme	**10,751**	11,430

39.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2020 using the following significant assumptions:

	2020	2019
	(Per annum)	
Discount rate	9.75%	11.25%
Expected rate of return on plan assets	9.75%	11.25%
Expected rate of salary increase	9.75%	11.25%
Expected rate of increase in pension	14.00%	6.75%
Expected rate of increase in medical benefit	9.75%	11.25%

39.4 Reconciliation of (receivable from) / payable to defined benefit plans

	2020						2019					
	Pension fund	Post retirement medical scheme	Benevolent scheme	Gratuity fund	Compensated absences	Total	Pension fund	Post retirement medical scheme	Benevolent scheme	Gratuity fund	Compensated absences	Total
	(Rupees in '000)											
Present value of obligations	72,742,130	22,282,747	2,054,218	2,711,914	9,251,755	109,042,764	66,473,466	18,333,947	1,749,006	2,206,599	8,344,182	97,107,200
Fair value of plan assets	(57,038,053)	-	-	-	-	(57,038,053)	(51,687,819)	-	-	-	-	(51,687,819)
Payable	15,704,077	22,282,747	2,054,218	2,711,914	9,251,755	52,004,711	14,785,647	18,333,947	1,749,006	2,206,599	8,344,182	45,419,381

39.5 Movement in defined benefit obligations

Obligations at the beginning of the year	66,473,466	18,333,947	1,749,006	2,206,599	8,344,182	97,107,200	61,084,925	15,371,225	1,604,689	1,730,265	7,541,419	87,332,523
Current service cost	1,517,934	554,295	61,059	311,438	133,178	2,577,904	1,422,746	524,008	51,215	252,641	181,761	2,432,371
Adjustment against contigency Reserve	2,338,905	497,146	20,650	-	319,164	3,175,865	-	-	-	-	-	-
Interest cost	7,285,453	1,996,008	183,757	244,487	919,810	10,629,515	7,869,225	1,975,232	196,021	226,381	973,033	11,239,892
Benefits paid by the Bank	(3,427,771)	(1,183,316)	(231,219)	(66,763)	(336,194)	(5,245,263)	(3,389,098)	(927,632)	(250,563)	(43,460)	(395,546)	(5,006,299)
Re-measurement loss / (gain) - Profit and loss	-	-	-	-	(128,385)	(128,385)	-	-	-	-	43,515	43,515
Re-measurement loss / (gain) - OCI	(1,445,857)	2,084,667	270,965	16,153	-	925,928	(514,332)	1,391,114	147,644	40,772	-	1,065,198
Obligations at the end of the year	72,742,130	22,282,747	2,054,218	2,711,914	9,251,755	109,042,764	66,473,466	18,333,947	1,749,006	2,206,599	8,344,182	97,107,200

39.6 Movement in fair value of plan assets

Fair value at the beginning of the year	51,687,819	-	-	-	-	51,687,819	48,015,260	-	-	-	-	48,015,260
Interest income on plan assets	5,686,646	-	-	-	-	5,686,646	6,220,036	-	-	-	-	6,220,036
Contribution by the Bank - net	1,148,063	-	-	-	-	1,148,063	1,245,917	-	-	-	-	1,245,917
Benefits paid	(3,427,771)	-	-	-	-	(3,427,771)	(3,389,098)	-	-	-	-	(3,389,098)
Benefits paid on behalf of fund	1,783,479	-	-	-	-	1,783,479	1,631,059	-	-	-	-	1,631,059
Actuarial gain / (loss) on Assets	159,817	-	-	-	-	159,817	(2,035,355)	-	-	-	-	(2,035,355)
Fair value at the end of the year	57,038,053	-	-	-	-	57,038,053	51,687,819	-	-	-	-	51,687,819

Movement in (receivable) / payable under defind benefits scheme

Opening balance	14,785,647	18,333,947	1,749,006	2,206,599	8,344,182	45,419,381	13,069,665	15,371,225	1,604,689	1,730,265	7,541,419	39,317,263
Charge / (reversal) for the year	3,116,741	2,550,303	244,816	555,925	924,603	7,392,388	3,071,935	2,499,240	247,236	479,022	1,198,309	7,495,742
Adjustment against contigency Reserve	2,338,905	497,146	20,650	-	319,164	3,175,865	-	-	-	-	-	-
Contribution by the bank - net	(1,148,063)	-	-	-	-	(1,148,063)	(1,245,917)	-	-	-	-	(1,245,917)
Re-measurement loss / (gain) recognized in OCI during the year	(1,605,674)	2,084,667	270,965	16,153	-	766,111	1,521,023	1,391,114	147,644	40,772	-	3,100,553
Benefits paid by the Bank	(1,783,479)	(1,183,316)	(231,219)	(66,763)	(336,194)	(3,600,971)	(1,631,059)	(927,632)	(250,563)	(43,460)	(395,546)	(3,248,260)
	15,704,077	22,282,747	2,054,218	2,711,914	9,251,755	52,004,711	14,785,647	18,333,947	1,749,006	2,206,599	8,344,182	45,419,381

39.7 Charge for defined benefit plans

39.7.1 Cost recognised in profit and loss

Current service cost	1,517,934	554,295	61,059	311,438	133,178	2,577,904	1,422,746	524,008	51,215	252,641	181,761	2,432,371
Actuarial loss recognized - Profit and Loss	-	-	-	-	(128,385)	(128,385)	-	-	-	-	43,515	43,515
Net interest on defined benefit asset / liability	1,598,807	1,996,008	183,757	244,487	919,810	4,942,869	1,649,189	1,975,232	196,021	226,381	973,033	5,019,856
	3,116,741	2,550,303	244,816	555,925	924,603	7,392,388	3,071,935	2,499,240	247,236	479,022	1,198,309	7,495,742

39.7.2 Re-measurements recognised in OCI during the year

Loss / (gain) on obligation												
- Experience adjustment	(1,605,674)	2,084,667	270,965	16,153	-	766,111	1,521,023	1,391,114	147,644	40,772	-	3,100,553
Total re-measurements recognised in OCI	(1,605,674)	2,084,667	270,965	16,153	-	766,111	1,521,023	1,391,114	147,644	40,772	-	3,100,553

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2020

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		2020	2019
		---------- (Rupees in '000) ----------	
39.8	**Components of plan assets**		
	Pakistan investment bonds	**22,127,729**	22,127,729
	Treasury bills	**1,655,750**	-
	Term finance certificates	**104,000**	104,000
	Mutual funds / shares	**6,427,374**	5,870,329
	Shares	**7,179,354**	6,288,248
	Defence saving certificates	**8,479,970**	7,538,348
	Special saving certificates	**9,635,360**	8,523,972
	Cash at bank	**1,428,516**	1,235,194
		57,038,053	51,687,819

39.9 Sensitivity analysis

The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption should be summarised as below:

	2020					
	Pension fund	Post retirement medical scheme	Benevolent scheme	Gratuity fund	Compensated absences	Total
	---------- (Rupees in 000') ----------					
1% increase in discount rate	**65,308,485**	**19,266,575**	**1,915,735**	**2,396,364**	**8,538,577**	**97,425,736**
1% decrease in discount rate	**81,782,213**	**26,081,439**	**2,211,838**	**3,088,758**	**10,070,396**	**123,234,644**
1 % increase in expected rate of salary increase	**76,592,777**	**23,499,623**	**2,081,710**	**3,098,775**	**10,107,352**	**115,380,237**
1 % decrease in expected rate of salary increase	**69,280,964**	**21,191,648**	**2,027,093**	**2,383,069**	**8,494,357**	**103,377,131**
1% increase in expected rate of pension increase	**77,360,353**	**24,019,702**	**-**	**-**	**-**	**101,380,055**
1% decrease in expected rate of pension increase	**68,785,097**	**20,793,333**	**-**	**-**	**-**	**89,578,430**
1% increase in expected rate of medical benefit increase	**-**	**23,097,183**	**-**	**-**	**-**	**23,097,183**
1% decrease in expected rate of medical benefit increase	**-**	**21,601,836**	**-**	**-**	**-**	**21,601,836**

39.10	**Expected contributions to be paid to the funds in the next financial year**	**1,478,863**
39.11	**Expected charge for the next financial year**	**7,034,716**

39.12 Maturity profile

The weighted average duration of the obligation

	Years
Pension fund	**11.32**
Post retirement medical fund	**15.29**
Benevolent fund	**7.21**
Gratuity fund	**12.77**
Compensated absences	**8.28**

39.13 Funding Policy

Pension Fund - Bank's current assets and its percentage is given below;

Current Assets	Amount Rupees in '000	Percentage
Cash and cash equivalents - net	**1,428,516**	**2.5%**
Government securities	**41,898,809**	**73.5%**
Shares	**7,179,354**	**12.6%**
Non-Government debt securities	**104,000**	**0.2%**
Mutual funds	**6,427,374**	**11.3%**
	57,038,053	**100%**

Bank will continue to invest with the same percentage in the asset categories mentioned but increase the assets gradually so that there is no deficit in the pension fund.

Notes to the Unconsolidated Financial Statements
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39.14 Significant risks associated with the staff retirement benefit schemes are as follows:

Asset volatility	The risk arises when the future earnings are lower than expectation. This risk is measured at a plan level over the obligation period of the current population. The company assets are either invested in fixed securities or cash.
Changes in bond yields	The risk arises when the actual return on plan assets is lower than expectation.
Inflation risk	The most common type of retirement benefit is one where the benefit is linked with last drawn salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.
Life expectancy / Withdrawal rate	The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population. The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.
Investment Risk	The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

40. DEFINED CONTRIBUTION PLAN

A defined contribution (DC) plan is a type of retirement plan in which the employer, employee or both make contributions on a regular basis. Individual accounts are set up for participants and benefits are based on the amounts credited to these accounts (through employee contributions and, if applicable, employer contributions) plus any investment earnings on the money in the account. In defined contribution plans, future benefits fluctuate on the basis of investment earnings.

Bank currently does not have any defined contribution plan.

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41. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

41.1 Total Compensation Expense

Items	2020					
	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other material risk takers / controllers
	Chairman	Non-Executives				
	(Rupees in '000)					
Fees and Allowances etc.	3,450	30,150	-	-	-	-
Managerial Remuneration						
i) Fixed	-	-	7,362	54,000	206,031	405,064
ii) Total Variable						
of which						
a) Cash Bonus / Awards	-	-	549	-	64,745	175,480
Charge for defined benefit plan	-	-	-	4,500	40,979	104,283
Rent & house maintenance	-	-	683	-	89,343	193,085
Utilities	-	-	211	-	27,615	60,211
Medical	-	-	155	-	24,633	63,510
Conveyance	-	-	330	-	17,234	50,435
Others	659	1,900	-	3,511	13,709	61,611
Total	4,109	32,050	9,290	62,011	484,289	1,113,679
Number of Persons	1	8	3	1	34	99

The President and certain executives are also provided with free use of Bank's cars, household equipment, mobile phones and free membership of clubs.

41.1.1 SBP has issued guidelines and disclosure on governance and remuneration practices through BPRD Circular No. 01 of 2017 dated January 25, 2017 effective from January 01, 2019. No bonus payout has yet been made under the said circular and deferral as per Human Resources Policy will be made at the time of payment.

Performance bonus is accounted for on payment basis.

Items	2019				
	Directors		Members Shariah Board	President / CEO	Key Management Personnel
	Chairman	Non-Executives			
	(Rupees in '000)				
Fees and Allowances etc.	2,550	28,650	-	-	-
Managerial Remuneration					
i) Fixed	-	-	7,359	49,557	146,697
ii) Total Variable					
of which					
a) Cash Bonus / Awards	-	-	402	-	54,435
Charge for defined benefit plan	-	-	-	4,500	38,739
Rent & house maintenance	-	-	681	790	80,897
Utilities	-	-	211	310	24,939
Medical	-	-	155	396	23,531
Conveyance	-	-	330	-	16,825
Others	1,654	5,759	25	2,784	14,857
Total	4,204	34,409	9,163	58,337	400,920
Number of Persons	1	10	3	1	29

Notes to the Unconsolidated Financial Statements
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41.2 Remuneration paid to Directors for participation in Board and Committee Meetings

2020

S.No.	Name of Director	Meeting Fees and Allowances Paid							
			For Board Committees						
		For Board Meetings	Board Audit Committee	Board Risk & Compliance Committee	Board HR & Remuneration Committee	Board Technology & Digitalization Committee	Board Inclusive Development Committee	Board International Franchises & Remittance Committee	Total Amount Paid
		(Rupees in '000)							
1	Mr. Zubyr Soomro	2,759	-	-	1,350	-	-	-	4,109
2	Mr. Muhammad Naeem	554	414	150	-	-	-	-	1,118
3	Mr. Muhammad Sohail Rajput	2,309	1,056	-	-	-	1,050	-	4,415
4	Ms. Sadaffe Abid	1,721	-	-	-	1,350	1,050	-	4,121
5	Mr. Tawfiq Asghar Hussain	2,100	1,200	1,050	-	-	-	1,200	5,550
6	Mr. Zafar Masud	900	-	-	600	450	-	300	2,250
7	Mr. Farid Malik	2,456	-	1,139	1,567	1,634	-	-	6,797
8	Mr. Imam Bukhsh Baloch	2,100	-	1,050	-	-	1,050	-	4,200
9	Mr. Asif Jooma	1,650	900	-	1,050	-	-	-	3,600
	Total Amount Paid	16,549	3,570	3,389	4,567	3,434	3,150	1,500	36,160

2019

S.No.	Name of Director	Meeting Fees and Allowances Paid							
			For Board Committees						
		For Board Meetings	Board Audit Committee	Board Risk & Compliance Committee	Board HR & Remuneration Committee	Board Technology & Digitalization Committee	Board Inclusive Development Committee	Board International Franchises & Remittance Committee	Total Amount Paid
		(Rupees in '000)							
1	Mr. Zubyr Soomro	2,854	-	-	1,350	-	-	-	4,204
2	Mr. Muhammad Naeem	2,545	1,722	766	1,434	323	-	-	6,790
3	Mr. Muhammad Sohail Rajput	1,333	1,104	-	-	-	904	-	3,341
4	Ms. Sadaffe Abid	1,127	-	-	-	1,050	750	-	2,927
5	Mr. Tawfiq Asghar Hussain	1,050	1,050	600	-	-	-	300	3,000
6	Mr. Zafar Masud	1,200	-	-	1,350	1,200	-	300	4,050
7	Mr. Farid Malik	3,066	-	826	721	2,237	-	-	6,850
8	Mr. Imam Bukhsh Baloch	1,200	-	450	-	-	750	-	2,400
9	Mr. A. Akbar Sharifzada	1,050	498	-	583	-	-	-	2,131
10	Mr. Asad Munir	1,144	-	-	426	-	-	-	1,570
11	Mr. Muhammad Imran Malik	750	450	150	-	-	-	-	1,350
	Total Amount Paid	17,319	4,824	2,792	5,864	4,810	2,404	600	38,613

41.2.1 In last year, Rs. 578,000 was inadvertently disclosed as amount paid to Mr. Zubyr Soomro for attending Board Risk & Compliance Committee. In current year, said amount has been reclassified to Board meeting fees & allowances. Further, Nil figure was erroneously disclosed in Board Inclusive Development Committee last year which is corrected in current year.

41.3 Remuneration paid to Shariah Board Members

Items	2020				2019			
	Chairman	Resident Member	Non-Resident Member(s)	Total	Chairman	Resident Member	Non-Resident Member(s)	Total
	(Rupees in '000)							
Retainer Fee & Fixed Remuneration	3,240	3,170	2,880	9,290	3,240	3,043	2,880	9,163
Total Amount Paid	3,240	3,170	2,880	9,290	3,240	3,043	2,880	9,163
Total Number of Persons	1	1	1	3	1	1	1	3

42. FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted instruments classified as held to maturity are carried at cost.

The fair value of unquoted debt securities, fixed-term loans, other assets, other liabilities, fixed-term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

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42.1 Fair value of financial assets

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analysis financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	2020				
	Carrying Value	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	---------- (Rupeesin '000) ----------				
Financial assets - measured at fair value					
Investments					
Market Treasury Bills	626,248,789	-	626,248,789	-	626,248,789
Pakistan Investment Bonds	473,408,082	-	473,408,082	-	473,408,082
Ijarah Sukuks	6,015,600	-	6,015,600	-	6,015,600
Ordinary shares of listed companies	47,907,782	47,907,782	-	-	47,907,782
Preference shares	1,099,850	1,099,850	-	-	1,099,850
Investments in mutual funds	2,000,170	2,000,170	-	-	2,000,170
Term Finance Certificates / Musharika and Sukuk Bonds	55,860,007	4,280,000	51,580,007	-	55,860,007
GoP Foreign Currency Bonds	10,840,875	-	10,840,875	-	10,840,875
Foreign Government Securities	2,847,176	-	2,847,176	-	2,847,176
Foreign Currency Debt Securities	80,640	-	80,640	-	80,640
Ordinary shares of a bank outside Pakistan	17,652,778	17,652,778	-	-	17,652,778
	1,243,961,749	72,940,580	1,171,021,169	-	1,243,961,749
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	249,259,590	-	-	-	-
Balances with other banks	14,227,355	-	-	-	-
Lending to financial institution	126,804,675	-	-	-	-
Investments					
Pakistan Investment Bonds	168,422,981	-	-	-	-
GoP Foreign Currency Bonds	-	-	-	-	-
Ordinary shares of unlisted companies	1,455,089				
Market Treasury Bills	-	-	-	-	-
Foreign Government Securities	32,328,738	-	-	-	-
Foreign Currency Debt Securities	618	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	7,838	-	-	-	-
Bai muajjal with Government of Pakistan	11,641,133	-	-	-	-
Advances	983,254,527	-	-	-	-
Other assets	110,195,768	-	-	-	-
	1,697,598,312	-	-	-	-
	2,941,560,061	72,940,580	1,171,021,169	-	1,243,961,749
Off-balance sheet financial instruments - measured at fair value					
Foreign exchange contracts purchase and sale	419,327,735	-	(2,918,017)	-	(2,918,017)
Forward government securities transactions	27,625,340	-	52,885	-	52,885

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For the year ended December 31, 2020

	2019				
	Carrying Value	Level 1	Level 2	Level 3	Total
	(Rupeesin '000)				
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Market Treasury Bills	621,791,597	-	621,791,597	-	621,791,597
Pakistan Investment Bonds	329,418,686	-	329,418,686	-	329,418,686
Ijarah Sukuks	1,978,800	-	1,978,800	-	1,978,800
Ordinary shares of listed companies	41,863,797	41,863,797	-	-	41,863,797
Preference shares	79,388	35,956	-	43,432	79,388
Investments in mutual funds	1,903,224	1,903,224	-	-	1,903,224
Term Finance Certificates / Musharika and Sukuk Bonds	56,252,659	9,204,193	47,048,466	-	56,252,659
GoP Foreign Currency Bonds	22,476,530	-	22,476,530	-	22,476,530
Foreign Government Securities	3,491,851	-	3,491,851	-	3,491,851
Foreign Currency Debt Securities	1,422,271	-	1,422,271	-	1,422,271
Ordinary shares of a bank outside Pakistan	18,831,756	18,831,756	-	-	18,831,756
	1,099,510,559	71,838,926	1,027,628,201	43,432	1,099,510,559
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	292,513,379	-	-	-	-
Balances with other banks	13,220,807	-	-	-	-
Lending to financial instruments	134,780,010	-	-	-	-
Investments					-
Market Treasury Bills	114,091,320	-	-	-	-
Pakistan Investment Bonds	184,864,103	-	-	-	-
GoP Foreign Currency Bonds	4,087,591	-	-	-	-
Ordinary shares of unlisted companies	1,593,609	-	-	-	-
Foreign Government Securities	29,600,343	-	-	-	-
Foreign Currency Debt Securities	596	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	9,573	-	-	-	-
Bai muajjal with Government of Pakistan	10,395,235				
Advances	1,008,139,084	-	-	-	-
Other assets	164,280,512	-	-	-	-
	1,957,576,162	-	-	-	-
	3,057,086,721	71,838,926	1,027,628,201	43,432	1,099,510,559
Off-balance sheet financial instruments - measured at fair value					
Foreign exchange contracts purchase and sale	801,290,548	-	(4,358,883)	-	(4,358,883)
Forward government securities transactions	22,164,581	-	107,348	-	107,348

Valuation techniques used in determination of fair valuation of financial instruments within level 2 and level 3

Item	Valuation approach and input used
Market Treasury Bills	PKRV (MUFAP)
Pakistan Investment Bonds	PKRV (MUFAP)
Ijarah Sukuks	MUFAP
Ordinary shares of unlisted companies	Breakup value as per latest available audited financial statements
Term Finance Certificates / Musharika and Sukuk Bonds	MUFAP
GoP Foreign Currency Bonds	Reuter page
Foreign Government Securities	Reuter page
Foreign Currency Debt Securities	Reuter page

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42.2 Fair value of non-financial assets

Information about the fair value hierarchy of Bank's non-financial assets as at the end of the reporting period are as follows:

	2020				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
	(Rupees in '000)				
Land & building (property and equipment)	**48,764,139**	**-**	**48,764,139**	**-**	**48,764,139**
Non-banking assets acquired in satisfaction of claims	**3,750,925**	**-**	**3,750,925**	**-**	**3,750,925**
	52,515,064	**-**	**52,515,064**	**-**	**52,515,064**

	2019				
	Carrying Value	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
Land & building (property and equipment)	48,569,603	-	48,569,603	-	48,569,603
Non-banking assets acquired in satisfaction of claims	3,284,853	-	3,284,853	-	3,284,853
	51,854,456	-	51,854,456	-	51,854,456

43. SEGMENT INFORMATION

43.1 Segment Details with respect to Business Activities

During the year the Bank changed its internal organisation structure in a manner that changed the composition of its reportable segments, and accordingly the prior year disclosure is restated to reflect the current reportable segments. Branch banking has been bifurcated in to Retail Banking Group and Inclusive Development Group.

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	2020									
	Retail Banking Group	Inclusive Development Group	Corporate and Investment Banking	Treasury	International, Financial Institution and Remittance	Aitemaad and Islamic Banking	Head Office / Others	Sub total	Eliminations	Total
	---------- Rupees in '000 ----------									
Profit and loss account										
Net mark-up / return / profit	(76,417,139)	15,658,237	43,113,972	113,674,589	2,944,549	5,033,803	147,095	104,155,107	-	104,155,107
Inter segment revenue - net	127,171,107	(12,345,431)	(38,048,674)	(86,111,719)	-	(409,849)	9,744,567	-	-	-
Non mark-up / return / interest income	13,636,909	1,303,132	2,934,104	11,968,002	1,933,019	425,941	3,875,801	36,076,908	-	36,076,908
Total income	64,390,877	4,615,938	7,999,402	39,530,872	4,877,568	5,049,895	13,767,463	140,232,015	-	140,232,015
Segment direct expenses	28,602,759	2,177,142	906,172	366,426	6,337,022	2,542,000	405,695	41,337,217	-	41,337,217
Inter segment expense allocation	-	-	-	-	-	-	21,774,714	21,774,714	-	21,774,714
Total expenses	28,602,759	2,177,142	906,172	366,426	6,337,022	2,542,000	22,180,409	63,111,930		63,111,930
Provisions charge / (Reversal)	670,506	3,818,845	26,216,211	(202,726)	(484,011)	398,979	478,134	30,895,938	-	30,895,938
Profit / (loss) before tax	35,117,612	(1,380,048)	(19,122,981)	39,367,172	(975,444)	2,108,916	(8,891,080)	46,224,147	-	46,224,147
Statement of financial position										
Cash and bank balances	150,000,222	9,809,667	281,210	49,710,033	47,960,766	5,724,957	89	263,486,945	-	263,486,945
Investments	-	-	31,393,587	1,340,556,530	46,098,046	42,109,641	3,240,273	1,463,398,076	-	1,463,398,076
Net inter segment lending	1,716,041,623	-	-	-	-	-	192,791,099	1,908,832,722	(1,908,832,722)	-
Lendings to financial institutions	-	-	-	126,802,025	-	-	2,650	126,804,675	-	126,804,675
Advances - performing	232,021,162	128,340,996	538,861,528	-	43,633,881	37,546,863	8,175,184	988,579,614	-	988,579,614
Advances - non-performing	4,007,870	22,497,098	47,548,441	-	42,345,094	602,913	54,292,716	171,294,133	-	171,294,133
Provision against advances	(8,383,514)	(19,538,451)	(52,114,538)	-	(41,266,079)	(602,913)	(54,713,725)	(176,619,220)	-	(176,619,220)
Advances - net	227,645,519	131,299,642	534,295,432	-	44,712,896	37,546,863	7,754,175	983,254,527	-	983,254,527
Others	24,462,197	1,626,569	22,588,501	366,297	3,972,925	2,679,165	115,887,103	171,582,758	-	171,582,758
Total assets	2,118,149,561	142,735,878	588,558,730	1,517,434,885	142,744,633	88,060,626	319,675,390	4,917,359,704	(1,908,832,722)	3,008,526,981
Borrowings	-	3,511,852	46,688,596	86,290,983	2,047,575	-	-	138,539,005	-	138,539,005
Deposits and other accounts	2,070,445,603	-	200,011,969	-	73,225,543	75,268,262	15,102	2,418,966,479	-	2,418,966,479
Net inter segment borrowing	-	136,108,152	323,788,034	1,375,268,749	63,868,561	9,799,226	-	1,908,832,722	(1,908,832,722)	-
Others	47,703,958	3,115,875	17,857,441	12,387,953	3,138,352	2,333,570	96,925,606	183,462,755	-	183,462,755
Total liabilities	2,118,149,561	142,735,878	588,346,040	1,473,947,685	142,280,030	87,401,058	96,940,708	4,649,800,961	(1,908,832,722)	2,740,968,239
Equity	-	-	212,690	43,487,200	464,603	659,569	222,734,682	267,558,742	-	267,558,742
Total equity and liabilities	2,118,149,561	142,735,878	588,558,730	1,517,434,885	142,744,633	88,060,626	319,675,390	4,917,359,704	(1,908,832,722)	3,008,526,981
Contingencies and commitments	573,019,328	-	1,046,103,666	-	20,577,429	-	35,553,685	1,675,254,109	-	1,675,254,109

	2019 (Restated)									
	Retail Banking Group	Inclusive Development Group	Corporate and Investment Banking	Treasury	International, Financial Institution and Remittance	Aitemaad and Islamic Banking	Head Office / Others	Sub total	Eliminations	Total
	(Rupees in '000)									
Profit and loss account										
Net mark-up / return / profit	(83,637,534)	15,619,259	54,921,742	76,654,512	3,143,738	4,396,685	808,876	71,907,277	-	71,907,277
Inter segment revenue - net	148,346,359	(15,451,546)	(54,445,167)	(83,724,892)	-	(375,722)	5,650,967	-	-	-
Non mark-up / return / interest income	13,915,664	1,794,976	2,858,776	9,668,264	1,831,482	543,892	5,586,430	36,199,485	-	36,199,485
Total income	78,624,488	1,962,689	3,335,351	2,597,884	4,975,220	4,564,855	12,046,274	108,106,762	-	108,106,762
Segment direct expenses	28,523,599	2,350,847	801,063	310,208	4,276,639	2,601,428	441,720	39,305,505	-	39,305,505
Inter segment expense allocation	-	-	-	-	-	-	26,547,615	26,547,615	-	26,547,615
Total expenses	28,523,599	2,350,847	801,063	310,208	4,276,639	2,601,428	26,989,335	65,853,120	-	65,853,120
Provisions charge / (reversal)	1,881,924	922,825	8,030,099	1,899,416	(104,320)	(75,061)	1,695,392	14,250,275	-	14,250,275
Profit / (loss) before tax	48,218,965	(1,310,983)	(5,495,811)	388,260	802,901	2,038,488	(16,638,453)	28,003,367	-	28,003,367
Statement of financial position										
Cash and bank balances	163,574,415	12,045,241	238,501	82,716,513	42,748,449	4,410,976	91	305,734,186	-	305,734,186
Investments	-	-	38,801,666	1,316,800,220	61,079,182	29,811,516	3,062,714	1,449,555,297	-	1,449,555,297
Net inter segment lending	1,631,347,664	-	-	-	-	-	134,629,475	1,765,977,140	(1,765,977,140)	-
Lendings to financial institutions	-	-	-	132,718,198	-	2,059,162	2,650	134,780,010	-	134,780,010
Advances - performing	221,997,792	144,537,546	538,385,369	-	55,382,884	33,880,111	8,379,630	1,002,563,333	-	1,002,563,333
Advances - non-performing	3,166,450	17,309,704	32,196,797	-	41,049,352	203,934	54,825,480	148,751,717	-	148,751,717
Provision against Advances	(6,621,295)	(14,171,794)	(27,075,335)	-	(40,266,386)	(203,934)	(54,837,221)	(143,175,966)	-	(143,175,966)
Advances - net	218,542,947	147,675,456	543,506,831	-	56,165,850	33,880,111	8,367,889	1,008,139,084	-	1,008,139,084
Others	25,307,037	1,853,736	40,745,805	3,971,387	4,014,363	4,890,661	145,397,304	226,180,293	-	226,180,293
Total assets	2,038,772,064	161,574,432	623,292,803	1,536,206,318	164,007,844	75,052,426	291,460,123	4,890,366,010	(1,765,977,140)	3,124,388,870
Borrowings	1,695,414	-	30,388,706	400,759,524	38,913,708	-	-	471,757,352	-	471,757,352
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deposits and other accounts	1,972,722,005	-	76,371,345	-	85,487,723	63,285,897	182,311	2,198,049,281	-	2,198,049,281
Net inter segment borrowing	-	156,839,607	484,593,419	1,081,180,371	36,248,475	7,115,268	-	1,765,977,140	(1,765,977,140)	-
Others	64,354,645	4,734,825	31,794,954	17,079,796	1,988,871	3,875,565	98,139,748	221,968,404	-	221,968,404
Total liabilities	2,038,772,064	161,574,432	623,148,424	1,499,019,691	162,638,778	74,276,729	98,322,059	4,657,752,177	(1,765,977,140)	2,891,775,037
Equity	-	-	144,380	37,186,627	1,369,066	775,697	193,138,064	232,613,833	-	232,613,833
Total equity and liabilities	2,038,772,064	161,574,432	623,292,803	1,536,206,318	164,007,844	75,052,426	291,460,123	4,890,366,010	(1,765,977,140)	3,124,388,870
Contingencies and commitments	833,218,160	-	236,880,686	823,455,129	28,997,140	-	31,345,046	1,953,896,161	-	1,953,896,161

43.2 Segment details with respect to geographical locations

	2020					
	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	Total
	(Rupees in '000)					
Profit and loss account						
Net mark-up / return / profit	101,210,557	535,456	59,526	421,629	1,927,939	104,155,107
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	34,143,889	509,898	316,191	747,936	358,994	36,076,908
Total income	135,354,446	1,045,354	375,717	1,169,565	2,286,933	140,232,015
Segment direct expenses	35,000,194	1,598,976	793,919	3,173,426	770,701	41,337,216
Inter segment expense allocation	21,774,714	-	-	-	-	21,774,714
Total expenses	56,774,908	1,598,976	793,919	3,173,426	770,701	63,111,930
Provisions	31,379,949	(308,070)	(117,586)	(32,798)	(25,557)	30,895,938
Profit / (loss) before tax	47,199,589	(245,552)	(300,616)	(1,971,063)	1,541,789	46,224,147
Statement of financial position						
Cash and bank balances	215,526,179	17,402,929	10,399,385	19,076,487	1,081,965	263,486,945
Investments	1,417,300,030	29,778,074	-	2,927,816	13,392,156	1,463,398,076
Net inter segment lendings	63,868,561	-	-	-	-	63,868,561
Lendings to financial institutions	126,804,675	-	-	-	-	126,804,675
Advances - performing	944,945,732	1,891,261	574,741	1,680,370	39,487,510	988,579,614
Advances - non-performing	128,949,039	35,574,078	1,205,975	-	5,565,041	171,294,133
Provision against advances	(135,353,141)	(35,648,345)	(1,205,975)	(2,306)	(4,409,453)	(176,619,220)
Advances - net	938,541,630	1,816,994	574,741	1,678,064	40,643,098	983,254,527
Others	167,609,833	2,773,901	139,572	183,851	875,601	171,582,758
Total assets	2,929,650,909	51,771,898	11,113,698	23,866,218	55,992,820	3,072,395,542
Borrowings	136,491,430	1,240,487	-	-	807,088	138,539,005
Deposits and other accounts	2,345,740,936	35,384,936	7,278,305	9,204,947	21,357,355	2,418,966,479
Net inter segment borrowing	-	14,344,870	3,643,594	13,051,137	32,828,959	63,868,561
Others	180,324,403	801,605	191,798	1,556,773	588,176	183,462,755
Total liabilities	2,662,556,770	51,771,897	11,113,697	23,812,857	55,581,578	2,804,836,799
Equity	267,094,139	-	-	53,361	411,242	267,558,743
Total equity and liabilities	2,929,650,909	51,771,898	11,113,697	23,866,218	55,992,820	3,072,395,542
Contingencies and commitments	1,654,676,680	3,380,468	3,105,342	7,173,633	6,917,986	1,675,254,109

	2019 (Restated)					
	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	Total
	(Rupees in '000)					
Profit and loss account						
Net mark-up / return / profit	68,763,540	(135,949)	81,192	1,028,536	2,169,958	71,907,277
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	34,368,002	373,516	303,358	579,091	575,517	36,199,484
Total Income	103,131,542	237,567	384,550	1,607,627	2,745,475	108,106,761
Segment direct expenses	34,851,166	1,577,553	720,501	1,328,813	649,769	39,127,802
Inter segment expense allocation	26,725,318	-	-	-	-	26,725,318
Total expenses	61,576,484	1,577,553	720,501	1,328,813	649,769	65,853,120
Provisions	14,354,594	(165,238)	(5,771)	28,281	38,409	14,250,275
Profit / (loss) before tax	27,200,464	(1,174,748)	(330,180)	250,533	2,057,296	28,003,366
Statement of financial position						
Cash and bank balances	262,985,737	24,232,322	10,435,547	5,119,150	2,961,430	305,734,186
Investments	1,388,476,075	33,197,057	-	10,751,978	17,130,186	1,449,555,297
Net inter segment lendings	36,248,474	-	-	-	8,107,633	44,356,106
Lendings to financial institutions	134,780,010	-	-	-	-	134,780,010
Advances - performing	947,180,448	7,553,135	120,810	14,706,409	33,002,530	1,002,563,332
Advances - non-performing	107,702,366	34,471,816	1,168,349	-	5,409,187	148,751,718
Provision against Advances	(102,909,580)	(34,767,043)	(1,168,349)	(34,009)	(4,296,985)	(143,175,966)
Advances - net	951,973,234	7,257,908	120,810	14,672,401	34,114,731	1,008,139,084
Others	222,165,930	2,730,741	121,839	373,587	788,196	226,180,293
Total assets	2,996,629,460	67,418,029	10,678,196	30,917,116	63,102,176	3,168,744,976
Borrowings	432,843,644	1,825,928	-	2,322,714	34,765,066	471,757,352
Deposits and other accounts	2,112,561,558	39,234,297	6,812,172	12,396,062	27,045,193	2,198,049,281
Net inter segment borrowing	-	25,343,803	3,679,631	15,332,672	-	44,356,106
Others	219,979,492	893,674	186,393	480,780	428,067	221,968,405
Total liabilities	2,765,384,693	67,297,702	10,678,196	30,532,227	62,238,326	2,936,131,144
Equity	231,244,767	120,327	-	384,889	863,850	232,613,833
Total equity and liabilities	2,996,629,460	67,418,030	10,678,196	30,917,116	63,102,176	3,168,744,977
Contingencies and commitments	1,924,899,021	4,703,237	3,479,436	6,359,387	14,455,079	1,953,896,161

44. TRUST ACTIVITIES

44.1 Endowment Fund

Students Loan Scheme was launched by Government of Pakistan in collaboration with the major commercial banks with a view to extend financial help by way of mark-up free loan to the meritorious students without sufficient resources for pursuing scientific technical and professional education within Pakistan.

The Scheme is being administered by a high powered committee headed by the Deputy Governor, State Bank of Pakistan and the Presidents of National Bank of Pakistan, Habib Bank Limited, United Bank Limited, Muslim Commercial Bank, Allied Bank Limited and the Deputy Secretary, Ministry of Finance as member and Senior Director of SMEFD (Infra Structure Housing and SME Finance Department) as a secretary of the Committee. The State Bank of Pakistan has assigned National Bank of Pakistan to operate the scheme.

The Committee in its meeting held on August 7, 2001 approved creation of Endowment Fund initially at an amount of Rs.500 million, Rs.396 million were transferred from the old Qarz-e-Hasna (Defunct) Fund, Rs.50 million contributed by Government of Pakistan and Rs.54 million were contributed by participating banks (HBL, NBP and UBL 25% each, MCB 17.5% and ABL 7.5%).

The amount of the Endowment Funds in investments stands at Rs. 785 million as at December 31, 2020 (2019: Rs. 758 million).

45. RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its parent, subsidiaries, associates, joint ventures, employee benefit plans and its directors and Key Management Personnel. The details of investment in subsidiary companies, joint venture and associated undertaking and their provisions are stated in note 10 of the financial statement of the bank.

The Banks enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these unconsolidated financial statements are as follows:

	2020										2019									
	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.I.D.A A/c)	Provident Fund	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.I.D.A A/c)	Provident Fund	Other related parties
	(Rupees in '000)																			
Balances with other banks																				
In current accounts	-	-	-	-	2,951	-	-	-	-	-	-	-	-	-	1,159	-	-	-	-	-
	-	-	-	-	2,951	-	-	-	-	-	-	-	-	-	1,159	-	-	-	-	-
Advances																				
Opening balance	-	228,805	414,565	3,046,662	-	-	-	-	-	23,386,325	-	222,967	528,198	3,115,819	-	-	-	-	-	217,063
Addition during the year	-	64,850	-	-	-	-	-	-	-	115,824,347	-	74,615	1,299,367	-	-	-	-	-	-	11,246,254
Repaid during the year	-	(31,840)	(55,000)	(65,633)	-	-	-	-	-	(115,673,058)	-	(22,888)	(1,413,000)	(69,157)	-	-	-	-	-	(14,896,873)
Transfer in / (out) - net	-	(28,548)	-							(23,232,497)	-	(45,889)	-	-	-	-	-	-	-	26,819,881
Closing balance	-	233,267	359,565	2,981,029	-	-	-	-	-	305,117	-	228,805	414,565	3,046,662	-	-	-	-	-	23,386,325
Provision held against advances	-	-	284,565	2,837,287	-	-	-	-	-		-	-	284,565	2,827,375	-	-	-	-	-	-
Other Assets																				
Interest / mark-up accrued	-	-	233,641	1,720,157	-	-	-	-	-	-	-	-	204,443	1,725,222	-	-	-	-	-	-
Other receivable	-	-	-	-	-	-	-	-	-	-	-	-	78,982	-	-	-	-	-	-	-
	-	-	233,641	1,720,157	-	-	-	-	-	-	-	-	283,425	1,725,222	-	-	-	-	-	-
Provision against other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings																				
Opening balance	-	-	-	-	279,814	-	-	-	-	-	-	-	-	-	38,248	-	-	-	-	-
Borrowings during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	241,566	-	-	-	-	-
Settled during the year	-	-	-	-	(270,703)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	9,111	-	-	-	-	-	-	-	-	-	279,814	-	-	-	-	-
Deposits and other accounts																				
Opening balance	3,835	94,715	1,522,792	-	-	73	-	1,235,120	13,296,883	40,416,083	10,732	80,688	1,120,160	-	-	1,085	11,100,000	458,328	12,465,939	-
Received during the year	8,672	713,917	261,901	-	-	47,037,983	-	3,054,527	1,941,908	708,790	23,314	625,431	403,078	-	-	45,832,581	-	11,785,192	2,246,185	273,669,395
Withdrawn during the year	(11,228)	(620,573)	(230,984)	-	-	(46,979,185)	-	(2,920,003)	(1,956,775)	(630,132)	(22,146)	(591,564)	(446)	-	-	(45,833,593)	(11,100,000)	(11,008,400)	(1,415,241)	(278,409,470)
* Transfer in / (out) - net	41	(10,823)	-	-	-	-	-	-	-	(40,290,295)	(8,065)	(19,840)	-	-	-	-	-	-	-	45,156,158
Closing balance	1,320	177,236	1,553,709	-	-	58,871	-	1,369,644	13,282,016	204,446	3,835	94,715	1,522,792	-	-	73	-	1,235,120	13,296,883	40,416,083
Other Liabilities																				
Other payables to subsidiaries	-	-	4,308	-	-	-	-	-	-	-	-	-	7,396	-	-	-	-	-	-	-
	-	-	4,308	-	-	-	-	-	-	-	-	-	7,396	-	-	-	-	-	-	-
Contingencies and Commitments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,463,085

* Transfer in / (out) - net due to retirement / appointment of directors and changes in key management executives.

	2020							2019						
	Key management personnel	Subsidiaries	Associates	Joint venture	Pension Fund	Provident Fund	Funds / Others	Key management personnel	Subsidiaries	Associates	Joint venture	Pension Fund	Provident Fund	Funds / Others
	(Rupees in '000)													
Income														
Mark-up / return / interest earned	-	20,827	-	9	-	-	-	-	13,672	-	112	-	-	-
Debts due by Companies in which Directors of the Bank is interested as Directors	-	-	-	-	-	-	15,755	-	-	-	-	-	-	1,860,682
Fee and commission income	-	683	-	-	-	-	-	-	2,131	-	-	-	-	-
Dividend income	-	77,368	-	-	-	-	-	-	51,300	6,000	-	-	-	-
Rent income / Lighting & Power and Bank charges	-	29,963	4,637	-	-	-	19,447	-	36,563	4,637	-	-	-	15,558
Expense														
Mark-up / return / interest paid	-	33,124	-	303	108,346	1,441,640	4,012	-	29,672	-	780	204,666	1,690,456	4,345,823
Expenses paid to company in which Director of the bank is interested as CEO	-	-	-	-	-	-	10,712	-	-	-	-	-	-	6,096
Commission paid to subsidiaries	-	4,661	-	-	-	-	-	-	2,878	-	-	-	-	-
Remuneration to key management executives including charge for defined benefit plan	546,300	-	-	-	-	-	-	459,257	-	-	-	-	-	-
Post Retirement Benefit paid to Director cum Ex-employee	-	-	-	-	-	-	2,087	-	-	-	-	-	-	2,087

45.1 Transactions with Government-related entities

The Federal Government through State Bank of Pakistan holds controlling interest (75.60% shareholding) in the Bank and therefore entities which are owned and / or controlled by the Federal Government, or where the Federal Government may exercise significant influence, are related parties of the Bank.

The Bank in the ordinary course of business enters into transaction with Government–related entities. Such transactions include lending to, deposits from and provision of other banking service to Government–related entities.

The Bank also earned commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs. 9,653 million (2019: 9,958 million) for the year ended December 31, 2020. As at the statement of financial position date the loans and advances, deposits and contingencies relating to Government–related entities amounted to Rs. 337,572 million (2019: 377,158 million), Rs. 932,317 million (2019: 840,064 million) and Rs. 948,335 million (2019: 876,232 million) respectively and income earned on advances and investment and profit paid on deposits amounted to Rs. 40,908 million (2019: 30,498 million) and Rs. 64,149 million (2019: 50,926 million) respectively.

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46. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- to comply with the capital requirements set by the regulators of the banking markets where the Bank operates;
- to safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

The SBP has issued instructions for Basel-III Implementation vide BPRD Circular No. 06 of 2013 dated August 15, 2013. These instructions are effective from December 31, 2013 in a phased manner with full implementation intended by December 31, 2019.

Basel-III instructions comprises of the following three capital standards:

i. Minimum Capital Requirement (MCR):

The MCR standard sets the nominal amount of capital banks / DFIs are required to hold. Currently, the MCR for banks and DFIs is Rs. 10 billion as prescribed by SBP.

ii. Capital Adequacy Ratio:

The Capital Adequacy Ratio (CAR) assesses the capital requirement based on the risks faced by the banks / DFIs. The banks / DFIs are required to comply with the minimum requirements as specified by the SBP on standalone as well as consolidated basis. Currently, the required CAR for banks is 11.50% (plus 2.0% for NBP as D-SIB requirement).

iii. Leverage Ratio:

Tier-1 Leverage Ratio of 3% is introduced in response to Basel III Accord as the third capital standard. Bank level disclosure of the leverage ratio and its components has started from December 31, 2015. The Bank has a leverage ratio of 4.06% in the year December 31, 2020 (2019 : 3.36%) and Tier-1 capital of Rs. 172,896 million (2019: Rs. 142,716 million).

The SBP's regulatory capital as managed by the Bank is analysed into following tiers:

1. Tier 1 Capital (going-concern capital)

- Common Equity Tier 1
- Additional Tier 1

- Tier I capital, which comprises highest quality capital element and include fully paid up capital, balance in share premium account, reserve for issue of bonus shares, general reserves and un-appropriate profits (net of accumulated losses, if any).

2. Tier 2 Capital (gone-concern capital)

- Tier II capital, which includes general reserve for loan losses, revaluation reserve, exchange translation reserve and subordinated debt.

Basel III capital rules requires bank to make certain deductions from the capital before arriving at the Capital Adequacy Ratio (CAR).

Risk weighted assets are measured according to the nature and reflect an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposures, with some adjustments to reflect more contingent nature of potential losses.

The Bank's policy is to maintain strong capital base so as to maintain, investor, creditor and market confidence, and to sustain future development of the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the SBP. The ratios compare the amount of eligible capital with the total of risk-weighted assets. The Bank monitors and reports its capital ratio under the SBP rules, which ultimately determines the regulatory capital, required to be maintained by Banks and DFIs.

The paid-up capital of the Bank for the year ended December 31, 2020 stood at Rs. 21,275 billion (2019: Rs. 21,275 billion) and is in compliance with the SBP requirement for the said year. In addition the Bank has maintained minimum Capital Adequacy Ratio (CAR) of 19.78% (2019: 15.48%).

There have been no material changes in the Bank's management of capital during the year.

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	2020	2019
	---------- (Rupees in '000) ----------	
Minimum Capital Requirement		
Paid-up capital	**193,859,398**	162,369,773
Capital Adequacy Ratio		
Eligible Common Equity Tier 1 Capital	**172,896,361**	142,716,150
Eligible Additional Tier 1 Capital	**-**	-
Total Eligible Tier 1 Capital	**172,896,361**	142,716,150
Eligible Tier 2 Capital	**55,224,098**	39,816,053
Total Eligible Capital (Tier 1 + Tier 2)	**228,120,459**	182,532,203
Risk Weighted Assets		
Credit Risk	**858,263,350**	913,568,310
Market Risk	**87,765,828**	91,752,716
Operational Risk	**207,071,580**	173,619,541
Total	**1,153,100,759**	1,178,940,567
Common Equity Tier 1 Capital Adequacy ratio	**14.99%**	12.11%
Tier 1 Capital Adequacy Ratio	**14.99%**	12.11%
Total Capital Adequacy Ratio	**19.78%**	15.48%
Leverage Ratio		
Tier-1 Capital	**172,896,361**	142,716,150
Total Exposures	**4,256,253,296**	4,252,343,911
Leverage Ratio	**4.06%**	3.36%
Liquidity Coverage Ratio		
Total High Quality Liquid Assets	**1,200,257,790**	890,965,256
Total Net Cash Outflow	**666,722,922**	603,741,462
Liquidity Coverage Ratio	**180%**	148%
Net Stable Funding Ratio		
Total Available Stable Funding	**2,309,310,465**	2,040,913,906
Total Required Stable Funding	**901,126,786**	875,207,068
Net Stable Funding Ratio	**256%**	233%

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

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47. RISK MANAGEMENT

Risk management is about understanding and managing the potential for volatility of earnings, loss of access to reliable deposits and funding and depletion of capital arising from the business activities, whilst pursuing its strategic objectives. The Bank has in place a well-defined risk management strategy / policy with clear objectives and deliverables through multi-pronged risk management processes.

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

- Identification and assessment of significant material risks.

- Overseeing and managing the risk profile of the Bank within the context of the risk appetite.

- Optimize risk/return decisions by aligning them to business objective of achieving sustainable optimum growth.

In order to support Risk Managment Group (RMG's) activities, the strong data management mechanism is also in place to collect and consolidate exposure wise information various risk related analysis and reviews. The mechanism also helps in identification of e-CIB related information, performing periodic review, generates reports and highlights inconsistencies and errors, and issuing instructions to the relevant data entry points for rectification.

In addition, Information Security Division (ISD) became an integral part of Risk Management Group to confronting the emerging risks arises due to the introduction and use of IT based systems. Fraud risk management has also been made a part of RMG under the umbrella of Operational and Fraud Risk Management Division.

47.1 Risk Governance Structure

Risk Management Group (RMG) operates as an independent group under the supervision of Chief Risk Officer. RMG's scope and coverage has been enhanced to cater enterprise-wide risk management, credit approvals, and asset rehabilitation. CRO reports directly to the President with a dotted line reporting to the Board Risk & Compliance Committee (BRCC). The group is responsible to perform the functions pertaining to development and oversight of the risk framework, methodologies and other functions assigned from time to time in line with local / international best practices and under the supervision of SBP's regulations / guidelines.

The Bank's Board is responsible to ensure active oversight over implementation of policies and frameworks so as to prevent any significant financial loss or reductions in shareholders' value that may be suffered by the Bank. Therefore, it is the responsibility of the Board to ensure that policies and frameworks are in place to recognize all significant/ material risks to which the Bank is / may be exposed and that the required human resource, culture, practices and systems are adequate to address such risks. The Board and its relevant committee, i.e. BRCC and the senior management along with its relevant committees i.e. Management Credit Committee (MCC), Enterprise Risk Committee (ERC), ALCO etc. are responsible to ensure implementation of risk management framework.

47.2 Risk Management Framework

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions, products and services offered.

The Bank implements risk management framework through a 'Three Lines of Defence' model which defines clear responsibilities and accountabilities for various offices and ensures effective and independent oversight and also that the activities take place as intended. RMG together with Compliance Group acts as second line of defence and performs integrated function of oversight and independently challenges the effectiveness of risk management actions taken by business groups, who are the first line of defence. The risk management is further strengthened by the third line of defence, where Board Audit and Compliance Committee and Audit and Inspection Group add value through independent and objective assurance in improving risk management functions of the Bank.

Following paragraphs introduce Bank's exposures to material risks associated with its business activities and explain overall strategies and processes to manage those risks:

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47.2.1 Credit Risk

Credit risk is the risk of loss resulting from the decline in credit quality or possibility that a obligor or counterparty may not honor on its contractual obligations to the Bank in accordance with agreed terms. NBP's lending activities account for most of the Bank's credit risk. Credit risk is continuously evolving in various financial activities including loans and advances, commitments to lend, contingent liabilities such as letter of credit and guarantees, and other types of both on and off-balance sheet transactions. The Bank has a dedicated setup lead by Chief Risk Officer that ensures the effectiveness of the frameworks for assessment / measurement, review and reporting of credit risk under supervision of Board Risk and Compliance Committee.

The Bank has in place Risk Apetite Framework and Credit Risk Concentration Management Framework to ascertain the levels of credit risk it undertakes by placing limits on exposures in relation to existing or potential obligors, economic groups and to various industry segments. Due to COVID-19, it is expected that credit off-take to remain restricted in the coming months as supply chains adjust to the economic impacts. The Risk Management function of the Bank is regularly conducting assessments, on perpetual basis, of the credit portfolio to identify borrowers and sectors most likely to get affected due to changes in the business and economic environment locally as well as globally. The Bank ensures that credit exposures are adequately collateralized and comprehensive risk palliating measures are taken to regulate overall credit risk exposure in accordance with Bank's tolerance limits.

Credit review and approval process of the Bank is well-defined and is managed under strict supervision of senior management. For analysis of counterparties within various asset classes / constitutions / economic group, the Bank also has an Internal Ratings System / Model based on multiple risk factors. The model coupled with Cash Flow Analysis Memorandum provides an understanding of obligors' current and future financial health. This creates an integral contribution in decision making by senior management of the Bank. Concentration of exposure / risk in any of counterparty, economic group, or industry is assessed frequently and accordingly limit setting is tailored.

Standardized Approach is used to calculate capital charge for credit risk as per Basel regulatory framework, with simple approach for credit risk mitigation. Additionally, stress testing for credit risk is completed on regular basis to evaluate the conceivable effects of scenarios provided by the regulator.

Particulars of the bank's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

47.2.1.1 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2020	2019	**2020**	2019	**2020**	2019
	(Rupees in '000)					
Public / Government	**-**	2,059,162	**-**	-	**-**	-
Private	**126,980,825**	132,896,998	**176,150**	176,150	**176,150**	176,150
	126,980,825	134,956,160	**176,150**	176,150	**176,150**	176,150

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47.2.1.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2020	2019	**2020**	2019	**2020**	2019
	(Rupees in '000)					
Cement	**470,168**	19,453	**20,168**	19,453	**20,168**	19,453
Chemical	**2,073,812**	2,073,812	**323,812**	323,812	**323,812**	323,812
Construction	**3,885,490**	3,885,489	**1,633,738**	1,633,738	**1,633,738**	1,633,738
Engineering	**4,842**	4,842	**4,842**	4,842	**4,842**	4,842
Fertilizer	**1,040,960**	1,425,089	**656,831**	656,831	**656,831**	656,831
Sugar	**766,719**	785,469	**766,719**	785,469	**766,719**	572,385
Textile	**1,151,054**	1,151,768	**651,054**	651,768	**651,054**	651,768
Transport	**-**	2,803,718	**-**	-	**-**	-
Financial	**9,658,543**	9,344,916	**210,020**	90,887	**141,691**	82,127
Electronics and electrical appliances	**1,308,738**	1,308,738	**1,308,738**	1,308,738	**1,308,738**	1,308,738
Glass and Ceramics	**11,361**	11,361	**11,361**	11,361	**11,361**	11,361
Leather and Tenneries	**5,288**	5,287	**5,288**	5,288	**5,288**	5,288
Food and Personal Care Products	**11,184**	11,184	**11,184**	11,184	**11,184**	11,184
Pharmaceuticals	**2,413**	2,413	**2,413**	2,413	**2,413**	2,413
Technology and Communication	**11,072**	11,072	**11,072**	11,072	**11,072**	11,072
Vanaspati and Allied Industries	**4,238**	4,238	**4,238**	4,238	**4,238**	4,238
Oil and Gas Marketing	**687**	95,986	**687**	686	**687**	686
Cable and Electrical Goods	**4,509**	4,509	**4,509**	4,509	**4,509**	4,509
Automobile Parts and Accessories	**1,185**	1,185	**1,185**	1,185	**1,185**	1,185
Power (electricity), Gas, Water, Sanitary	**37,903,094**	35,464,521	**-**	-	**-**	-
Tobacco	**144**	144	**144**	144	**144**	144
Paper and Board	**10,794**	10,794	**10,794**	10,794	**10,794**	10,794
Jute	**7,081**	7,081	**7,081**	7,081	**7,081**	7,081
Metal Products	**500,000**	500,000	**-**	-	**-**	-
Services	**890,258**	950,000	**-**	-	**-**	-
Miscelleneous	**891,092**	787,524	**25,992**	25,992	**25,991**	25,992
	60,614,725	60,670,593	**5,671,871**	5,571,484	**5,603,540**	5,349,640

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2020	2019	**2020**	2019	**2020**	2019
	(Rupees in '000)					
Public / Government	**31,810,714**	32,463,359	**7,620**	7,620	**7,620**	7,620
Private	**28,804,011**	28,207,234	**5,664,251**	5,563,864	**5,595,920**	5,342,020
	60,614,725	60,670,593	**5,671,871**	5,571,484	**5,603,540**	5,349,640

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47.2.1.3 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2020	2019	**2020**	2019	**2020**	2019
	(Rupees in '000)					
Agriculture, Forestry, Hunting and Fishing	**63,054,331**	59,016,306	**6,204,022**	5,565,495	**4,514,299**	4,133,877
Mining and Quarrying	**282,368**	2,079,833	**117,449**	870,598	**117,449**	465,220
Textile	**132,701,566**	130,556,474	**37,427,234**	35,115,055	**35,611,823**	33,826,039
Chemical and Pharmaceuticals	**4,033,024**	3,698,135	**2,645,492**	2,789,583	**2,634,249**	2,781,935
Cement	**33,124,120**	28,285,797	**6,311,377**	4,177,487	**4,093,767**	2,466,565
Sugar	**35,237,473**	34,366,817	**15,335,077**	14,392,989	**14,335,087**	12,666,718
Footwear and Leather garments	**2,461,054**	2,095,757	**840,449**	847,135	**840,114**	846,235
Automobile and Transportation Equipment	**6,607,421**	8,711,039	**971,267**	959,014	**966,887**	959,014
Electronics and Electrical Appliances	**10,036,223**	7,204,298	**2,232,278**	2,234,231	**2,223,278**	2,222,981
Construction	**12,258,203**	12,242,713	**4,484,629**	5,323,770	**4,481,950**	5,304,434
Power (electricity), Gas, Water, Sanitary	**283,229,240**	289,464,374	**13,202,534**	5,434,940	**11,271,966**	4,448,807
Wholesale and Retail Trade	**36,564,735**	36,169,269	**13,444,060**	10,710,483	**12,012,696**	10,437,288
Exports / Imports	**1,687,703**	1,486,667	**-**	68,583	**-**	68,583
Transport, Storage and Communication	**55,176,592**	56,126,165	**11,249,115**	10,091,004	**9,169,761**	7,925,250
Financial	**6,093,650**	40,693,010	**308,375**	294,380	**308,375**	294,380
Services	**32,839,062**	14,100,214	**4,452,760**	1,958,137	**2,606,881**	1,516,649
Individuals	**184,020,751**	170,824,005	**5,900,196**	6,086,261	**4,088,882**	4,181,677
Fertilizer	**15,733,123**	20,813,179	**2,947,639**	2,885,878	**2,888,738**	2,860,734
Metal Products	**67,313,392**	67,474,262	**25,111,134**	23,353,861	**24,557,341**	22,345,884
Telecommunication	**17,064,247**	16,307,814	**1,159,350**	1,135,662	**1,159,350**	1,135,662
Public Sector Commodity Operations	**62,413,440**	66,638,547	**74,198**	73,785	**74,198**	73,785
Rice processing and Trading	**30,685,877**	26,950,629	**4,665,312**	4,575,187	**4,537,360**	4,494,866
Food and Tobacco	**13,995,035**	11,927,347	**5,224,085**	3,862,399	**5,200,684**	3,336,685
Glass and Ceramics	**6,859,290**	5,043,655	**396,911**	423,641	**396,911**	423,641
Paper and Board	**1,601,970**	1,820,422	**1,187,897**	953,829	**1,187,897**	655,672
Engineering	**33,444,437**	24,966,577	**1,416,959**	1,423,696	**1,410,274**	1,421,196
Plastic Products	**2,627,648**	2,737,171	**651,199**	666,403	**648,950**	488,349
Media	**2,189,495**	2,222,899	**718,124**	151,457	**293,124**	151,457
Flour Mills	**2,713,759**	3,357,250	**638,998**	597,580	**624,012**	551,860
Sports Goods	**978,994**	727,511	**93,818**	93,818	**93,818**	87,818
Surgical equipments	**827,764**	802,049	**64,674**	-	**64,674**	-
Others	**2,017,760**	2,404,864	**1,817,521**	1,635,376	**1,730,678**	1,596,755
	1,159,873,747	1,151,315,050	**171,294,133**	148,751,717	**154,145,473**	134,170,016

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2020	2019	**2020**	2019	**2020**	2019
	(Rupees in '000)					
Public / Government	**337,572,330**	377,158,182	**2,672,432**	2,522,432	**2,522,432**	2,522,432
Private	**822,301,417**	774,156,868	**168,621,701**	146,229,285	**151,623,041**	131,647,584
	1,159,873,747	1,151,315,050	**171,294,133**	148,751,717	**154,145,473**	134,170,016

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	2020	2019
	(Rupees in '000)	

47.2.1.4 Contingencies and Commitments

Credit risk by industry sector

Agriculture, Forestry, Hunting and Fishing	**170,777**	235,536
Mining and Quarrying	**2,504,361**	3,000
Textile	**15,458,896**	9,792,996
Chemical and Pharmaceuticals	**9,627,728**	14,507,473
Cement	**4,233,715**	10,121,549
Sugar	**303,809**	742,270
Footwear and Leather garments	**102**	10,928
Automobile and Transportation Equipment	**8,508,034**	1,979,186
Electronics and Electrical Appliances	**2,959,697**	2,154,502
Construction	**9,036,263**	9,697,086
Power (electricity), Gas, Water, Sanitary	**112,020,726**	159,559,087
Wholesale and Retail Trade	**1,625,599**	1,555,095
Exports / Imports	**317,066**	27,996
Transport, Storage and Communication	**24,687,098**	17,513,951
Financial	**611,642,230**	901,993,463
Services	**785,767,094**	746,058,170
Individuals	**394,092**	264,219
Fertilizer	**1,395,322**	3,853,225
Metal Products	**9,763,519**	2,365,866
Telecommunication	**15,036,956**	15,745,882
Public Sector Commodity Operations	**12,565,661**	1,095,352
Rice processing and Trading	**39,174**	44,951
Food and Tobacco	**404,142**	687,387
Glass and Ceramics	**1,007,344**	1,553,100
Paper and Board	**551,970**	551,120
Engineering	**42,650,308**	48,284,197
Plastic Products	**268,729**	142,657
Flour Mills	**5,993**	19,352
Surgical equipments	**750**	750
Others	**2,306,954**	3,335,815
	1,675,254,109	1,953,896,161

* Contingent liabilities for the purpose of this note are presented at cost and includes direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities.

Credit risk by public / private sector

Public / Government	**948,334,918**	876,232,352
Private	**726,919,191**	1,077,663,809
	1,675,254,109	1,953,896,161

47.2.1.5 Concentration of Advances

The bank top ten (10) exposures on the basis of total (funded and non-funded expsoures) aggregated to Rs. 1,093,518 million (2019: Rs.1,036,638 million) are as follows:

	2020	2019
	(Rupees in '000)	
Funded	**250,314,704**	238,481,635
Non Funded	**843,203,477**	798,156,427
Total Exposure	**1,093,518,181**	1,036,638,062

The sanctioned limits against these top 10 expsoures aggregated to Rs. 1,280,786 million (2019: Rs. 1,073,636 million)

Total funded classified therein	**2020**		2019	
	Amount	**Provision held**	Amount	Provision held
	(Rupees in '000)			
Loss	**2,522,432**	**2,522,432**	2,522,432	2,522,432
Total	**2,522,432**	**2,522,432**	2,522,432	2,522,432

47.2.1.6 Advances - Province / Region-wise Disbursement & Utilization

Province / Region	2020						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	(Rupees in '000)						
Punjab	210,145,408	207,931,532	1,625,942	-	-	-	587,934
Sindh	390,658,220	4,704,206	377,454,014	-	-	8,500,000	-
KPK including FATA	6,176,977	-	-	6,176,977	-	-	-
Balochistan	3,855,924	-	-	-	3,332,924	-	523,000
Islamabad	49,991,187	8,853,922	12,271,029	1,712,540	-	27,153,696	-
AJK including Gilgit - Baltistan	2,798,820	-	-	-	-	-	2,798,820
Total	663,626,536	221,489,660	391,350,985	7,889,517	3,332,924	35,653,696	3,909,754

Province / Region	2019						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	(Rupees in '000)						
Punjab	228,866,286	228,147,162	303,200	-	-	125,043	299,671
Sindh	364,638,630	10,707,703	262,168,186	549,899	27,482,303	63,721,751	-
KPK including FATA	9,492,232	-	-	9,492,232	-	-	-
Balochistan	4,979	-	-	-	4,979	-	-
Islamabad	42,498,179	12,015,495	10,717,298	2,764,372	-	17,001,014	-
AJK including Gilgit-Baltistan	4,921,666	3,882	-	-	-	-	4,917,784
Total	650,421,972	250,874,242	273,188,684	12,806,503	27,487,282	80,847,808	5,217,455

47.2.2 Market Risk

Market Risk is the potential for losses to arise from trading activities undertaken by the Bank as a result of movements in market rates or prices such as interest rates, foreign exchange rates, and equity prices.

The Bank's market risk is managed through Market Risk Management (MRM) Framework approved by the Board which is comprised of related policies / procedures with the objective to mitigate market risk through the engagement of various strategies in relation with prices, rates, earning assets, liabilities and trading activities. Bank has also worked on devising improved criteria for various market risk limits. Under the developed Value-at-Risk (VaR) models and policy framework, VaR limits are being monitored through pilot run with an objective to be used for capital charge calculation under IMA approach in future.

Standardized Approach is used to calculate capital charge for market risk as per Basel regulatory framework. Whereas, stress testing for interest rate, equity prices, and exchange rates risks activities is carried out regularly to estimate the impact on the capital of the Bank.

In addition to the regulatory requirements, Bank has devised proprietary market risk stress testing scenarios which are performed on periodic basis to assess the impact on capital of the Bank for Internal Capital Adequacy and Assessment Process (ICAAP). Limits / zones and Management Action Triggers and Management Action Plans corresponding to Liquidity Ratio, Balance Sheet Duration Gap, Government Securities PVBP and Duration have also been developed. These triggers are used for proposing / recommending actions to ALCO for deliberation and necessary action.

47.2.2.1 Statement of Financial position split by trading and banking books

	2020			2019		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	(Rupees in '000)					
Investments	1,366,741,891	96,656,185	1,463,398,076	1,413,462,528	36,092,769	1,449,555,297
	1,366,741,891	96,656,185	1,463,398,076	1,413,462,528	36,092,769	1,449,555,297

47.2.2.2 Foreign Exchange Risk

Foreign exchange and translation risk arises from the impact of currency movements on the value of the Bank's cash flows, profits and losses, and assets and liabilities as a result of participation in global financial markets and international operations.

In order to manage currency risk exposure the Bank enters into ready, spot, forward and swaps transactions with the SBP and in the interBank market, financial institutions and corporate. The Bank's foreign exchange exposure comprises forward contracts, purchases of foreign bills, foreign currencies cash in hand, balances with Banks abroad, foreign placements with the SBP and foreign currencies assets and liabilities. Foreign Exchange exposure is managed within the statutory limits, as fixed by the SBP. Appropriate segregation of duties exists between the front, middle and back office functions.

	2020				2019			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)							
United States Dollar	157,851,413	249,296,809	115,299,103	23,853,707	154,514,963	281,623,669	141,330,602	14,221,896
Great Britain Pound	4,236,309	5,613,790	3,235,840	1,858,360	4,369,802	6,303,626	6,257,773	4,323,949
Japanese Yen	4,077,289	1,123,760	168,624	3,122,153	5,137,117	1,304,374	(1,973,457)	1,859,286
Euro	8,364,855	10,043,967	3,462,911	1,783,798	8,456,085	9,416,285	6,608,767	5,648,567
Other currencies	65,494,170	20,499,909	2,996,887	47,991,148	73,993,469	27,220,404	4,171,279	50,944,344
	240,024,036	286,578,235	125,163,365	78,609,166	246,471,436	325,868,358	156,394,965	76,998,042

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates				
- Profit and loss account	-		-	-
- Other comprehensive income	-	2,917	5,612	-

47.2.2.3 Equity position Risk

The trading activities also raise risk which occurs resulting in negative fluctuations of daily stock prices specifically in those stocks which are held by the Bank, hence, deplete capital. The Bank's equity position is managed through limits imposed by regulator for both, overall investment and exposure in single scrip. Moreover, internal limits are set to possibly manage overall earnings in the form of placing of stop loss limits and/ or through diversification within the structure of overall equity position portfolio.

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 5% change in equity prices				
- Profit and loss account	-	-	-	2,816
- Other comprehensive income	3,065,915	-	2,560,070	-

47.2.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

Interest rate risk specifically arises due to adverse movements in yield curve of underlying asset which is being monitored by ALCO with an objective to possibly limiting the potential impact over the profitability of the Bank which may result in instability of market based interest rates and mismatching or gaps in the amount of financial assets and financial liabilities in different maturity time bands. Bank assumes that the sources of IRR are based on following sub-risks.

- Re-pricing risk; arising from changes to the overall level of interest rates and inherent mismatches in the re-pricing term of banking book items.
- Yield curve risk; arising from a change in the relative level of interest rates for different tenors and changes in the slope or shape of the yield curve.
- Basis risk; arising from differences between the actual and expected interest margins on Banking book items over the implied cost of funds of those items.

The above mentioned risks are not only measured, monitored, and managed from the regulatory purpose, but from the perspective of internal management.

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in interest rates				
- Profit and loss account	-	131,186	-	175,771
- Other comprehensive income	12,965,285	-	14,259,122	-

47.2.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

	2020											
			Exposed to Yield/ Interest risk									
	Effective Yield/ Interest rate	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-interest bearing financial instruments
On-balance sheet financial instruments		(Rupees in '000)										
Assets												
Cash and balances with treasury banks	0.0%	249,259,590	23,854,603	-	-	3,574,948	-	-	-	-	-	221,830,039
Balances with other banks	8.3%	14,227,355	4,379,959	364,979	455,390	690,430	-	-	-	-	-	8,336,597
Lendings to financial institutions	6.6%	126,804,675	126,804,675	-	-	-	-	-	-	-	-	-
Investments	11.3%	1,463,398,076	165,436,764	466,849,351	45,910,296	104,002,599	93,381,635	139,693,515	124,152,454	237,876,474	10,399,389	75,695,599
Advances	9.0%	983,254,527	228,581,952	354,851,351	140,299,770	66,105,848	16,909,414	48,488,652	72,419,084	28,992,849	25,391,405	1,214,202
Other assets	0.0%	59,030,243	-	-	-	-	-	-	-	-	-	59,030,243
		2,895,974,466	549,057,953	822,065,681	186,665,456	174,373,825	110,291,049	188,182,167	196,571,538	266,869,323	35,790,794	366,106,680
Liabilities												
Bills payable	0.0%	16,795,186	-	-	-	-	-	-	-	-	-	16,795,186
Borrowings	6.6%	138,539,005	10,688,517	10,993,747	56,908,784	42,516,430	2,392,766	3,509,557	6,420,414	5,108,790	-	-
Deposits and other accounts	5.2%	2,418,966,479	1,295,641,079	88,051,369	32,233,664	52,812,308	12,050,442	3,913,846	13,040,142	652,508	-	920,571,121
Liabilities against assets subject to finance lease	10.0%	7,533,691	41	21,491	57,673	96,726	804,940	662,691	1,762,735	2,838,255	1,289,139	-
Other liabilities	0.0%	153,918,895	-	-	-	-	-	-	-	-	-	153,918,895
		2,735,753,256	1,306,329,637	99,066,607	89,200,121	95,425,464	15,248,148	8,086,094	21,223,291	8,599,553	1,289,139	1,091,285,202
On-balance sheet gap		160,221,210	(757,271,684)	722,999,074	97,465,335	78,948,361	95,042,901	180,096,073	175,348,247	258,269,770	34,501,655	(725,178,522)
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions		986,016,071	-	-	-	-	-	-	-	-	-	986,016,071
Commitments in respect of:												
- Forward foreign exchange contracts		125,163,364	30,923,782	86,543,418	6,097,820	1,598,344	-	-	-	-	-	-
- Forward government securities transactions		(26,632,678)	(26,632,678)	-	-	-	-	-	-	-	-	-
Commitments for acquisition of:												
- fixed assets		632,619	414,641	92,492	32,492	92,994	-	-	-	-	-	-
- other commitments		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		1,085,179,376	4,705,745	86,635,910	6,130,312	1,691,338	-	-	-	-	-	986,016,071
Total Yield/Interest Risk Sensitivity Gap			(752,565,940)	809,634,984	103,595,647	80,639,698	95,042,901	180,096,073	175,348,247	258,269,770	34,501,655	260,837,549
Cumulative Yield/Interest Risk Sensitivity Gap			(752,565,940)	57,069,044	160,664,692	241,304,390	336,347,291	516,443,364	691,791,611	950,061,381	984,563,036	1,245,400,586

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		2019 (Restated)										
	Effective Yield/ Interest rate	Exposed to Yield/ Interest risk										
		Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-interest bearing financial instruments
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.0%	292,513,379	32,224,427	599,716	796,971	569,701	-	-	-	-	-	258,322,564
Balances with other banks	12.2%	13,220,807	4,443,852	1,202,496	435,643	662,730	-	-	-	-	-	6,476,086
Lendings to financial institutions	13.2%	134,780,010	132,680,048	2,099,962	-	-	-	-	-	-	-	-
Investments	10.9%	1,449,555,297	5,828,067	53,401,368	14,695,312	737,298,216	185,955,357	85,224,162	97,554,750	186,426,924	13,494,958	69,676,183
Advances	10.3%	1,008,139,084	258,873,260	353,412,778	177,991,773	48,724,169	24,384,306	31,460,521	65,056,292	29,993,575	17,065,764	1,176,645
Other assets	0.0%	84,357,259	-	-	-	-	-	-	-	-	-	84,357,259
		2,982,565,836	434,049,653	410,716,320	193,919,699	787,254,816	210,339,663	116,684,683	162,611,042	216,420,498	30,560,722	420,008,737
Liabilities												
Bills payable	0.0%	19,867,424	-	-	-	-	-	-	-	-	-	19,867,424
Borrowings	13.3%	471,757,352	379,837,482	37,713,498	22,070,344	23,324,881	863,588	2,927,955	2,908,254	2,111,350	-	-
Deposits and other accounts	6.3%	2,198,049,280	1,139,047,129	72,567,558	28,086,714	41,282,402	7,002,425	5,387,496	10,129,767	180,000	-	894,365,790
Liabilities against assets subject to finance lease	10.0%	7,640,188	78	14,849	39,013	73,210	355,554	764,897	1,692,291	3,424,044	1,276,252	-
Other liabilities	0.0%	180,137,240	-	-	-	-	-	-	-	-	-	180,137,239
		2,877,451,484	1,518,884,687	110,295,905	50,196,071	64,680,493	8,221,567	9,080,348	14,730,312	5,715,394	1,276,252	1,094,370,453
On-balance sheet gap		105,114,351	(1,084,835,034)	300,420,415	143,723,629	722,574,323	202,118,096	107,604,335	147,880,730	210,705,104	29,284,470	(674,361,715)
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions		937,616,635	-	-	-	-	-	-	-	-	-	937,616,635
Commitments in respect of:												
- forward foreign exchange contracts		156,394,964	49,843,489	66,860,830	29,004,137	10,686,509	-	-	-	-	-	-
- forward government securities transactions		(21,650,953)	(21,650,953)	-	-	-	-	-	-	-	-	-
Commitments for acquisition of:												
- fixed assets		566,855	554,779	8,228	-	3,848	-	-	-	-	-	-
- other commitments		13,500	-	6,750	-	6,750	-	-	-	-	-	-
Off-balance sheet gap		1,072,941,001	28,747,315	66,875,808	29,004,137	10,697,107	-	-	-	-	-	937,616,635
Total Yield / Interest Risk Sensitivity Gap			(1,056,087,719)	367,296,222	172,727,766	733,271,430	202,118,096	107,604,335	147,880,730	210,705,104	29,284,470	263,254,920
Cumulative Yield / Interest Risk Sensitivity Gap			(1,056,087,719)	(688,791,497)	(516,063,731)	217,207,698	419,325,795	526,930,130	674,810,860	885,515,964	914,800,434	1,178,055,353

47.2.2.6 Reconciliation of Financial Assets & Liabilities with Total Assets & Liabilities

	2020	2019
	(Rupees in '000)	
Total Financial Assets as per note 46.2.2.5	**2,895,974,466**	2,982,565,837
Add: Non-Financial Assets		
Fixed Assets	**54,413,493**	54,303,565
Intangible Assets	**303,813**	374,950
Right of Use Assets	**6,669,684**	7,221,266
Other Assets	**51,165,525**	79,923,253
	112,552,515	141,823,034
Total assets as per statement of financial position	**3,008,526,981**	3,124,388,871
Total Financial Liabilities as per note 46.2.2.5	**2,735,753,256**	2,877,451,484
Add: Non-Financial Liabilities		
Deferred Tax Liabilities	**2,978,364**	10,915,802
Other Liabilities	**2,236,619**	3,407,751
	5,214,983	14,323,553
Total liabilities as per statement of financial position	**2,740,968,238**	2,891,775,037

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47.2.3 Operational Risk

The Bank may suffer losses due to its exposure to Operational Risk. To mitigate, a comprehensive Operational Risk Management (ORM) Framework has been developed to align the Bank's operations with sound practices of operational risk by Basel framework. ORM Framework provides guidance for setting the operational risk strategy of the Bank, selection and adoption of risk and loss measurement tools, reporting, and establishment of operational risk management processes.

Operational risks are a core component of doing business arising from the day-to-day operational activities of the Bank including launching of new products and services by the bank. Bank realizes that operational risks cannot be fully mitigated, it therefore determines an appropriate balance between accepting potential losses and incurring costs of mitigation.

Further, the Bank has adopted a comprehensive Operational Risk Management Strategy and Operational Risk Tolerance limits approved by the Board in-line with Basel framework. Furthermore, the Bank has rolled-out Operational Loss Data Collection Mechanism whereby field functionaries are responsible to report operational losses under their jurisdictions on a certain frequency. Operational loss events are reviewed and appropriate corrective measures are taken on an ongoing basis.

The Bank has also conducted analysis of major Operational Risk Incidents covering key control lapses and accordingly suggested recommendations & mitigations. As per regulatory framework, the Bank calculates capital charge for its operational risk using Basic Indicator Approach.

Moreover, the Bank closely monitored the situation and undertaken required actions to ensure the safety and security of Bank staff and maintenance of service to its customers. The Senior Management of the Bank including the Covid Crises Management Team closely monitored the situation, and took timely decisions to resolve any concerns.

The Bank implemented a Business Continuity Plan (BCP). The Bank communicated the plan with its customers on how they can connect with the Bank through its digital and online channels. The Bank continued to take measures to ensure the maintainence of their service levels, customer complaints were resolved, in order for the Bank to meet the expectations of its stakeholders.

The Bank's operations stayed highly resilient, almost more than 95% branches remained open to facilitate its customers. Further, the Bank deployed all necessary measures for the health and safety of its employees to prevent them from the pandemic situation.

47.2.4 Information Security Risk

We rank cyber security as one of our top priority risks. Our extensive customer base and increasing focus on information technology growth, mean that our data is protected and our systems are safe. Further, due to COVID - 19, the Bank has taken appropriate actions to monitor and respond to ever evolving cybersecurity risks and adopted a heightened state of cybersecurity. We are living in the highly technology dependent environment, where most of the business functions are performed with information technology for storing, processing and sharing information; the information "assets" that are being used to store, process and transmit the information, face various types of threats. If threats get materialized and are able to exploit the vulnerabilities (weaknesses) present in these information assets, the confidentiality, integrity and availability of information get compromised. In order to mitigate the risks, certain controls and countermeasures need to be assessed and implemented. We have governance mechanisms in place to develop, deploy and monitor information security policies, internal controls and cyber security framework across our businesses.

Our staff is first line of defense against any cyber attacks therefore we regularly assess the information security controls and undertake employees' awareness and trainings. We work with our key technology partners to ensure that potential vulnerable systems are identified and appropriate controls, updates and patches are implemented to secure the systems. The Bank is actively communicating with its customers on interacting with the Bank in a secure manner through its full suite of channels including online and digital banking.

47.2.5 Enterprise-wide Risk

In addition to the above mentioned risks, the Bank has a structure to identify residual material risks through generation of various MIS reports on periodic basis. The source of these reports includes, but not limited to, the Board approved Internal Capital Adequacy and Assessment Process (ICAAP), which commensurate risks over and above those which directly occurs as a result of daily business and operations of the Bank. These risks include Concentration Risk, Interest Rate Risk in Banking Book (IRRBB), Increase in NPL Categories, Reputational Risk, Strategic Risk, etc.

Moreover, all those brewing risks that are material and arise within the Bank or due to inherent behavior of country's market and economic conditions, whether in isolation or in combinations are covered under the Bank-wide Recovery Plan. These risks are

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monitored on certain frequency and corrective actions are taken as and when deemed necessary.

The Bank has also prepared various scenarios and accordingly quantified losses against different types of risks based on sophisticated statistical models, such as, macro-stress testing - a regression based methodology. This is developed and implemented by the Bank assuming deterioration in macro-economic factors that measures any negative impact on the capital of the Bank.

47.2.6 Liquidity Risk

Liquidity risk is the risk that the Bank may be unable to meet short term financial demands. This usually occurs due to the inability to convert a security or hard asset to cash without a loss of capital and/or income in the process.Banks are often evaluated on their liquidity, or their ability to meet cash and collateral obligations without incurring substantial losses.

To mitigate this risk, bank has arranged diversified funding sources, manages specific assets with liquidity in mind and monitors liquidity on daily basis. In addition, the Bank maintains statutory deposits with central Banks inside and outside Pakistan.The purpose of liquidity management is to ensure that there are sufficient cash flows to meet all of the Bank's liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking sustained damage to the Bank's reputation, as well as to capitalize on opportunities for business expansion and profitability. This includes the Bank's ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature and to make new loans and investments as opportunities arise.

Asset and Liability Committee (ALCO) is responsible for ensuring that the Bank has adequate liquidity and monitors liquidity gaps, to execute this responsibility. Regulatory stress as well as proprietary stress testing and ratio based liquidity assessments are performed to proactively identify and manage liquidity position, needs /requirements. Bank has various limits / ratios, triggers and management actions in place to monitor and mitigate liquidity risk. The Bank calculates and monitors, on regular basis, Basel-III Liquidity standards (includes LCR, NSFR and LMTs), liquidity ratios as per SBP parameters [(LA/ D&B), Gross ADR (net of refinancing from SBP)] besides other internal liquidity measures like total approved securities to deposit, etc. Moreover the recent fall in interest rate has resulted in substantial MTM gain in Government Securities portfolio, which can be realized in case of any adverse liquidity situation.

47.2.6.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank

	2020														
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
	(Rupees in '000)													
Assets														
Cash and balances with treasury banks	249,259,590	244,470,420	724,224	-	489,997	-	-	-	-	3,574,949	-	-	-	-
Balances with other banks	14,227,355	9,074,765	1,998,152	-	1,643,639	205,127	159,852	455,390	308,490	381,940	-	-	-	-
Lending to financial institutions	126,804,675	-	122,804,675	2,300,000	1,700,000	-	-	-	-	-	-	-	-	-
Investments	1,463,398,076	6,348,903	602,861	128,305,403	30,179,598	230,232,181	236,617,171	45,910,297	113,118,951	39,082,357	97,645,814	157,346,293	125,301,464	252,706,784
Advances	983,254,527	334,192,443	1,929,530	3,454,238	32,300,740	59,593,625	16,337,194	60,035,942	30,309,223	30,130,411	41,668,685	78,281,159	157,289,258	137,732,079
Fixed assets	54,413,493	-	-	-	-	-	-	-	-	724,254	2,878,438	724,254	1,322,411	48,764,136
Intangible assets	303,813	-	-	-	-	-	-	-	-	101,271	101,271	101,271	-	-
Right of Use Assets	6,669,684	-	-	-	201	14,649	5,276	50,071	29,405	66,557	625,524	583,369	1,528,327	3,766,303
Other assets	110,195,768	16,963,066	-	-	-	17,934,892	18,136,013	10,887,402	1,204,142	1,204,142	38,014,615	3,351,081	2,500,415	-
	3,008,526,981	611,049,597	128,059,442	134,059,641	66,314,175	307,980,474	271,255,507	117,339,103	144,970,211	75,265,880	180,934,347	240,387,427	287,941,875	442,969,302
Liabilities														
Bills payable	16,795,186	16,795,186	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	138,539,005	1,966,540	-	5,266,007	3,455,970	4,727,114	6,266,632	56,908,784	41,474,224	1,042,206	2,392,766	3,509,557	6,420,414	5,108,791
Deposits and other accounts	2,418,966,479	2,068,191,047	23,189,505	11,128,935	103,011,653	51,070,288	13,467,529	66,056,859	20,877,326	18,483,104	12,454,175	8,477,921	21,086,963	1,471,174
Liabilities against assets subject to right of use assets	7,533,691	-	-	-	41	15,141	6,349	57,673	25,319	71,406	804,940	662,691	1,762,736	4,127,395
Deferred tax liabilities	2,978,364	-	-	-	-	-	-	-	-	-	-	-	2,978,364	-
Other liabilities	156,155,514	61,589,642	389,647	280,904	420,804	9,300,464	24,852,920	15,226,657	1,210,882	1,141,620	15,947,785	5,339,632	10,377,940	10,076,617
	2,740,968,239	2,148,542,415	23,579,152	16,675,846	106,888,468	65,113,007	44,593,430	138,249,973	63,587,751	20,738,336	31,599,666	17,989,801	42,626,417	20,783,977
Net assets	267,558,742	(1,537,492,818)	104,480,290	117,383,795	(40,574,293)	242,867,467	226,662,077	(20,910,870)	81,382,460	54,527,544	149,334,681	222,397,626	245,315,458	422,185,325
Share capital	21,275,131													
Reserves	56,562,933													
Unappropriated profit	116,021,334													
Surplus/(Deficit) on revaluation of assets	73,699,344													
	267,558,742													

	2019 (Restated)													
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
	(Rupees in '000)													
Assets														
Cash and balances with treasury banks	292,513,379	290,465,424	81,567	-	-	599,716	-	796,971	-	569,701	-	-	-	-
Balances with other banks	13,220,807	6,476,086	1,423,017	2,152,912	867,922	464,864	737,633	435,643	281,610	381,120	-	-	-	-
Lending to financial institutions	134,780,010	-	131,180,048	-	1,500,000	2,099,962	-	-	-	-	-	-	-	-
Investments	1,449,555,297	3,330,495	-	1,302,749	1,318,622	5,524,167	47,877,201	14,695,312	523,958,573	255,081,682	189,531,577	104,055,918	98,526,197	204,352,804
Advances	1,008,139,084	314,292,542	3,578,494	1,604,893	47,977,155	47,520,373	33,973,951	76,253,146	58,168,112	27,633,786	36,951,889	53,627,035	177,824,629	128,733,080
Fixed assets	54,303,565	-	-	-	-	-	-	-	-	740,557	2,854,729	740,557	1,398,116	48,569,604
Intangible assets	374,950	-	-	-	-	-	-	-	-	124,983	124,983	124,984	-	-
Right of Use Assets	7,221,266	20	-	-	57	12,813	1,094	39,062	18,712	49,893	333,520	691,665	1,611,699	4,462,730
Other assets	164,280,512	25,006,655	-	-	-	28,301,015	28,510,932	13,959,979	1,909,998	1,909,998	53,286,398	9,235,259	2,160,277	-
	3,124,388,870	639,571,222	136,263,126	5,060,554	51,663,757	84,522,908	111,100,810	106,180,114	584,337,006	286,491,721	283,083,097	168,475,419	281,520,919	386,118,218
Liabilities														
Bills payable	19,867,424	19,867,424	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	471,757,352	3,468,570	314,697,849	5,715,707	55,955,355	13,787,296	23,926,202	22,070,344	22,981,161	343,720	863,588	2,927,955	2,908,254	2,111,350
Deposits and other accounts	2,198,049,281	1,836,033,658	16,492,044	9,565,683	113,315,385	56,249,692	12,464,141	37,582,592	35,570,618	27,718,421	11,749,879	14,177,962	25,542,734	1,586,472
Liabilities against assets subject to right of use assets	7,640,188	-	-	-	78	13,695	1,155	39,013	20,309	52,901	355,554	764,897	1,692,291	4,700,296
Deferred tax liabilities	10,915,802	-	-	-	-	-	-	-	-	-	-	-	6,428,962	4,486,840
Other liabilities	183,544,990	79,092,922	563,769	406,431	608,849	15,135,008	29,701,280	15,973,276	1,056,906	956,692	18,239,151	4,509,248	8,773,318	8,528,141
	2,891,775,037	1,938,462,574	331,753,663	15,687,822	169,879,667	85,185,690	66,092,778	75,665,225	59,628,994	29,071,735	31,208,171	22,380,061	45,345,559	21,413,100
Net assets	232,613,833	(1,298,891,352)	(195,490,536)	(10,627,267)	(118,215,910)	(662,782)	45,008,032	30,514,889	524,708,011	257,419,986	251,874,927	146,095,358	236,175,360	364,705,118
Share capital	21,275,131													
Reserves	52,308,742													
Unappropriated profit	88,785,900													
Surplus on revaluation of assets	70,244,060													
	232,613,833													

47.2.6.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

	2020									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	249,259,590	149,866,293	1,763,659	45,629,218	49,204,166	2,796,254	-	-	-	-
Balances with other banks	14,227,355	12,716,556	364,979	455,390	690,430	-	-	-	-	-
Lending to financial institutions	126,804,675	126,804,675	-	-	-	-	-	-	-	-
Investments	1,463,398,076	165,436,765	466,849,352	45,910,297	152,201,308	97,645,814	157,346,293	125,301,464	237,876,475	14,830,309
Advances	983,254,527	303,934,725	149,304,778	55,843,636	59,201,007	41,668,685	78,281,159	157,288,456	86,006,957	51,725,124
Fixed assets	54,413,493	-	-	-	724,254	2,878,438	724,254	1,322,411	-	48,764,136
Intangible assets	303,813	-	-	-	101,271	101,271	101,271	-	-	-
Right of Use Assets	6,669,684	201	19,924	50,071	95,963	625,524	583,369	1,528,327	2,628,348	1,137,957
Other assets	110,195,768	37,069,234	17,542,509	9,309,630	2,408,285	38,014,615	3,351,081	2,500,414	-	-
	3,008,526,981	795,828,449	635,845,201	157,198,242	264,626,684	183,730,601	240,387,427	287,941,072	326,511,780	116,457,526
Liabilities										
Bills payable	16,795,186	8,784,880	499,727	6,439,082	194,485	877,012	-	-	-	-
Borrowings	138,539,005	10,688,517	10,993,746	56,908,784	42,516,430	2,392,767	3,509,557	6,420,414	5,108,790	-
Deposits and other accounts	2,418,966,479	691,675,247	118,540,644	338,032,867	336,495,938	309,364,692	305,388,438	317,997,480	1,471,173	-
Liabilities against assets subject to right of use assets	7,533,691	41	21,491	57,673	96,726	804,940	662,691	1,762,736	2,838,255	1,289,138
Deferred tax liabilities	2,978,364	-	-	-	-	-	-	2,978,364	-	-
Other liabilities	156,155,514	57,220,072	38,310,849	15,603,234	3,279,386	15,947,785	5,339,632	10,377,940	5,038,308	5,038,308
	2,740,968,239	768,368,757	168,366,457	417,041,640	382,582,965	329,387,196	314,900,318	339,536,934	14,456,526	6,327,446
Net assets	267,558,742	27,459,692	467,478,744	(259,843,398)	(117,956,281)	(145,656,595)	(74,512,891)	(51,595,862)	312,055,254	110,130,080
Share capital	21,275,131									
Reserves	56,562,933									
Unappropriated profit	116,021,334									
Surplus/(Deficit) on revaluation of assets	73,699,344									
	267,558,742									

	2019 (Restated)									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	292,513,379	164,896,209	3,238,348	58,620,388	58,393,118	7,365,317	-	-	-	-
Balances with other banks	13,220,807	10,919,938	1,202,496	435,643	662,730	-	-	-	-	-
Lending to financial institutions	134,780,010	132,680,048	2,099,962	-	-	-	-	-	-	-
Investments	1,449,555,298	5,951,866	53,401,368	14,695,312	779,040,255	189,531,577	104,055,918	98,526,197	186,426,924	17,925,879
Advances	1,008,139,084	301,060,066	167,009,328	58,627,787	84,406,442	36,851,889	53,626,735	177,824,629	87,170,265	41,561,943
Fixed assets	54,303,565	-	-	-	740,557	2,854,729	740,557	1,398,116	-	48,569,604
Intangible assets	374,950	-	-	-	124,983	124,983	124,984	-	-	-
Right of Use Assets	7,221,266	77	13,907	39,062	68,605	333,520	691,665	1,611,699	3,270,264	1,192,466
Other assets	164,280,512	50,983,387	32,929,712	11,865,483	3,819,995	53,286,398	9,235,259	2,160,277	-	-
	3,124,388,870	666,491,591	259,895,120	144,283,675	927,256,686	290,348,414	168,475,119	281,520,919	276,867,453	109,249,892
Liabilities										
Bills payable	19,867,424	9,433,021	570,011	204,891	8,241,485	1,418,016	-	-	-	-
Borrowings	471,757,352	379,837,482	37,713,498	22,070,344	23,324,881	863,588	2,927,955	2,908,254	2,111,350	-
Deposits and other accounts	2,198,049,281	666,496,270	109,958,653	270,008,867	321,715,872	270,687,403	273,115,486	284,480,259	1,586,471	-
Liabilities against assets subject to right of use assets	7,640,188	78	14,849	39,013	73,210	355,554	764,897	1,692,291	3,424,044	1,276,252
Deferred tax liabilities	10,915,802	-	-	-	-	-	-	6,428,962	4,486,840	-
Other liabilities	183,544,990	68,039,376	53,598,960	19,033,157	2,823,639	18,239,151	4,509,248	8,773,318	4,264,070	4,264,070
	2,891,775,037	1,123,806,227	201,855,971	311,356,273	356,179,088	291,563,711	281,317,586	304,283,083	15,872,776	5,540,323
Net assets	232,613,833	(457,314,635)	58,039,149	(167,072,598)	571,077,598	(1,215,297)	(112,842,466)	(22,762,164)	260,994,677	103,709,569
Share capital	21,275,131									
Reserves	52,308,742									
Unappropriated profit	88,785,900									
Surplus/(Deficit) on revaluation of assets	70,244,060									
	232,613,833									

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47.2.7 Derivative Risk

A derivative is a contract that derives its value from the performance of an underlying asset which can be an index, interest rate, commodity price, security price, FX rate etc. Derivatives include forwards, futures, foreign currency and interest rate swaps, options etc. In Pakistan, futures and forwards are most commonly traded derivatives.

Currently, the Bank is not an active participant in the Pakistan derivatives market as it does not hold an Authorized Derivative Dealer (ADD) licence to perform derivate contracts. Once acquired, the Bank will carry out the transactions which are permitted under the Financial Derivatives Business Regulations issued by the SBP, which may include Interest rate swaps, forward rate agreements, foreign currency options etc.

Moreover, the Bank may also offer other derivative products to satisfy customer requirements, specific approval of which will be sought from the SBP on a transaction by transaction basis.

48. EVENTS AFTER THE REPORTING DATE

The Board of Directors has proposed a cash dividend of Rs. Nil per share (2019: Rs. Nil per share) amounting to Rs. Nil (2019: Rs. Nil) at its meeting held on February 24, 2021 for approval of the members at the annual general meeting to be held on March 29, 2021. These unconsolidated financial statements do not reflect this appropriation as explained in note 5.20.

49. CORRESPONDING FIGURES

Certain corresponding figures have been reclassified wherever necessary to confirm to the presentation adopted in the current year.

50. GENERAL

50.1 Figures have been rounded off to the nearest thousand rupees.

51. DATE OF AUTHORIZATION FOR ISSUE

The unconsolidated financial statements were authorized for issue on February 24, 2021 by the Board of Directors of the Bank.

Zubyr Soomro	**Arif Usmani**	**Abdul Wahid Sethi**	**Imam Bakhsh Baloch**	**Asif Jooma**
Chairman	President & CEO	Chief Financial Officer	Director	Director

Annexure - I

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2020

Rs. in 000

Sr. No.	Name & Address of the borrower	Name of Individuals/Partners/ Directors with NIC No.	Fathers/Husband's name.	Outstanding liabilities at beginning of year				Principal written-Off	Interest/ Mark-up written off.	Other financial relief/waiver provided.	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1	Altaf Hussain Mohallah Raj Ghaat Suraj Miani Multan	Altaf Hussain 36302-6946741-1	Wahid Bukhsh	1,154	85	-	1,239	1,154	-	-	1,154
2	Khalid Mehmood Mohri Pur, P.O, Khas, Kabirwala	Khalid Mehmood 36102-1203646-7	Malik Khadim Hussain	593	226	-	819	593	-	-	593
3	Syed Mutee Ullah Shah Near Railway Phatak Chah Bakhi wala, Mirali wahan, shujaabad	Syed Mutee Ullah Shah 36304-1352078-9	Ghulam Nabi Shah	737	-	-	737	737	-	-	737
4	Muhammad Akhtar S/O Muhammad Shafi, Mohallah Saddiq Pura Marowal	Muhammad Akhtar 34501-2010714-9	Muhammad Shafi	513	-	-	513	513	-	-	513
5	Late Hafiz Nazar Ali Latif Colony Rahmatpur Muhalla Dist Larkana	Late Hafiz Nazar Ali 43203-7490491-1	Ali Murad Mastoi	1,600	-	-	1,600	1,600	-	-	1,600
6	Late Deedar Ali S/O Muhammad Khan Village meer Khan P.O Qubo Saeed Khan Dist Kamber Shahdadkot	Late Deedar Ali 43206-2090547-9	Muhammad Khan	1,272	-	-	1,272	1,273	-	-	1,273
7	Late Sultan Ahmed S/O Bahram Khan Muhalla Misri Shah P.O Shahdadkot Dist:Kamver Shahdadkot	Late Sultan Ahmed 43406-0364231-5	Bahram Khan	1,054	-	-	1,054	1,054	-	-	1,054
8	Late Muhammad Akbar S/O Mirza Khan Jagirani Village Haut Dahoot taluka Kamber Dist: Kamber Shahdaddkot	Late Muhammad Akbar 43203-9191745-9	Mirza Khan Jagirani	701	-	-	701	702	-	-	702
9	Late Qamaruddin S/O Moor Khan Jiho Village Wasand Jeho P.O Khan Waha Wasand Jeho Ratodero Dist Larkana	Late Qamaruddin 43205-4474253-7	Moor Khan Jiho	612	-	-	612	612	-	-	612
10	Late Ghulam Hyder S/O Nabi Bux Solangi Shaki Sulman Shah Colony Bhanseedabad Taluka Sehwan Dist Jamshoro	Late Ghulam Hyder 41206-5183938-7	Nabi Bux Solangi	779	-	-	779	779	-	-	779
11	Late Shabir Ahmed S/O Mehar Khan Mashori Village Mehrani Taluk Dokri Dist Larkana	Late Shabir Ahmed 43201-6119252-1	Mehar Khan Mashori	600	-	-	600	600	-	-	600
12	Late Muhammad Bux S/O Gul Hassan Shaikh Allah Abad Muhalla Bakrani Road Larkana	Late Muhammad Bux 43203-6881404-5	Gul Hassan Shaikh	612	-	-	612	612	-	-	612
13	Late Khalid Akber S/O Ghulam Akber Near Petrol Pump Lahori Muhalla Larkana	Late Khalid Akber 43203-4663692-5	Ghulam Akber	752	-	-	752	752	-	-	752
14	Late Muhammad Sharif S/O Qurban Ali Qureshi R/O Shahbaz Colony Khairpur Nathan Shah	Late Muhammad Sharif 41203-1684038-7	Qurban Ali Qureshi	649	-	-	649	649	-	-	649
15	Late Muhammad Uris S/O Ali Bux Khoso Mir Pur Muhalla K.N Shah	Late Muhammad Uris 41203-8342097-7	Ali Bux Khoso	944	-	-	944	944	-	-	944
16	Late Muhammad Sadique S/O Nek Muhammad Village Nek Muhammad Khaskheli, Taluka Dokri	Late Muhammad Sadique 43201-5697388-9	Nek Muhammad	578	-	-	578	578	-	-	578
17	Late Rehmutullah S/O Khuda Bux Village Abdul Haq Khan Khoso P.O Behram Sistt Kamber Shahdadkot	Late Rehmutullah 43204-6997069-9	Khuda Bux	650	-	-	650	650	-	-	650
18	Late Qurban Ali S/O Haji Ali Sher Village Ghulam Panhwar P.O Phulji Station Distt Dadu	Late Qurban Ali 41201-1761586-7	Haji Ali Sher	757	-	-	757	757	-	-	757
19	Late Ali Akbar Attar Village Muhammad Yousif Aataar Khasa Chandia Dadu	Late Ali Akbar Attar 41409-7424261-9	Muhammad Essa Attar	708	-	-	708	709	-	-	709
20	Late Najeebullah S/O Abdul Latif Abro Village Agham No.02 Banguldero Taluka Ratodero Dist Larkana	Late Najeebullah 43205-0746683-5	Abdul Latif Abro	905	-	-	905	905	-	-	905

Rs. in 000

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				Principal	Interest/ mark-up	Others	Total				
21	Late Abdul Qayoom S/O Muhammad Bux Khan Village Jan Beg Khan Kanrani Taluka Thull Distt Jacobabad	Late Abdul Qayoom 43105-9171427-1	Muhammad Bux Khan	828	-	-	828	828	-	-	828
22	Late Wali Muhammad S/O Shafi Muhammad Soomro Village Mirpur Buriro Taluka Thull Distt Jacobabad	Late Wali Muhammad 43105-0611960-5	Shafi Muhammad Soomro	777	-	-	777	777	-	-	777
23	Late Muhammad Ibrahim S/O Muhammad Paryal Dayo New Doctor Colony Ratoderao	Late Muhammad Ibrahim 43205-4020282-7	Muhammad Paryal Dayo	926	-	-	926	926	-	-	926
24	Late Shah Nawaz S/O Ghulam Murtaza Village Fatahpur K.N.Shah	Late Shah Nawaz 41203-7142814-7	Ghulam Murtaza	741	-	-	741	742	-	-	742
25	Late Mumtaz Ali S/O Wali Muhammad CNIC NO.43404-0370901-3 Village Gul Muhammad Chandio, P.O Miro Khan	Late Mumtaz Ali 43404-0370901-3	Wali Muhammad	805	-	-	805	805	-	-	805
26	Late Haji Amir Ali S/O Haji Allah Rakhio Near Hydri Plice Station, Muhalla Chandia Larkana Distt: Larkana	Late Haji Amir Ali 43203-6180269-5	Haji Allah Rakhio	511	-	-	511	511	-	-	511
27	Late Saeed Khan S/O Khair Muhammad Jakhar Tharo Dero Bughti Baloch Taluka Larkana	Late Saeed Khan 43203-7505426-3	Khair Muhammad Jakhar	832	-	-	832	832	-	-	832
28	Late Maqbool Ahmed S/O Abdul Razak Sejawal Junejo /Village Kot Lal Bux	Late Maqbool Ahmed 43204-9627749-3	Abdul Razak	751	-	-	751	752	-	-	752
29	Late Fareed Ahmed S/O Nizamuddin Peoples Colony, Muhalla Lahori Larkana	Late Fareed Ahmed 43203-1354620-3	Nizamuddin	614	-	-	614	614	-	-	614
30	Late Lal Bux S/O Allah Wadhayo Abro Muhall Galib Nagar Larkana	Late Lal Bux 43203-0687077-5	Allah Wadhayo Abro	703	-	-	703	703	-	-	703
31	Late Shafi Muhammad S/O Gul Hassan Village & P.O Hamayoon Taluka & Dist Shikarpur	Late Shafi Muhammad 43304-8743973-1	Gul Hassan	913	-	-	913	913	-	-	913
32	Late Kala Alyas Wazir Ali S/O Bashir Ahmed Near Qubo Road H. No.2665/82 Drib Muhammad P.O ShahdadkotDist Kamber Shahdadkot	Late Kala Alyas Wazir 43406-0357163-7	Bashir Ahmed	540	-	-	540	540	-	-	540
33	Late Ghulam Sarwar S/O Hidayatullah Village Phillri Taluka Sijawal Junejo Distt: Kamber Shahdadkot	Late Ghulam Sarwar 43204-1149630-9	Hidayatullah	599	-	-	599	599	-	-	599
34	Late Zahid Hussain S/O Muhammad Roshan Samo R/O Kori Muhalla Khairpur Nathan Shaha	Late Zahid Hussain 41203-0458636-1	Muhammad Roshan Samo	516	-	-	516	516	-	-	516
35	Late Allah Dino S/O Mazhar Hussain Solangi Ward No.05 Solangi Muhalla Sita Road Taluka K.N Shah Dist Dadu	Late Allah Dino 41203-7373911-1	Mazhar Hussain Solangi	501	-	-	501	502	-	-	502
36	Late Ahmed Ali S/O Amanullah Joyo CNIC NO.43207-0849012-9	Late Ahmed Ali 43207-0849012-9	Amanullah Joyo	520	-	-	520	520	-	-	520
37	Late Muhammad Fareed S/O Muhammad Mureed CNIC NO.43203-7753014-3 Near Dargah Sharif Makan No.601 Muhalla Rahmatpur	Late Muhammad Fareed 43203-7753014-3	Muhammad Mureed	522	-	-	522	522	-	-	522
38	Late Ghulam Hyder S/O Mehmood Mirbhar Muhalla Per Jo Goth Taluka Naudero Distt Larkana	Late Ghulam Hyder 43205-4232086-9	Mehmood Mirbhar	592	-	-	592	592	-	-	592
39	Late Aga Abdul Sattar Khan Muhalla Khair Muhammad Khan Shikarpur	Late Aga Abdul Sattar Khan 43304-1870923-5	Aga Abdul Fatah	539	-	-	539	539	-	-	539
40	Late Abdul Razaq S/O Bagan Banglani Village Bilawal Banglani Taluka Thull Dist Larkana	Late Abdul Razaq 43105-7856760-5	Bagan Banglani	601	-	-	601	601	-	-	601
41	Late Ramdas S/O Mangha Ram Muhalla Harefan Ratodero	Late Ramdas 43205-0110482-7	Mangha Ram	539	-	-	539	539	-	-	539
42	Late Muhammad Mako Village Ghulam Qadir Dakhan Ratodero	Late Muhammad Mako 43301-4080311-9	Muhammad Hashim	586	-	-	586	587	-	-	587
43	Late Ali Sher S/O Mubarak Chandio Village Din Muhammad Chandio Larkana	Late Ali Sher 43203-6704535-7	Mubarak Chandio	581	-	-	581	581	-	-	581
44	Late Irshad Ahmed S/O Muhammad Usman Massan Road Muhalla Muhammad Pur Larkana	Late Irshad Ahmed 43203-7737131-9	Muhammad Usman	513	-	-	513	513	-	-	513

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For the year ended December 31, 2020

Rs. in 000

Sr. No.	Name & Address of the borrower	Name of Individuals/Partners/ Directors with NIC No.	Fathers/Husband's name.	Outstanding liabilities at beginning of year				Principal written-Off	Interest/ Mark-up written off.	Other financial relief/waiver provided.	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
45	Late Ghulam Akber S/O Ali Nawaz Shaikh Near Mustafa Masjid Muhalla New Shaikh Zed Colony Larkana	Late Ghulam Akber 43204-3518049-7	Ali Nawaz Shaikh	988	-	-	988	988	-	-	988
46	Manzoor Ahmad, Momin Pura Syedan Chak Ramdas Disttrict Gujranwala	Manzoor Ahmad 34102-1894803-3	Muhammad Abdullah	741	99	-	840	741	-	-	741
47	Mr.Malik Muhammad Afzal S/o Malik Hussain Bukhsh Basti samja wahgan,P/O zahirpir,tehsil,Khanpur.	Mr.Malik Muhammad Afzal 36301-9459345-5	Malik Hussain Bukhsh	528	-	-	528	528	-	-	528
48	Syed Sikandar Jalal H.No. 128, Street No. 5 Shiekh Maltoon Town Mardan	Syed Sikandar Jalal Qasim 16101-5375266-9	Syed Muhammad Saleem	602	71	-	673	602	-	-	602
49	Raja Muhammad Aslam, Village Cheleyana Jageer, Tehsil Athmuqam, Distt Neelum, AK	Raja Muhammad Aslam 82201-1887006-7	Hadaytullah Janjuya	720	-	-	720	720	-	-	720
50	Syed Zameer Hussain Shah, Village Neelum, P/O Karin, Tehsil Athmuqam, Distt Neelum, AK	Syed Zameer Hussain Shah 82201-9867009-1	Syed Jehangir Shah	694	-	-	694	694	-	-	694
51	Kashif Mehmood Awan Near Ara Machine Mohalla Uper Chatter Mzd	Kashif Mehmood Awan 82203-4515133-7	Muhammad Shaukat	710	-	-	710	710	-	-	710
52	Muhammad Waris VPO Chanjjana Kotli Sattian, Rawalpindi	Muhammad Waris 37403-7827627-3	Qaim Din	519	-	-	519	519	-	-	519
53	Mr.Muhammad Akram S/o Muhammad Ashraf Chak Bala Arain, Bahawalpur	Mr.Muhammad Akram 31101-8414687-7	Muhammad Ashraf	914	-	-	914	914	-	-	914
54	Mr.Muhammad Siddique S/oDin Muhammad H# 21, muslim town, renala khurd , dist. Okara	Mr.Muhammad Siddique 35303-2100954-9	Din Muhammad	545	-	-	545	546	-	-	546
55	Muhammad Bashir (Layyah)	Muhammad Bashir 32203-2026317-1	Ahmad Bakhsh	866	-	-	866	866	-	-	866
56	Sahibzada Wajih ur Rasool Rasool Mohallah Khair Shah, Pind Dadan Khan, T&D, Jhelum	Sahibzada Wajih ur Rasool 37302-1043762-1	Sahibzada Maqsood ur Rasool	705	-	72	777	705	-	-	705
57	M/S Abbas Khakhi & Company situated at Mouza Rajghat Suraj Miani Multan	Mr. Safdar Abbas Khakhi 36303-0897990-1	Malik Bilal Khakhi	198	2,103	150	2,451	-	-	1,362	1,362
58	Mr. Dewan Syed Muhammad Taqi, near sunny bakers siddiqia road new gulgasht colony multan.	Mr. Dewan Syed Muhammad Taqi 36302-8994032-9	Dewan Syed Khurshid Ahmad	-	2,172	-	2,172	-	-	1,629	1,629
59	Muhammad Khursheed S/o Muhammad Sharif Bhero Waal, Post Office Khanewal Tehsil and District Khanewal	Muhammad Khursheed 36103-6550070-5	Muhammad Sharif	-	1,797	-	1,797	-	-	1,438	1,438
60	Mst.Suraya Begum House no 493, Mohallah Qazi Jalal, Inside Pak Gate Multan	Mst. Suraya Begum 36302-2486354-2	Malik Falak Sher	470	2,108	30	2,608	-	-	993	993
61	Muhammad Afzal Tahir Jamal Naghar Kotli Junaid Tehsil Mailsi District Vehari	Muhammad Afzal Tahir 36602-7023083-3	Mian Ahmad Bux	5,530	3,818	79	9,427	-	-	1,342	1,342
62	M/S Dress Valley Sharif Plaza LMQ Road, Multan	Kh. Anees ur Rehman 42000-7480710-1	Kh. Mujeeb ur Rehman	405	881	50	1,336	-	-	577	577
63	Muhammad Iqbal Bhatti Galli No. 6 , Mahallah Haji Noor Pura , Daska Muncipal Town Committee , Tehsil Daska ,	Mr.Muhammad Iqbal Bhatti 34601-9185407-9	Nathay Khan Bhatti Baig	-	-	3,569	3,569	-	-	2,192	2,192
64	M/s.Ahmed Brothers Ginners (Pvt.) Ltd. Address Chak # 112 Multan Road Jehanian Distt Khanewal	Aman Ullah 36101-1235934-5 Fozia Aman 36303-1861958-6 Nasreen Akhtar 36101-6838097-8	Nazeer Hussain Muhammad Ayyub Aman Ullah	-	2,413	30	2,443	-	-	1,981	1,981
65	M/s Farmer Cotton Ginners Address Bypass Road Jehanian Distt Khanewal	Muhammad Iftikhar 36303-0986831-3 Sajid Ali 36302-3438348-9 Samina Sajid 36302-8562640-0	Rehmat Ali Muhammad Ibrahim Sajid Ali	2,910	2,645	30	5,585	-	-	1,595	1,595

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For the year ended December 31, 2020

Rs. in 000

Sr. No.	Name & Address of the borrower	Name of Individuals/Partners/ Directors with NIC No.	Fathers/Husband's name.	Outstanding liabilities at beginning of year				Principal written-Off	Interest/ Mark-up written off.	Other financial relief/waiver provided.	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
66	Firdous Arshad Mouza Rango Khan, tehsil Kehrore Pecca, Distt Lodhran	Firdous Arshad 36602-4385686-4	Muhammad Arshad Khan	2,885	1,522	17	4,424	-	-	543	543
67	M/S.Shikrani Model Industries, Cotton Ginning Pressing and Oil Mills, KLP Road, UchSharif	1.Mr. Muhammad Sharif, 31201-4834670-3 2. Mr. Muhammad Asghar Badar, 31202-2785705-7 3. Mr. Muhammad Ajmal Khan 31201-6511835-7	1. Khuda Bukhsh. 2. Khuda Bukhsh 3. Khuda Bukhsh.	1,868	1,280	55	3,203	-	-	1,656	1,656
68	M/S.Shikrani Zari Service . Near Old Larry Adda Mohallah Shams Colony,Uchsharif Teh Ahmadpur East Distt Bahawalpur	1. Mr. Muhammad Sharif 31201-4834670-3 2. Muhammad Iqbal Khan 31202-3147441-3	1. Khuda Bukhsh 2. Muhammad Sharif	1,299	-	35	1,334	-	-	776	776
69	M/S. Shikrani Traders. Main Bazar, Uch Sharif	Mr. Muhammad Asghar Badar, 31202-2785705-7	Khuda Bukhsh	900	-	32	932	-		554	554
70	M/s.H.W.Dairies Pvt Ltd. Hujra Chunian Road, Mirajabad, District Okara	(1) Muhammad Ilyas Miraj 35202-7301494-9 (2) Haseeb Ilyas 35202-7459668-5, (3) Mian Waqas Riaz 35202-2562237-9	(1) S/o Mian Miraj Din (2) S/o Mian Muhammad Ilyas Miraj (3) S/o Mian Muhammad Riaz Miraj	34,779	15,664	205	50,648	-	-	605	605
				91,496	36,884	4,354	132,734	40,260	-	17,243	57,503

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2020

Annexure - II

ISLAMIC BANKING BUSINESS

The bank is operating 191 (2019: 190) Islamic banking branches and no Islamic banking windows at the year ended December 31, 2020.

	Note	2020	2019
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		**5,713,009**	4,405,856
Balances with other banks		**11,948**	5,841
Due from financial institutions	1	**-**	2,059,162
Investments	2	**42,109,641**	29,811,515
Islamic financing and related assets - net	3	**37,546,704**	33,880,482
Fixed assets		**148,884**	174,862
Right of use assets (ROUA)		**755,116**	861,049
Other assets		**2,676,118**	4,853,963
Total Assets		**88,961,420**	76,052,730
LIABILITIES			
Bills payable		**339,103**	256,804
Due to financial institutions		**-**	-
Deposits and other accounts	4	**75,268,262**	63,285,896
Due to head office		**4,124,758**	2,784,801
Lease liability against right of use assets		**903,196**	943,375
Other liabilities		**2,198,144**	3,767,018
		82,833,463	71,037,894
NET ASSETS		**6,127,957**	5,014,836
REPRESENTED BY			
Islamic banking fund		**3,360,000**	2,200,000
Surplus on revaluation of assets		**659,569**	775,696
Unappropriated / unremitted profit	6	**2,108,388**	2,039,140
		6,127,957	5,014,836

The profit and loss account of the Bank's Islamic banking branches for the year ended December 31, 2020 is as follows:

	Note	2020	2019
		(Rupees in '000)	
Profit / return earned	7	**7,994,894**	7,144,877
Profit / return expensed	8	**(3,456,533)**	(3,284,831)
Net profit / return		**4,538,361**	3,860,046
Other income			
Fee and commission income		**367,852**	436,935
Foreign exchange income		**56,745**	105,951
Other income		**1,344**	1,006
Total other income		**425,941**	543,892
Total income		**4,964,302**	4,403,938
Other expenses			
Operating expenses		**(2,453,894)**	(2,439,232)
Other charges		**(2,512)**	(1,280)
Total other expenses		**(2,456,406)**	(2,440,512)
Profit before provisions		**2,507,896**	1,963,426
Provisions and write offs - net		**(399,508)**	75,714
Profit before taxation		**2,108,388**	2,039,140
Taxation		**-**	-
Profit after taxation		**2,108,388**	2,039,140

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2020

	2020			2019		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	---------- (Rupees in '000) ----------					
1 Due from Financial Institutions						
Unsecured						
Bai Muajjal Receiveable from State Bank of Pakistan	-	-	-	2,059,162	-	2,059,162
	-	-	-	2,059,162	-	2,059,162

This represent Bai Muajjal agreement with State Bank of Pakistan which carries profit rate of Nil (2019: 10.39%) per annum.

	2020				2019			
	Cost / Amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
2 Investments by segments:	---------- (Rupees in '000) ----------							
Federal Government Securities:								
- Ijarah Sukuks	**6,000,000**	**-**	**15,600**	**6,015,600**	2,000,000	-	(21,200)	1,978,800
- Others (Bai Muajjal with GOP @ 13.30%)	**11,641,133**	**-**	**-**	**11,641,133**	10,395,235	-	-	10,395,235
	17,641,133	**-**	**15,600**	**17,656,733**	12,395,235	-	(21,200)	12,374,035
Non Government Debt Securities								
- Listed	**8,400,000**	**-**	**311,741**	**8,711,741**	4,400,000	-	602,100	5,002,100
- Unlisted	**15,539,747**	**(130,807)**	**332,228**	**15,741,168**	12,371,391	(130,807)	194,796	12,435,380
	23,939,747	**(130,807)**	**643,969**	**24,452,909**	16,771,391	(130,807)	796,896	17,437,480
Total Investments	**41,580,879**	**(130,807)**	**659,569**	**42,109,641**	29,166,626	(130,807)	775,696	29,811,515

	Note	2020	2019
3 Islamic financing and related assets		---------- (Rupees in '000) ----------	
Ijarah	3.1	**168,788**	255,639
Murabaha	3.2	**3,464,401**	1,716,542
Musawama		**-**	22,243
Diminishing Musharaka		**17,614,309**	15,869,641
Istisna		**50,000**	-
Other Islamic Modes (Wakala tul Istismar)		**8,500,000**	8,500,000
Advances against Islamic assets (Ijarah, Murbaha, DM, Istisna)		**8,076,678**	7,180,631
Inventory related to Islamic financing (Istisna)		**275,600**	539,349
Gross Islamic financing and related assets		**38,149,776**	34,084,045
Less: provision against Islamic financings			
- Specific		**(602,913)**	(203,324)
- General		**(159)**	(239)
		(603,072)	(203,563)
Islamic financing and related assets - net of provision		**37,546,704**	33,880,482

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2020

3.1 Ijarah

	2020						
	Cost			Accumulated Depreciation			Book Value as at December 31, 2020
	At January 1, 2020	Additions / (deletions)	As at December 31, 2020	At January 1, 2020	Charge/ Adjustment for the year	As at December 31, 2020	
	(Rupees in '000)						
Plant & Machinery	255,075	- (5,952)	249,123	137,966	42,760 (5,676)	175,050	74,073
Vehicles	277,812	- (38,593)	239,219	139,282	42,832 (37,610)	144,504	94,715
Total	532,887	- (44,545)	488,342	277,248	85,592 (43,286)	319,554	168,788

	2019						
	Cost			Accumulated depreciation			Book Value as at December 31, 2019
	At January 01, 2019	Additions / (deletions)	As at December 31, 2019	At January 01, 2019	Charge/ Adjustment for the year	As at December 31, 2019	
	(Rupees in '000)						
Plant & Machinery	573,290	- (318,215)	255,075	350,797	75,826 (288,657)	137,966	117,109
Vehicles	319,205	28,958 (70,351)	277,812	105,629	85,305 (51,652)	139,282	138,530
Total	892,495	28,958 (388,566)	532,887	456,426	161,131 (340,309)	277,248	255,639

Future Ijarah payments receivable

	2020				2019			
	Not later than 1 year	Later than 1 year & less than 5 years	Over five years	Total	Not later than 1 year	Later than 1 year & less than 5 years	Over five years	Total
	(Rupees in '000)							
Ijarah rental receivables	85,318	91,290	-	176,608	86,070	217,069	-	303,139

3.2 Murabaha

	Note	2020	2019
		(Rupees in '000)	
Murabaha financing	3.2.1	3,464,401	1,716,542
Advances for Murabaha		1,199,500	2,000,000
		4,663,901	3,716,542

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2020

		Note	2020	2019
			(Rupees in '000)	
3.2.1	Murabaha receivable - gross	3.2.2	**3,629,825**	1,835,295
	Less: Deferred murabaha income	3.2.4	**47,306**	71,105
	Less: Profit receivable shown in other assets		**118,118**	47,648
	Murabaha financings		**3,464,401**	1,716,542
3.2.2	The movement in Murabaha financing during the year is as follows:			
	Opening balance		**1,835,295**	2,112,680
	Sales during the year		**10,600,101**	9,329,239
	Adjusted during the year		**8,805,571**	9,606,624
	Closing balance		**3,629,825**	1,835,295
3.2.3	Murabaha sale price		**10,600,101**	9,329,239
	Murabaha purchase price		**9,901,022**	8,842,127
			699,079	487,112
3.2.4	Deferred murabaha income			
	Opening balance		**71,105**	25,372
	Arising during the year		**287,727**	487,847
	Less: Recognised during the year		**311,526**	442,114
	Closing balance		**47,306**	71,105

4	**Deposits**	**2020**			2019		
		In local currency	**In Foreign currencies**	**Total**	In local currency	In foreign currencies	Total
		(Rupees in '000)					
	Customers						
	Current deposits	**26,363,269**	**111,710**	**26,474,979**	20,455,905	94,851	20,550,756
	Savings deposits	**33,051,442**	**-**	**33,051,442**	22,671,179	-	22,671,179
	Term deposits	**10,129,005**	**-**	**10,129,005**	12,720,085	-	12,720,085
		69,543,716	**111,710**	**69,655,426**	55,847,169	94,851	55,942,020
	Financial Institutions						
	Current deposits	**778,039**	**-**	**778,039**	815,386	-	815,386
	Savings deposits	**3,633,797**	**-**	**3,633,797**	3,028,490	-	3,028,490
	Term deposits	**1,201,000**	**-**	**1,201,000**	3,500,000	-	3,500,000
		5,612,836	**-**	**5,612,836**	7,343,876	-	7,343,876
		75,156,552	**111,710**	**75,268,262**	63,191,045	94,851	63,285,896

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2020

		2020	2019
		---------- (Rupees in '000) ----------	
4.1	**Composition of deposits**		
	- Individuals	**36,485,509**	28,456,381
	- Government / Public Sector Entities	**23,406,681**	17,564,494
	- Banking Companies	**2,698,853**	7,339,558
	- Non-Banking Financial Institutions	**2,913,983**	4,318
	- Private Sector	**9,763,236**	9,921,145
		75,268,262	63,285,896

4.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 39,137 million (2019: Rs. 31,851 million).

5 Charity Fund

Opening Balance	**10,911**	1,059
Additions during the period		
Received from customers on account of delayed payment	**710**	11,852
	11,621	12,911
Payments / utilization during the period		
Education	**1,500**	-
Health	**9,500**	2,000
	11,000	2,000
Closing Balance	**621**	10,911
Charity amount exceeding Rs. 0.5 million paid to the following organizations.		
The Indus Hospital	**3,000**	1,000
Sindh Institute of Urology and Transplantation (SIUT)	**-**	1,000
The Prime Minister's Covid-19 Pandemic Relief Fund -2020	**5,000**	-
Shaukat Khanum Memorial Trust	**1,000**	-
Institute of Business Administration (IBA)	**1,500**	-
	10,500	2,000

6 Islamic Banking Business Unappropriated/ Unremitted Profit / (loss)

Opening Balance	**2,039,140**	(57,150)
Add: Islamic Banking profit for the year	**2,108,388**	2,039,140
Less: Transferred / remitted to Head Office	**(2,039,140)**	57,150
Closing Balance	**2,108,388**	2,039,140

7 Profit / Return Earned on Financing, Investments and Placement

Profit earned on:		
Financing	**3,991,541**	3,385,613
Investments	**2,714,544**	2,325,785
Placements	**30,245**	206,344
Others (Bai Muajjal)	**1,258,564**	1,227,135
	7,994,894	7,144,877

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2020

	2020	2019
	---------- (Rupees in '000) ----------	

8 Profit on Deposits and other Dues Expensed

Deposits and other accounts	**2,956,946**	2,817,622
Amortisation of lease liability against - ROUA	**89,738**	91,487
Others (General Account)	**409,849**	375,722
	3,456,533	3,284,831

9 Pool Management

NBP-AIBG has managed following pools for profit and loss distribution.

a) General depositor pool

The General pool consists of all other remunerative deposits. NBP Aitemaad (the Mudarib) accept deposits on the basis of Mudaraba from depositors (Rab ul Maal). The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. The entire net return after paying equity share to Mudarib is considered as distributable profit of the pool.

b) Special depositor pools (Total 140 during the year and 43 as at December 31, 2020)

Special pool(s) are created where the customers desire to invest in high yield assets. These pool(s) rates are higher than the general pool depending on the assets. In case of loss in special pool, the loss will be borne by the special pool members. The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. From the net return, and after allocation of share of profit to commingled equity, profit is paid to the Mudarib in the ratio of the Mudarib's equity in the pool to the total pool. The balance represents the distributable profit.

c) Equity pool

Equity pools include AIBG's fund and current account deposits. The equity pool may have constructive liquidation every month and risk associated with assets of pool includes operational, market, equity, return and Shariah.

Key features and risk & reward characteristics

Deposits are accepted from customers on the basis of Qard (current accounts) and Mudarabah (Saving and term deposits). No profit or loss is passed on to current account depositors.

For deposits accepted on Mudarabah basis from depositors (Rab ul Maal) the Bank acts as Manager (Mudarib) and invests the funds in the Shariah Compliant modes of financings. Rab ul Maal share is distributed among depositors according to weightages declared for a month before start of the period.

In case of loss in a pool during the profit calculation period, the loss is distributed among the depositors (remunerative) according to their ratio of investment.

For all pools, the Mudarib's share is deducted from the distributable profit to calculate the profit to be allocated to depositors. The allocation of the profit to various deposit categories is determined by the amount invested in that category relative to the total pool, as well as by the weightage assigned to the various deposit categories.

The assets, liabilities, equities, income and expenses are segregated for each of the pool. No pool investment is intermingled with each other. The risk associated with each pool is thus equally distributed among the pools.

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2020

Avenues/sectors of economy/business where Modaraba based deposits have been deployed.

Sector	2020	2019
	Percentage	
Fertilizer	**1.54%**	2.16%
Textile	**3.21%**	4.94%
Fuel & energy	**48.01%**	41.72%
Leasing/Modarbas	**0.21%**	0.29%
Sugar	**6.51%**	5.88%
Cement	**9.00%**	10.54%
Gas	**1.58%**	2.57%
Financial	**2.00%**	4.87%
Federal Government	**19.68%**	17.43%
Real Estate	**2.20%**	2.80%
Others	**6.06%**	6.81%
Total	**100%**	100%

Parameters for profit allocation and charging expenses

Profit of the pools has been distributed between Mudarib and Rab-ul-Mall by using preagreed profit sharing ratios. The share of Rab-ul-Mall's profit has been distributed among different customers using the various weightages assigned to the different categories of the pool.

No provision against any non performing asset of the pool is passed on to the pool except on the actual loss / write off of such non performing asset. Administrative expense are borne by mudarib and not charged to Mudaraba pool.

Mudarib Share	**31-Dec-20** **(Rupees in '000)**
Gross Distributable Income	**4,871,556**
Mudarib (Bank) share of profit before Hiba	**1,814,707**
Mudarib Share in percentage	**37%**
Hiba from Mudarib Share	
Mudarib (Bank) share of profit before Hiba	**1,814,707**
Hiba from bank's share to depositors	**284,690**
Hiba from bank's share to depositors in percentage	**16%**

Profit rates

During the year the average profit rate earned by NBP Islamic Banking Group is 11.52% and the profit rate distributed to the depositors is 6.69%.

Notes

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National Bank of Pakistan
نیشنل بینک آف پاکستان

Embracing Opportunities

5 Consolidated Financial Statements

Consolidated Financial Statements of the Group along with Report of the Independent Auditors

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Directors' Report to the Shareholders

(Consolidated Financial Statements)

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present the Directors' Review together with the Consolidated Financial Statement of the Bank and its subsidiaries for the financial year ended December 31, 2020.

Consolidated after-tax profit for the year ended December 31, 2020 amounted to PKR 30.59 billion, being 83.73% higher than PKR 16.65 billion earned for the corresponding year ended December 31, 2019. During this period, the Bank's subsidiaries contributed a net profit of PKR 0.33 billion (Dec '19: PKR 0.22 billion) towards the Group's profitability; whereas share of profits from associates amounted to PKR 0.04 billion (Dec '19: PKR 0.04 billion). A loss of PKR 0.22 billion was however recorded on account of UNBL, a UK based Joint Venture in which NBP has 45% shareholding. Accordingly, consolidated EPS stood at Rs. 14.33 as compared to Rs. 7.79 for the prior year 2019. As of December 31, 2020, consolidated total assets of the Bank stood at PKR 3,017.21 billion being 3.7% lower than December 31, 2019 levels.

Appropriation of the consolidated profits is given in the Statement of Changes in Equity and summarized below:

	(PKR 'Mn)
After-tax profit for year ended December 31, 2020	30,585.9
Unappropriated profit brought forward	93,465.5
Other comprehensive income- net of tax	(497.9)
Non-controlling interest	(96.2)
Transfer from surplus on revaluation of fixed assets	230.4
Profit available for appropriations	**123,687.7**
Appropriation:	
Transfer to Statutory Reserve	(3,055.9)
Unappropriated profit carried forward	**120,631.8**
Earnings per share	**Rs. 14.33**

For and on behalf of the Board of Directors

Arif Usmani
President & CEO
Karachi
Date: February 24, 2021

Zubyr Soomro
Chairman

ڈائریکٹرز کی رپورٹ برائے حصص مالکان

مجتمع مالیاتی گوشوارے

جناب حصص مالکان!

ہم بورڈ آف ڈائریکٹرز کی طرف سے 31 دسمبر 2020 کو ختم ہونے والے مالی سال کے لیے بینک اور اس کے ذیلی اداروں کے مجتمع (consolidated) مالیاتی گوشوارے پیش کرتے ہوئے خوشی محسوس کررہے ہیں۔

31 دسمبر 2020 کو ختم ہونے والے سال کے لیے مجتمع بعد از محصول منافع کی مالیت 30.59 ارب روپے رہی جو 31 دسمبر 2019 کو ختم ہونے والے سال میں حاصل کردہ 16.65 ارب روپے کے مقابلے میں 83.73 فیصد زیادہ ہے۔

اس مدت کے دوران ہمارے گروپ کی ذیلی کمپنیوں کی طرف سے گروپ کی منفعت میں 0.33 ارب روپے کا خالص منافع جمع کرایا گیا (دسمبر 2019: 0.22 ارب روپے)، جب کہ منسلکہ کمپنیوں کی طرف سے منافع میں حصہ کی مالیت 0.04 ارب روپے رہی (دسمبر 2019: 0.04 ارب روپے)۔ تاہم UNBL کی مد میں 0.22 ارب روپے کا خسارہ ریکارڈ کرایا گیا، جو UK میں واقع ایک مشترکہ منصوبہ ہے جس میں نیشنل بینک آف پاکستان کے 45 فیصد حصص ہیں۔ اسی کے مطابق زیر جائزہ سال کے دوران فی حصص مجتمع آمدن سال 2019 کے لیے 7.79 روپے کے مقابلے میں 14.33 روپے رہی۔ بمطابق 31 دسمبر 2020، بینک کے مجتمع اثاثہ جات 3,017.21 ارب روپے رہے جو 31 دسمبر 2019 کی سطح سے 3.7 فیصد کم ہیں۔

مجتمع منافع جات کا استعمال ایکویٹی میں تبدیلیوں کے گوشوارے میں درج کیا گیا اور اس کا خلاصہ درج ذیل ہے:

	(ملین روپے)
31 دسمبر 2019 کو ختم ہونے والے سال کے لیے بعد از محصول منافع	30,585.9
آگے منتقل کیا گیا، غیر تخصیص شدہ منافع	93,465.5
دیگر جامع آمدن۔ بعد از محصول	(497.9)
نان کنٹرولنگ انٹریسٹ	(96.2)
مقرر اثاثہ جات کے از سر نو تخمینہ پر فاضل سرمائے سے منتقلی	230.4
تخصیص کے لیے دستیاب منافع	**123,687.7**
تخصیص:	
قانونی ذخائر میں منتقلی	(3,055.9)
آگے منتقل کیا گیا غیر تخصیص شدہ منافع	**120,631.8**
فی حصص آمدنی	**14.33 روپے**

منجانب بورڈ آف ڈائریکٹرز

عارف عثمانی
صدر اور چیف ایگزیکٹو آفیسر
تاریخ: 24 فروری 2021

زبیر سومرو
چیئرمین

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

Grant Thornton Anjum Rahman
Chartered Accountants
1st & 3rd Floor, Modern Motors House,
Beaumont Road,
Karachi, Pakistan

INDEPENDENT AUDITORS' REPORT

To the members of National Bank of Pakistan

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of **National Bank of Pakistan and its subsidiaries (the Group)**, which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the Code) as adopted by the Institute of Chartered Accountants of Pakistan and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note 26.3.3.1 to the consolidated financial statements which explains the contingency in relation to the pension obligations of the Group. Based on the opinion of the legal counsel, the Group is confident about the favorable outcome of this matter and hence, no provision has been made in these consolidated financial statements. Our opinion is not qualified in this respect.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

S. No.	Key Audit Matters	How the matters were addressed in our audit
1.	**Provision (impairment) of loans and advances** As disclosed in note 11 to the consolidated financial statements, gross loans and advances of the Group were Rs. 1,161 billion against which non-performing loans and advances (NPLs) were of Rs. 172 billion. As at December 31, 2020, the Group holds the provision of Rs. 155 billion against NPLs and Rs. 22 billion as general provision against performing loans. The carrying value of loans and advances to customers may be materially misstated, if provision is not appropriately identified and estimated as the determination of impairment provisions remains subjective and judgmental area in addition to objective criteria for classification of loans and advances as per Prudential Regulations. Further, the impact of the COVID-19 pandemic and regulatory relieves measures issued by State Bank of Pakistan (SBP) to dampen the effects of COVID-19 have been incorporated in the Group's measurement of loans and advance portfolio. Furthermore, the Group is required to make provision, if any, identified by the SBP. We considered this as a key audit matter as the Group in addition to the following objective criteria also makes significant and subjective judgements and makes assumptions, including those related to COVID-19, to determine the provision and the timing of recognition of such provision and their impact could be material to the consolidated financial statements.	For selected samples, we: • Updated our understanding and evaluated design and implementation of relevant controls; • evaluated borrowers through repayment behavior and assessment of financial strength based on the available financial statements, adequacy of security/collateral, electronic credit information bureau reports, compliance with Prudential Regulations and impact of measures adopted by the Group in respect of COVID-19; • evaluated the appropriateness of subjective evaluation made by management for performing parties; • ensured that any provision identified by the SBP was recognized; and • in case of restructured loans, we reviewed the detailed documentation of restructuring including approvals, legal opinions, terms of restructuring, payment records and any other relevant documents to ensure that restructuring was made in accordance with the Prudential Regulations. In addition to the above, on a sample basis, we also reviewed minutes of the meeting of credit and audit committees to identify risky exposures on which we performed the procedures as stated above. We had discussions with management to understand the Group's assessment of the impact of COVID-19 on the Group's portfolio of loans and advances. We issued instructions to auditors of those overseas branches which were selected for audit, highlighting 'Provision against advances' as a significant risk. The auditors of those branches performed audit procedures to check compliance with regulatory requirements and reported the results thereof to us.

S. No.	Key Audit Matters	How the matters were addressed in our audit
2.	**Valuation of listed equity shares, units of mutual funds and term finance certificates classified as available-for-sale** As disclosed in note 10.1 to the consolidated financial statements, the Group has significant investments in equity shares, units of mutual funds and term finance certificates (TFCs) classified as Available for Sale (AFS). As per the Group's policy, listed equity shares and units of mutual funds are required to be considered for impairment when there is a significant or prolonged decline in the fair value of investments except where SBP relaxation has been obtained. Further, TFCs are required to be assessed for impairment as per the SBP's Prudential Regulations which involves subjective criteria. Furthermore, to dampen the effect of COVID-19, SBP has allowed Groups to recognize impairment loss, if any, on the valuation of listed equity shares held as AFS in a phased manner equally on quarterly basis. The significance of the investment amount, subjectivity involved and assumptions used in impairment, including the guidance issued by SBP due to COVID-19, make it significant to the consolidated financial statements. Therefore, we have considered this as a key audit matter.	On a sample basis, we have performed the following procedures: • each investment's cost was compared to its market value wherever available to determine decline / surplus in valuation; • checked whether, in case of listed equity shares and units of mutual funds classified as available for sale, impact of significant or prolonged decline was recognized consistently as per the policy of the Group as disclosed in note 5.26(c), • checked whether, in case of listed equity shares classified as AFS, calculation of impairment in a phased manner on a quarterly basis as per the guidance of SBP. • For TFCs, checked that listed TFCs which were traded in were valued as per the quoted prices and for unlisted TFCs, we checked that these were valued at cost less provision. Further, on sample bases, TFCs were also evaluated based on evidence of deterioration in the financial health of the investee.

Information Other than the Consolidated Financial Statements and Auditor's Reports Thereon

Management is responsible for other information. The other information comprises the information included in the Annual Report, but does not include the unconsolidated financial statements, consolidated financial statements and our auditors' reports thereon and our review report on Code of Corporate Governance.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report the fact. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting and reporting standards as applicable in Pakistan, the requirements of the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As a part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to event: or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matter that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or

when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Nadeem Yousuf Adil and Khaliq-ur-Rahman on behalf of Yousuf Adil and Grant Thornton Anjum Rahman respectively.

Yousuf Adil
Chartered Accountants

Grant Thornton Anjum Rahman
Chartered Accountants

Place: Karachi
Date: February 25, 2021

Consolidated Statement of Financial Position

As at December 31, 2020

2019	2020		Note	2020	2019
(US Dollars in '000)				(Rupees in '000)	
		ASSETS			
1,834,387	**1,563,928**	Cash and balances with treasury banks	7	**249,969,566**	293,198,090
85,078	**93,943**	Balances with other banks	8	**15,015,366**	13,598,325
843,248	**793,350**	Lendings to financial institutions	9	**126,804,675**	134,780,010
9,089,402	**9,174,529**	Investments	10	**1,466,405,373**	1,452,799,192
6,309,021	**6,155,567**	Advances	11	**983,871,421**	1,008,398,612
343,603	**344,649**	Fixed assets	12	**55,086,809**	54,919,564
6,699	**6,395**	Intangible assets	13	**1,022,143**	1,070,766
46,595	**43,902**	Right of use assets	14	**7,017,020**	7,447,414
1,039,503	**700,835**	Other assets	15	**112,017,619**	166,148,295
19,597,536	**18,877,098**			**3,017,209,992**	3,132,360,268
		LIABILITIES			
124,300	**105,079**	Bills payable	16	**16,795,186**	19,867,424
2,951,538	**866,766**	Borrowings	17	**138,539,005**	471,757,352
13,751,637	**15,133,967**	Deposits and other accounts	18	**2,418,928,469**	2,197,984,573
1,216	**1,234**	Liabilities against assets subject to finance lease	19	**197,224**	194,403
48,997	**49,234**	Lease liability against right of use assets	20	**7,869,355**	7,831,350
68,004	**18,351**	Deferred tax liabilities	21	**2,933,124**	10,869,353
1,155,153	**985,679**	Other liabilities	22	**157,545,347**	184,633,258
18,100,845	**17,160,310**			**2,742,807,710**	2,893,137,713
1,496,691	**1,716,788**	**NET ASSETS**		**274,402,282**	239,222,555
		REPRESENTED BY			
133,107	**133,107**	Share capital	23	**21,275,131**	21,275,131
333,225	**360,319**	Reserves	24	**57,591,417**	53,260,789
440,197	**462,903**	Surplus on revaluation of assets	25	**73,987,802**	70,358,587
584,765	**754,730**	Unappropriated profit		**120,631,784**	93,465,516
1,491,294	**1,711,059**			**273,486,134**	238,360,023
5,397	**5,729**	Non-controlling interest		**916,148**	862,532
1,496,691	**1,716,788**			**274,402,282**	239,222,555
		CONTINGENCIES AND COMMITMENTS	26		

The annexed notes 1 to 52 and annexures I and II form an integral part of these consolidated financial statements.

Zubyr Soomro	**Arif Usmani**	**Abdul Wahid Sethi**	**Imam Bakhsh Baloch**	**Asif Jooma**
Chairman	President & CEO	Chief Financial Officer	Director	Director

Consolidated Profit and Loss Account

For the year ended December 31, 2020

2019	2020		Note	2020	2019
---------- (US Dollars in '000) ----------				---------- (Rupees in '000) ----------	
1,499,742	**1,614,367**	Mark-up / return / interest earned	27	**258,031,378**	239,710,290
1,048,313	**961,320**	Mark-up / return / interest expensed	28	**153,651,948**	167,556,408
451,429	**653,047**	Net mark-up / return / interest income		**104,379,430**	72,153,882
		NON MARK-UP / INTEREST INCOME			
127,736	**121,879**	Fee and commission income	29	**19,480,452**	20,416,642
19,391	**11,481**	Dividend income		**1,835,129**	3,099,277
39,544	**27,167**	Foreign exchange income		**4,342,201**	6,320,455
13,549	**49,506**	Gain on securities - net	30	**7,912,766**	2,165,524
(603)	**(1,373)**	Share of loss from joint venture - net of tax		**(219,389)**	(96,336)
234	**268**	Share of profit from associates - net of tax		**42,813**	37,331
36,394	**24,810**	Other income	31	**3,965,483**	5,816,974
236,245	**233,738**	Total non-markup / interest income		**37,359,455**	37,759,867
687,674	**886,785**	Total income		**141,738,885**	109,913,749
		NON MARK-UP / INTEREST EXPENSES			
420,611	**401,203**	Operating expenses	32	**64,126,064**	67,228,062
-	**-**	Workers welfare fund		**-**	-
942	**1,980**	Other charges	33	**316,439**	150,585
421,553	**403,183**	Total non-markup / interest expenses		**64,442,503**	67,378,647
266,121	**483,602**	Profit before provisions		**77,296,382**	42,535,102
84,820	**193,400**	Provisions and write offs - net	34	**30,911,976**	13,557,101
181,301	**290,202**	**PROFIT BEFORE TAXATION**		**46,384,406**	28,978,001
77,147	**98,843**	Taxation	35	**15,798,487**	12,330,809
104,154	**191,359**	**PROFIT AFTER TAXATION**		**30,585,919**	16,647,192
		Attributable to:			
103,750	**190,757**	Shareholders of the Bank		**30,489,753**	16,582,705
403	**602**	Non-controlling interest		**96,166**	64,487
104,154	**191,359**			**30,585,919**	16,647,192
---------- (US Dollars) ----------				---------- (Rupees) ----------	
0.05	**0.09**	**Basic earnings per share**	36	**14.33**	7.79
0.05	**0.09**	**Diluted earnings per share**	37	**14.33**	7.79

The annexed notes 1 to 52 and annexures I and II form an integral part of these consolidated financial statements.

Zubyr Soomro	**Arif Usmani**	**Abdul Wahid Sethi**	**Imam Bakhsh Baloch**	**Asif Jooma**
Chairman	President & CEO	Chief Financial Officer	Director	Director

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2020

2019	2020		2020	2019
------ (US Dollars in '000) ------			-------- (Rupees in '000) ---------	
104,154	**191,359**	Profit after taxation for the year	**30,585,919**	16,647,192
		Other comprehensive income		
		Items that may be reclassified to profit and loss account in subsequent periods:		
13,997	**7,975**	Exchange gain on translation of net assets of foreign branches, subsidiaries and joint venture	**1,274,736**	2,237,165
63,213	**18,753**	Movement in surplus on revaluation of investments - net of tax	**2,997,432**	10,103,678
77,210	**26,728**		**4,272,168**	12,340,843
		Items that will not be reclassified to profit and loss account in subsequent periods:		
(12,609)	**(3,116)**	Remeasurement loss on defined benefit obligations - net of tax	**(497,972)**	(2,015,359)
4,638	**4,054**	Movement in surplus on revaluation of operating fixed assets - net of tax	**647,924**	741,300
3,072	**1,340**	Movement in surplus on revaluation of non-banking assets - net of tax	**214,238**	490,984
(4,899)	**2,278**		**364,190**	(783,075)
176,465	**220,365**	**Total comprehensive income**	**35,222,277**	28,204,960
		Total comprehensive income attributable to:		
176,061	**219,763**	Shareholders of the Bank	**35,126,111**	28,140,473
403	**602**	Non-controlling interest	**96,166**	64,487
176,465	**220,365**		**35,222,277**	28,204,960

The annexed notes 1 to 52 and annexures I and II form an integral part of these consolidated financial statements.

Zubyr Soomro	**Arif Usmani**	**Abdul Wahid Sethi**	**Imam Bakhsh Baloch**	**Asif Jooma**
Chairman	President & CEO	Chief Financial Officer	Director	Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2020

	Share capital	Reserves					Surplus on revaluation of assets			Unappropriated profit	Sub Total	Non-Controlling Interest	Total
		Exchange translation	Statutory reserve	General loan loss reserve	Revenue general reserve	Total	Investments	Fixed / non-banking assets	Total				
	(Rupees in '000)												
Balances as at December 31, 2018	21,275,131	9,333,431	31,587,874	12,000,000	521,338	53,442,643	15,149,774	44,112,403	59,262,177	76,239,599	210,219,550	841,745	211,061,295
Profit after taxation for the year ended December 31, 2019	-	-	-	-	-	-	-	-	-	16,582,705	16,582,705	64,487	16,647,192
Other comprehensive income - net of tax	-	2,237,165	-	-	-	2,237,165	10,103,678	1,232,284	11,335,962	(2,015,359)	11,557,768	-	11,557,768
Transfer to statutory reserve	-	-	1,580,981	-	-	1,580,981	-	-	-	(1,580,981)	-	-	-
Transfer from loan loss reserve to unappropriated profit	-	-	-	(4,000,000)	-	(4,000,000)	-	-	-	4,000,000	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(239,552)	(239,552)	239,552	-	-	-
Transactions with owners, recorded directly in equity													
Cash dividend (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(43,700)	(43,700)
Balance as at December 31, 2019	**21,275,131**	**11,570,596**	**33,168,855**	**8,000,000**	**521,338**	**53,260,789**	**25,253,452**	**45,105,135**	**70,358,587**	**93,465,516**	**238,360,023**	**862,532**	**239,222,555**
Profit after taxation for the year ended December 31, 2020	-	-	-	-	-	-	-	-	-	30,489,753	30,489,753	96,166	30,585,919
Other comprehensive income - net of tax	-	1,274,736	-	-	-	1,274,736	2,997,432	862,162	3,859,594	(497,972)	4,636,358	-	4,636,358
Transfer to statutory reserve	-	-	3,055,892	-	-	3,055,892	-	-	-	(3,055,892)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(230,379)	(230,379)	230,379	-	-	-
Transactions with owners, recorded directly in equity													
Cash dividend (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(42,550)	(42,550)
Balance as at December 31, 2020	**21,275,131**	**12,845,332**	**36,224,747**	**8,000,000**	**521,338**	**57,591,417**	**28,250,884**	**45,736,918**	**73,987,802**	**120,631,784**	**273,486,134**	**916,148**	**274,402,282**

The annexed notes 1 to 52 and annexures I and II form an integral part of these consolidated financial statements.

Zubyr Soomro
Chairman

Arif Usmani
President & CEO

Abdul Wahid Sethi
Chief Financial Officer

Imam Bakhsh Baloch
Director

Asif Jooma
Director

Consolidated Cash Flow Statement

For the year ended December 31, 2020

2019	2020		Note	2020	2019
--------- (US Dollars in '000) ---------				---------- (Rupees in '000) ----------	
		CASH FLOW FROM OPERATING ACTIVITIES			
181,301	**290,202**	Profit before taxation		**46,384,406**	28,978,001
(19,391)	**(11,481)**	Less: Dividend income		**(1,835,129)**	(3,099,277)
161,910	**278,721**			**44,549,277**	25,878,724
		Adjustments:			
28,508	**29,121**	Depreciation		**4,654,608**	4,556,537
2,051	**1,495**	Amortization		**238,932**	327,882
84,820	**193,400**	Provision and write-offs	34	**30,911,976**	13,557,101
(235)	**(144)**	Gain on sale of fixed assets - net		**(23,053)**	(37,487)
4,876	**5,129**	Finance charges on leased assets		**819,777**	779,389
(237)	**(66)**	Unrealized gain on revaluation of investments classified as held-for-trading		**(10,556)**	(37,826)
47,268	**46,594**	Charge for defined benefit plans - net		**7,447,274**	7,555,006
603	**1,373**	Share of loss from joint venture - net of tax		**219,389**	96,336
(234)	**(268)**	Share of profit from associates - net of tax		**(42,813)**	(37,331)
167,420	**276,634**			**44,215,534**	26,759,607
329,330	**555,355**			**88,764,811**	52,638,331
		(Increase) / decrease in operating assets			
(284,349)	**59,282**	Lendings to financial institutions		**9,475,335**	(45,448,677)
725,920	**(378,553)**	Held-for-trading securities		**(60,505,845)**	116,027,034
(590,881)	**(38,789)**	Advances		**(6,199,885)**	(94,443,135)
(8,286)	**308,507**	Others assets (excluding advance taxation)		**49,310,051**	(1,324,368)
(157,596)	**(49,553)**			**(7,920,344)**	(25,189,146)
		Increase / (decrease) in operating liabilities			
62,085	**(19,221)**	Bills payable		**(3,072,238)**	9,923,246
479,906	**(1,839,289)**	Borrowings from financial institutions		**(293,981,639)**	76,705,422
1,167,908	**1,382,330**	Deposits		**220,943,896**	186,671,948
40,236	**(201,534)**	Other liabilities		**(32,212,081)**	6,431,150
1,750,135	**(677,714)**			**(108,322,062)**	279,731,766
(4,876)	**(5,129)**	Financial charges paid		**(819,777)**	(779,389)
(74,551)	**(133,871)**	Income tax adjusted / paid	15.6	**(21,397,144)**	(11,915,809)
(10,118)	**(11,371)**	Benefits paid		**(1,817,492)**	(1,617,201)
1,832,324	**(322,283)**	Net cash flow (used in) / generated from operating activities		**(51,512,008)**	292,868,552
		CASH FLOW FROM INVESTING ACTIVITIES			
(694,926)	**(496,718)**	Net investments in available-for-sale securities		**(79,392,691)**	(111,073,149)
(918,269)	**819,592**	Net investments in held-to-maturity securities		**130,999,035**	(146,770,958)
19,391	**11,481**	Dividends received		**1,835,129**	3,099,277
(15,303)	**(13,144)**	Investments in fixed assets		**(2,100,884)**	(2,445,874)
566	**603**	Proceeds from sale of fixed assets		**96,316**	90,430
13,997	**7,975**	Effect of translation of net investment in foreign branches		**1,274,736**	2,237,165
(1,594,544)	**329,789**	Net cash flow generated from / (used in) investing activities		**52,711,641**	(254,863,109)
		CASH FLOW FROM FINANCING ACTIVITIES			
(409)	**(544)**	Payments of finance lease obligations		**(86,992)**	(65,294)
(13,271)	**(13,678)**	Payments of lease liability against right of use asset		**(2,186,264)**	(2,121,214)
(14)	**(7)**	Dividend paid		**(1,152)**	(2,200)
(13,694)	**(14,229)**	Net cash flow used in financing activities	38.1	**(2,274,408)**	(2,188,708)
224,086	**(6,723)**	**(Decrease) / increase in cash and cash equivalents**		**(1,074,775)**	35,816,735
1,432,731	**1,656,818**	Cash and cash equivalents at beginning of the year		**264,816,479**	228,999,744
1,656,817	**1,650,095**	Cash and cash equivalents at end of the year	38	**263,741,704**	264,816,479

The annexed notes 1 to 52 and annexures I and II form an integral part of these consolidated financial statements.

Zubyr Soomro	**Arif Usmani**	**Abdul Wahid Sethi**	**Imam Bakhsh Baloch**	**Asif Jooma**
Chairman	President & CEO	Chief Financial Officer	Director	Director

Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" consists of:

Holding Company

- National Bank of Pakistan (the Bank)

Subsidiary Companies	Percentage Holding 2020 %	2019 %
- CJSC Subsidiary Bank of NBP in Kazakhstan	**100.00**	100.00
- CJSC Subsidiary Bank of NBP in Tajikistan	**100.00**	100.00
- NBP Exchange Company Limited, Pakistan	**100.00**	100.00
- National Bank Modaraba Management Company Limited, Pakistan	**100.00**	100.00
- First National Bank Modaraba, Pakistan	**30.00**	30.00
- Taurus Securities Limited, Pakistan	**58.32**	58.32
- NBP Fund Management Limited, Pakistan	**54.00**	54.00
- Cast-N-Link Products Limited (Note 10.15.1)	**76.51**	76.51

The subsidiary company of the Group, National Bank Modaraba Management Company Limited, Pakistan exercises control over First National Bank Modaraba, Pakistan as its management company and also has a direct economic interest in it. The Group has consolidated the financial statements of the modaraba as the ultimate holding company.

The Group is principally engaged in commercial banking, modaraba management, brokerage, leasing, foreign currency remittances, asset management, exchange transactions and investment advisory asset. Brief profile of the Holding Company and subsidiaries is as follows:

National Bank of Pakistan

National Bank of Pakistan (the Bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on Pakistan Stock Exchange (PSX). It's registered and head office is situated at I.I. Chundrigar Road, Karachi. The Bank is engaged in providing commercial banking and related services in Pakistan and overseas. The Bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The Bank operates 1,514 (2019: 1,509) branches in Pakistan and 21 (2019: 21) overseas branches (including the Export Processing Zone branch, Karachi). The Bank also provides services in respect of Endowment Fund for student loans scheme.

CJSC Subsidiary Bank of NBP in Kazakhstan

CJSC Subsidiary Bank of NBP in Kazakhstan (JSCK) is a joint-stock bank, which was incorporated in the Republic of Kazakhstan in 2001. CJSC conducts its business under license number 252 dated December 27, 2007 (initial license was dated December 14, 2001) and is engaged in providing commercial banking services. The registered office of JSCK is located at 105, Dostyk Ave, 050051, Almaty.

CJSC Subsidiary Bank of NBP in Tajikistan

CJSC Subsidiary Bank of NBP in Tajikistan (JSCT) is a joint-stock bank, which was incorporated in the Republic of Tajikistan in 2012. JSCT obtained its license on March 20, 2012 and is engaged in providing commercial banking services. The registered office of JSCT is located at 48 Ayni Street, Dushanbe, Republic of Tajikistan.

NBP Exchange Company Limited, Pakistan

NBP Exchange Company Limited (NBPECL) is a public unlisted company, incorporated in Pakistan on September 24, 2002 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). NBPECL obtained license for commencement of operations from State Bank of Pakistan (SBP) on November 25, 2002 and commencement of business certificate on December 26, 2003 from the Securities and Exchange Commission of Pakistan (SECP). The registered office of NBPECL is situated at Shaheen Complex, M.R. Kiryani Road, Karachi. NBPECL is engaged in foreign currency remittances and exchange transactions. NBPECL has 20 branches (2019: 19 branches) and 1 booth (2019: 1).

Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

National Bank Modaraba Management Company Limited, Pakistan

National Bank Modaraba Management Company Limited (NBMMCL) is a public unlisted company, incorporated in Pakistan on August 6, 1992. The purpose of the NBMMCL is to float and manage modaraba funds. NBMMCL at present is managing First National Bank Modaraba. Its registered office is situated at Ground Floor, National Bank of Pakistan, Regional Headquarters Building, 26-Mc Lagon Road, Lahore.

First National Bank Modarba, Pakistan

First National Bank Modaraba (the Modaraba) is a multi-purpose, perpetual and multi-dimensional Modaraba formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Rules framed thereunder. The Modaraba is managed by National Bank Modaraba Management Company Limited (a wholly owned subsidiary of National Bank of Pakistan), incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and registered with the Registrar of Modaraba Companies. The registered office of the Modaraba is situated at Ground Floor, National Bank of Pakistan, Regional Headquarters Building, 26-Mc Lagon Road, Lahore. The Modaraba is listed at Pakistan Stock Exchange Limited. It commenced its operations on December 04, 2003 and is currently engaged in various Islamic modes of financing and operations including ijarah, musharaka and murabaha arrangements.

Taurus Securities Limited, Pakistan

Taurus Securities Limited (TSL) is a public unquoted company, incorporated in Pakistan on June 27, 1993 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The registered office of TSL is situated at 6th Floor, Progressive Plaza, Beaumont Road, Civil Lines, Karachi. It is engaged in the business of stock brokerage, investment counselling, and fund placements. TSL holds a Trading Right Entitlement (TRE) Certificate from Pakistan Stock Exchange Limited.

NBP Fund Management Limited, Pakistan

NBP Fund Management Limited, Pakistan - NBP Funds, was incorporated in Pakistan as public limited company on August 24, 2005 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and obtained certificate for commencement of business on December 19, 2005. The main sponsors of NBP Funds are National Bank of Pakistan and Alexandra Fund Management Private Limited (a member of Fullerton Fund Management Group, Singapore). NBP Funds is mainly involved in the business of asset management and investment advisory services. NBP Funds has been issued license by the Securities and Exchange Commission of Pakistan (SECP) to carry out business of asset management services and investment advisory services as a Non-Banking Finance Company (NBFC) of the Companies Act, 2017 and under the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The principal / registered office of the company is situated at 7th Floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi.

As at December 31, 2020 NBP Funds is managing the following funds and discretionary portfolio;

		Type of Fund
-	NBP Income Opportunity Fund	Open end Fund
-	NBP Savings Fund	Open end Fund
-	NBP Islamic Savings Fund	Open end Fund
-	NBP Islamic Sarmaya Izafa Fund	Open end Fund
-	NBP Balanced Fund	Open end Fund
-	NBP Stock Fund	Open end Fund
-	NBP Financial Sector Income Fund	Open end Fund
-	NBP Government Securities Liquid Fund	Open end Fund
-	NBP Sarmaya Izafa Fund	Open end Fund
-	NBP Mahana Amdani Fund	Open end Fund
-	NBP Riba Free Savings Fund	Open end Fund
-	NBP Money Market Fund	Open end Fund
-	NBP Government Securities Savings Fund	Open end Fund
-	NBP Islamic Stock Fund	Open end Fund
-	NBP Active Allocation Riba Free Savings Fund	Open end Fund
-	NBP Islamic Active Allocation Equity Fund	Open end Fund
-	NBP Islamic Energy Fund	Open end Fund
-	NBP Islamic Money Market Fund	Open end Fund

Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

-	NBP Financial Sector Fund	Open end Fund
-	NBP Islamic Mahana Amdani Fund	Open end Fund
-	NBP Islamic Regular Income Fund	Open end Fund
-	NAFA Islamic Active Allocation Fund-I	Open end Fund
-	NAFA Islamic Active Allocation Fund-II	Open end Fund
-	NAFA Islamic Active Allocation Fund-III	Open end Fund
-	NBP Government Securities Fund-I	Open end Fund
-	NAFA Pension Fund	Open end Fund
-	NAFA Islamic Pension Fund	Open end Fund
-	NAFA Islamic Principal Protected Fund-II	Open end Fund
-	NBP Islamic Daily Dividend Fund	Open end Fund
-	NBP Islamic Income Fund	Open end Fund
-	NBP Pakistan Growth Exchange Traded Fund	Open end Fund

1.2 Basis of Consolidation

- The consolidated financial statements include the financial statements of the Bank (Holding Company) and its subsidiary companies together - "the Group".
- Subsidiary companies are fully consolidated from the date on which more than 50% of voting rights are transferred to the Group or power to control the company is established and excluded from consolidation from the date of disposal or when the control is lost.
- The assets, liabilities, income and expenses of subsidiary companies have been consolidated on a line by line basis.
- Income and expenses of subsidiaries acquired during the year are included in the consolidated statement of the comprehensive income from the effective date of acquisition.
- Non-Controlling interest / (minority interest) in equity of the subsidiary companies are measured at fair value for all the subsidiaries acquired from period beginning on or after January 1, 2010 whereas minority interest of previously acquired subsidiaries are measured at the proportionate net assets of subsidiary companies attributable to interest which is not owned by holding company.
- Material intra-group balances and transactions have been eliminated.

1.3 Impact of COVID-19

The global outbreak of novel coronavirus (COVID 19) during early 2020 caused disruptions in normal lives and businesses in many ways. Global economy and banking systems have also been impacted significantly, both from business as well as accounting and reporting perspective. State Bank of Pakistan (SBP) responded to the crisis by cutting the Policy Rate by 625 basis points to 7.00% during the period from March 2020 to December 2020. Further, SBP relief measures included reduction in the capital conservation buffer, deferment of borrowers' principal loans payment by one year, increasing the regulatory limit on extension of credit to SMEs liquidity support as well as relaxing regulatory criteria for restructured / rescheduled loans for borrowers who require relief of principal repayment exceeding one year and / or mark-up.

In line with regulatory measures the Group has aligned its policies / procedures and issued instructions. The Group is continuously reviewing the portfolio, to identify accounts and industries susceptible to higher risk, resulting from the COVID-19 outbreak. Further, with respect to information security risk management arising as a result of COVID-19, the Group took appropriate actions to monitor and respond to these evolving cybersecurity risks due to work from home environment and adopted a heightened state of cybersecurity. For detailed risk assessment of the Bank, refer note 48 to these consolidated financial statements.

2. BASIS OF PRESENTATION

2.1 In accordance with the directives of the Federal Government of Pakistan regarding shifting of banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible form of trade related mode of financing includes purchase of goods by the Bank from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

Key financial figures of the Islamic banking branches of the Bank have been disclosed in note Annexure-II of these consolidated financial statements.

2.2 The US Dollar amounts shown on the statement of financial position, profit and loss account, statement of comprehensive income and cash flow statement are stated as additional information solely for the convenience of readers. For the purpose of conversion to US Dollars, the rate of Rs. 159.8344 to 1 US Dollar has been used for 2020 and 2019 as it was the prevalent rate as on December 31, 2020.

3. STATEMENT OF COMPLIANCE

3.1 These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS), issued by Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017;
- Directive issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP);

Where the requirements of the Banking Companies Ordinance, 1962, the Companies Acts, 2017, or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

3.2 SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

3.3 The SECP, through SRO 229(I)/2019 dated February 14, 2019, has notified that IFRS 9, Financial Instruments, is applicable for accounting periods ending on or after June 30, 2019. However, based on the guidance received from the SBP, the requirements of IFRS 9 have not been considered for Pakistan operations of the Bank in preparation of these unconsolidated financial statements. However, bank is required to submit their pro-forma financial statements based on IFRS-9 to SBP.

3.4 The SECP vide SRO 56 (1) / 2016 dated January 28, 2016, has notified that the requirements of IFRS 10 (Consolidated Financial Statements) and section 228 of the Companies Act, 2017 will not be applicable with respect to the investment in mutual funds established under trust structure.

3.5 Application of new and revised International Financial Reporting Standards (IFRSs)

3.5.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended December 31, 2020

The following standards, amendments and interpretations are effective for the year ended December 31, 2020. These standards, interpretations and amendments are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's consolidated financial statements other than certain additional disclosures:

- Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS. Effective from accounting period beginning on or after January 01, 2020.
- Amendments to IFRS 3 'Business Combinations' - Definition of a business. Effective from accounting period beginning on or after January 01, 2020.
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material. Effective from accounting period beginning on or after January 01, 2020.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

- Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform. Effective from accounting period beginning on or after January 01, 2020.

Certain annual improvements have also been made to a number of IFRSs

3.5.2 New accounting standards, amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments are either not relevant to the Group's operations or are not expected to have significant impact on the Group's consolidated financial statements other than certain additional disclosures:

	Effective from accounting period beginning on or after
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	June 01, 2020
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2020
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IFRS 3 Business Combinations‘ Amendment in the definition of business‘	January 01, 2022
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023

There are certain new and amended standards and interpretations that are mandatory for the Group's accounting periods beginning on or after January 1, 2020 but are considered not to be relevant or do not have any significant effect on the Group's operations and are therefore not detailed in these consolidated financial statements.

3.5.3 Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

3.5.4 The management anticipates that these new standards, interpretations and amendments will be adopted in the Group’s consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on the consolidated financial statements of the Bank in the period of initial application.

4. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except for revaluation of land and buildings and non-banking assets acquired in satisfaction of claims which are stated at revalued amount and certain investments and derivative financial instruments that are carried at fair value. In addition, obligations in respect of defined benefit plan are carried at present value.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policy adopted in preparation of these consolidated financial statements are consistent with those of the previous financial year.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

5.1 Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit and loss account as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the Group's net assets in the event of liquidation is measured at fair value at the date of the acquisition.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss account.

5.2 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the subsidiary company.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or entities of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit and loss account. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

5.3 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks and balances with other banks in current and deposit accounts and call money lendings, less call money borrowings and overdrawn nostro accounts.

5.4 Investments

Investments other than those categorised as held-for-trading are initially recognised at fair value which includes transactions costs associated with the investments. Investments classified as held-for-trading are initially recognised at fair value, and transaction costs are expensed in the profit and loss account.

All regular way purchases / sales of investments are recognised on the trade date, i.e., the date the Group commits to purchase / sell the investments. Regular way purchases or sales of investments require delivery of securities within the time frame generally established by regulation or convention in the market place.

The Group has classified its investment portfolio, except for investment in subsidiaries, associates and joint venture, into held-for-trading, held-to maturity and available-for-sale as follows:

- Held-for-trading – These are securities which are acquired with the intention to trade by taking advantage of short-term market / interest rate movements and are to be sold within ninety (90) days. These are carried at market value, with the related unrealized gain / (loss) on revaluation being taken to profit and loss account.

Notes to the Consolidated Financial Statements
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- Held-to-maturity – These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortised cost.

- Available-for-sale – These are investments that do not fall under the held-for-trading or held-to-maturity categories. These are carried at market value except in case of unquoted securities where market value is not available, which are carried at cost less provision for diminution in value, if any. Surplus / (deficit) on revaluation is taken to 'surplus / (deficit) on revaluation of assets' account shown in equity. Provision for diminution in value of investments in respect of unquoted shares is calculated with reference to break-up value of the same. On derecognition or impairment in quoted available-for-sale investments, the cumulative gain or loss previously reported as 'surplus / (deficit) on revaluation of assets' in equity is included in the profit and loss account for the year.

- Provision for diminution in value of investments in unquoted debt securities is calculated as per the SBP's Prudential Regulations.

Held-for-trading and quoted available-for-sale securities are marked to market with reference to ready quotes on Reuters page or MUFAP (PKRV / PKISRV) or the Stock Exchanges, as the case may be.

Associates – Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for under the equity method of accounting. However, in case where associates are considered as fully impaired and financial statements are not available these investments are stated at cost less provision.

Under the equity method, the Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated profit and loss account, its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Joint venture - The Group has interests in joint venture which is jointly controlled entity. A joint venture is contractual arrangement whereby two or more parties undertake in economic activity that is subject to a joint control and includes a jointly controlled entity that involves the establishment of separate entity in which each venturer has an interest. The Group accounts for its interest in joint venture using the equity method of accounting.

The carrying values of investments are reviewed for impairment when indications exist that the carrying value may exceed the estimated recoverable amount. Provision is made for impairment in value, if any.

5.5 Repurchase and resale agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of financial position and are measured in accordance with accounting policies for investment securities. The counterparty liability for amounts received under these agreements is included in borrowings. The difference between sale and repurchase price is treated as mark-up / return / interest expense and accrued over the life of the repo agreement using effective yield method.

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the statement of financial position, as the Group does not obtain control over the securities. Amounts paid under these agreements are included in lendings to financial institutions. The difference between purchase and resale price is treated as mark-up / return / interest income and accrued over the life of the reverse repo agreement using effective yield method.

5.6 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the dates on which the derivative contracts are entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative instruments is taken to the profit and loss account.

5.7 Financial instruments

All financial assets and financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. A financial asset is derecognised where (a) the rights to receive cash flows from the asset have expired; or (b) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash

Notes to the Consolidated Financial Statements
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flows in full without material delay to a third party under a 'pass-through' arrangement; and either (i) the Group has transferred substantially all the risks and rewards of the asset, or (ii) the Group has neither transferred nor retained substantially all the risk and rewards of the asset, but has transferred control of the asset. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account.

5.8 Advances

Advances are stated net of specific and general provisions. Provisions are made in accordance with the requirements of Prudential Regulations issued by the SBP and charged to the profit and loss account. These regulations prescribe an age based criteria (as supplemented by subjective evaluation of advances by the Group) for classification of non-performing loans and advances and computing provision / allowance there against. Such regulations also require the Group to maintain general provision / allowance against consumer and SME advances at specified percentage of such portfolio. General provision for loan losses of overseas branches is made as per the requirements of the respective central banks. Advances are written off where there are no realistic prospects of recovery.

5.8.1 Islamic financing and related assets

Under Murabaha financing, funds disbursed for the purchase of goods are recorded as advance against Murabaha finance and the financing is recorded at the deferred sale price. Goods purchased but remaining unsold at the statement of financial position date are recorded as inventories.

Assets given on Ijarah are stated at cost less accumulated depreciation. Ijarah assets are depreciated on a reducing balance basis over the term of the Ijarah after taking into account the estimated residual value. Impairment of Ijarah assets is recognized in line with the Prudential Regulations or upon the occurrence of an impairment event which indicates that the carrying value of the Ijarah asset may exceed its recoverable amount.

In Running Musharakah, the Group and the customer enter a Musharakah agreement where the Group agrees to finance the operating activities of the customer's business and share in the profit or loss in proportion to an agreed ratio at an agreed frequency.

Under Diminishing Musharakah financing, the Group creates joint ownership with the customer over the tangible assets to fulfill capital expenditure / project requirements. The Group receives periodic payments from the customer against the gradual transfer of its share of ownership to the customer.

In Istisna transactions, the Group finances the cost of goods manufactured by the customer. Once the goods are manufactured, these are sold by the customer as an agent of the Group to recover the cost plus the agreed profit.

Under Tijarah, the Group purchases the finished goods from the customer against payment, takes possession and appoint customer as an agent to sell these goods to ultimate buyer on deferred payment basis. Profit is recognized on accrual basis over the period of transaction.

Wakalah is an agency contract in which Group provides funds to the customer who invests it in a Shariah compliant manner.

In Musawamah financing, the Group purchases the goods and after taking the possession, sells them to the customer either in spot or credit transaction, without disclosing the cost.

5.9 Fixed assets and depreciation

5.9.1 Property and equipment

5.9.1.1 Owned assets

Property and equipment except land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Land is stated at revalued amount. Buildings are stated at revalued amount less accumulated depreciation and impairment, if any. Cost of fixed assets of foreign branches include exchange differences arising on translation at year-end rates. Depreciation is charged to profit and loss account applying the straight line method except buildings, which are depreciated on diminishing balance method at the rates stated in note 12.2. Depreciation is charged from the month in which the assets are brought into use and no depreciation is charged for the month the assets are disposed.

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Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

Assets are derecognised when disposed off or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property and equipment are included in profit and loss account.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Land and buildings' valuations are carried out by professionally qualified valuers with sufficient regularity to ensure that their carrying amount does not differ materially from their fair value.

- Any revaluation increase arising on the revaluation of such assets is recognised in statement of comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit and loss account, in which case the increase is credited to profit and loss account to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such assets is recognised in profit and loss account to the extent that it exceeds the balance, if any, held in the fixed assets revaluation reserve relating to a previous revaluation of that asset;

- Depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account;

- An amount equal to incremental depreciation for the year net of deferred taxation is transferred from "Surplus on Revaluation of Fixed Assets account" to unappropriated profit through statement of changes in equity to record realization of surplus to the extent of the incremental depreciation charge for the year; and

- On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to unappropriated profit.

5.9.1.2 Leased assets (as lessee)

Assets subject to finance lease are accounted for by recording the asset and the related liability. These are recorded at lower of fair value and the present value of minimum lease payments at the inception of lease and subsequently stated net of accumulated depreciation. Depreciation is charged on the basis similar to the owned assets. Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding liability.

5.9.1.3 Ijarah (as lessor)

Assets leased out under 'Ijarah' are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Assets under Ijarah are depreciated over the period of lease term. However, in the event the asset is expected to be available for re-Ijarah, depreciation is charged over the economic life of the asset using straight line basis.

Ijarah income is recognised on a straight line basis over the period of Ijarah contract.

5.9.2 Capital work-in-progress

Capital work-in-progress is stated at cost. These are transferred to specific assets as and when assets are available for use.

5.9.3 Impairment

The carrying values of operating fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, operating fixed assets are written down to their recoverable amounts.

The resulting impairment loss is taken to profit and loss account except for impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of assets. Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognized as income in profit and loss account.

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5.10 Lease liability and right-of-use assets

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees, if any.
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are to be discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

The Group leases various offices / branches for the purpose of its operational activities. Rental contracts are typically made for fixed periods of 3 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

5.11 Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged to income applying the straight-line method at the rates stated in note 13. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful life are carried at cost less impairment losses, if any.

5.12 Non-banking assets acquired in satisfaction of claims

In accordance with the requirements of the 'Regulations for Debt Property Swap' (the regulations) issued by SBP vide its BPRD Circular No. 1 of 2016, dated January 1, 2016, the non-banking assets are carried at revalued amounts less accumulated depreciation. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation is credited to the 'surplus on revaluation of assets' account through statement of comprehensive income and any deficit, if any, arising on revaluation, after adjusting the amount of revaluation surplus outstanding against each asset as at the date of revaluation, is taken to the profit and loss account. Legal fees, transfer costs and direct costs of acquiring title to property is charged to profit and loss account and not capitalised.

5.13 Deposits and their cost

Deposits are recorded at the fair value of proceeds received.

Deposit costs are recognised as an expense in the period in which these are incurred using effective yield method.

Notes to the Consolidated Financial Statements
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5.14 Taxation

5.14.1 Current

Provision of current taxation is based on taxable income for the year determined in accordance with the prevailing laws of taxation on income earned for local as well as foreign operations, as applicable to the respective jurisdictions. The charge for the current tax also includes adjustments wherever considered necessary relating to prior years, arising from assessments framed during the year.

5.14.2 Deferred

Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised. Deferred tax is not recognised on differences relating to investment in subsidiaries, branches and associates and interest in joint arrangements to the extent the deductible temporary difference probably will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit or deductible temporary differences will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to gain / loss recognized on surplus on revaluation of assets is charged / credited to such account.

5.15 Employee benefits

5.15.1 Defined benefit plans

The Group operates an approved funded pension scheme, an un-funded post retirement medical benefits scheme and an un-funded benevolent scheme for its eligible employees. The Group also operates an un-funded gratuity scheme for its eligible contractual employees. An actuarial valuation of all defined benefit schemes is conducted every year. The valuation uses the Projected Unit Credit method. Remeasurements of the net defined benefit liability / assets which comprise actuarial gains and losses, return on plan assets (excluding interest) and the effect of asset ceiling (if any, excluding interest) are recognized immediately in other comprehensive income. Past-service costs are recognized immediately in profit and loss account when the plan amendment occurs.

5.15.2 Other employee benefits

Employees' compensated absences

The Group also makes provision in the financial statements for its liability towards compensated absences. This liability is estimated on the basis of actuarial advice under the Projected Unit Credit method.

5.15.3 Retirement and other benefit obligations

In respect of CJSC Subsidiary Bank of NBP in Kazakhstan (CJSC)

The CJSC withholds amounts of pension contributions from employee salaries and pays them to state pension fund. The requirements of the Kazakhstan's legislation state pension system provides for the calculation of current payments by the employer as a percentage of current total payments to staff. This expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by pension funds selected by employees.

5.16 Revenue recognition

Income on loans and advances and debt security investments are recognized on a time proportion basis that takes into account effective yield on the asset. In case of advances and investments classified under the Prudential Regulations, interest / mark-up is recognized on receipt basis.

Notes to the Consolidated Financial Statements
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Interest / mark-up on rescheduled / restructured advances and investments is recognized in accordance with the Prudential Regulations of SBP.

Fee, brokerage and commission income other than commission on letter of credit and guarantees and remuneration for trustee services are recognized upon performance of services.

Commission on letters of credit and guarantees is recognized on time proportion basis.

Dividend income on equity investments and mutual funds is recognized when right to receive is established.

Premium or discount on debt securities classified as held-for-trading, available-for-sale and held-to-maturity securities is amortised using the effective interest method and taken to profit and loss account.

Gains and losses on disposal of investments and operating fixed assets are dealt with through the profit and loss account in the year in which they arise.

Income from lease financing is accounted for using the financing method. Under this method, the unearned lease income (defined as the sum of total lease rentals and estimated residual value less the cost of the leased assets) is deferred and taken to income over the term of the lease so as to produce a constant periodic rate of return on the outstanding net investment in the lease. Gains or losses on termination of lease contracts are recognized through the profit and loss account when these are realized. Unrealized lease income and other fees on classified leases are recognized on a receipt basis.

5.17 Net investment in finance lease

Leases where the group transfers substantially all the risk and rewards incidental to ownership of the assets to the lessee are classified as finance leases. Net investment in finance lease is recognised at an amount equal to the aggregate of minimum lease payment including any guaranteed residual value and excluding unearned finance income, write-offs and provision for doubtful lease finances, if any.

5.18 Foreign currencies translation

The Group's financial statements are presented in Pak Rupees (Rs.) which is the Group's functional and presentation currency.

Foreign currency transactions are converted into Rupees applying the exchange rate at the date of the respective transactions. Monetary assets and liabilities in foreign currencies and assets / liabilities of foreign branches are translated into Rupees at the rates of exchange prevailing at the statement of financial position date. Forward foreign exchange contracts are valued at the rates applicable to their respective maturities. All gains or losses on dealing in foreign currencies are taken to profit and loss account.

Profit and loss account balances of foreign branches and subsidiaries are translated at average exchange rate prevailing during the year. Gains and losses on translation are included in the profit and loss account except gains / losses arising on translation of net assets of foreign branches and subsidiaries, which are credited to other comprehensive income.

Statement of financial position's balances of foreign branches are translated to Pakistani rupees at exchange rate prevailing at statement of financial position date. Gains and losses on translation are included in the profit and loss account except gains / losses arising on translation of net assets of foreign branches, which is credited to statement of comprehensive income.

Commitments for outstanding forward foreign exchange contracts are disclosed in these unconsolidated financial statements at committed amounts. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the statement of financial position date.

5.19 Provision for off balance sheet obligations

Provision for guarantees, claims and other off balance sheet obligations is made when the Group has legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of amount can be made. Charge to profit and loss account is stated net of expected recoveries.

5.20 Off setting

Financial assets and financial liabilities are only set off and the net amount is reported in the financial statements when there is a legally enforceable right to set off and the Group intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

Notes to the Consolidated Financial Statements
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5.21 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Group in the consolidated statement of financial position.

5.22 Dividend and other appropriations

Dividend and other appropriation to reserves, except appropriations which are required by the law, are recognised in the Group's financial statements in the year in which these are approved.

5.23 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no dilutive potential ordinary shares in issue at December 31, 2020.

5.24 Bai Muajjal

Bai Muajjal transactions represent sales of Sukuks on a deferred payment basis and are shown in lendings to financial institutions except for transactions undertaken directly with the Government of Pakistan which are disclosed as investments.

The difference between the deferred payment amount receivable and the carrying value at the time of sale is accrued and recorded as income over the life of the transaction.

5.25 Segment reporting

A segment is a distinguishable component of the Group that is subject to risks and rewards that are different from those of other segments. A business segment is one that is engaged either in providing certain products or services, where as a geographical segment is one engaged in providing certain products or services within a particular economic environment. Segment information is presented as per the Group's functional and management reporting structure.

During the year the Group changes its organizational structure in a manner that causes the composition of its reportable segments to change, and accordingly the prior year disclosure is restated to reflect the current reportable segments in note 44.

Business segments

The Groups primary segment reporting is based on following business segments:

I. **Retail Banking Group** includes retail lending and deposits, banking services, cards and branchless banking.

II. **Inclusive Development Group** consists of loans to individuals, agriculture, SME, commodity and commercial customers.

III. **Corporate and Investment Banking;** this segment offers a wide range of financial services to medium and large sized public and private sector entities. These services include, providing and arranging tenured financing, corporate advisory, underwriting, cash management, trade products, corporate finance products and customer services.

IV. **Treasury** includes fixed income, equity, foreign exchange, credit, funding, own position securities, lendings and borrowings and derivatives for hedging and market making.

V. **International Financial Institution and Remittance** segment includes the results of all international branches, correspondent banking business and global remittances. This represents Groups operations in 16 countries including one branch in export processing zones in Karachi.

VI. **Aitemaad and Islamic Banking** provides shariah compliant services to customers including loans, deposits and other transactions

VII. **Head Office / Others** includes the head office related activities and other functions which cannot be classified in any of the above segments.

Notes to the Consolidated Financial Statements
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Geographical segments

The Group is operating following geographic lines for monitoring and reporting purpose:

I. Pakistan
II. Asia Pacific (including South Asia)
III. Europe
IV. United States of America
V. Middle East

5.26 Accounting estimates and judgments

The preparation of consolidated financial statements in conformity with Approved Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting polices. The estimates, judgments and associated assumptions used in the preparation of these consolidated financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas of estimates and judgments in relation to these consolidated financial statements are as follows:

a) Provision against non-performing advances

The Group reviews its loan portfolio to assess amount of non-performing loans and determine provision required there against on a quarterly basis. While assessing this requirement various factors including the past dues, delinquency in the account, financial position and future business / financial plan of the borrower, value of collateral held and requirements of Prudential Regulations are considered. The Group also considers the effect of Forced Sale Value (FSV) of collaterals in determining the amount of provision, however, no benefit of FSV of collateral is taken during the year in determining provisioning amount.

General provision for loan losses of overseas branches is made as per the requirements of the respective central banks.

The amount of general provision against domestic consumer and SME advances is determined in accordance with the relevant Prudential Regulations and SBP directives.

In addition, the Group has also made general provision in respect of its corporate portfolio on prudent basis. This general provision is in addition to the requirements of Prudential Regulations.

b) Fair value of derivatives

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant interest and exchange rates over the term of the contract.

c) Impairment of available-for-sale investments

The Group considers that available-for-sale equity investments and mutual funds are impaired when there has been a significant or prolonged decline in the fair value below its cost except for investments where relaxation has been allowed by SBP. This determination of what is significant or prolonged requires judgment. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

Further the Group has developed internal criteria according to which a decline of 30% in the market value of any scrip below its cost shall constitute as a significant decline and where market value remains below the cost for a period of one year shall constitute as a prolonged decline.

d) Held-to-maturity investments

The Group follows the guidance provided in the SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investments till maturity.

e) Income taxes

In making the estimates for current and deferred taxes, the management looks at the income tax law and the decisions of appellate authorities on certain issues in the past. There are certain matters where the Group's view differs with the view taken by the income tax department and such amounts are shown as contingent liability.

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For the year ended December 31, 2020

f) Fixed asset and intangible assets, revaluation, depreciation and amortization

In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method would be changed to reflect the change in pattern.

The Group also revalues its properties on a periodic basis. Such revaluations are carried out by independent valuer and involves estimates / assumptions and various market factors and conditions.

g) Employees' benefit plans

The liabilities for employees' benefits plans are determined using actuarial valuations. The actuarial valuations involve assumptions about discount rates, expected rates of return on assets, future salary increases, future inflation rates and future pension increases as disclosed in note 40. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

h) Provision against contingencies

Provision against contingencies is determined based on the management judgement regarding the probability of future outflows of resources emboying economic benefits to settle an obligation arising from past events.

I) Determination of control over investees

The Group's management applies its judgement to determine whether the control exists over the investee entities.

6. CLOSURE OF FOREIGN SUBSIDIARIES AND OPERATIONS

The Board of Directors (BoD) of the Bank, in their meeting held on January 20 and 21, 2020, have decided for closure of their two overseas Subsidiaries in Almaty (Kazakhstan) and Dushanbe (Tajikistan) along with three overseas branches in Baku (Azerbaijan), Bishkek (Kyrgyzstan) and Asghabat (Turkmenistan) so their carrying amount will be recovered principally through continuing use. With regards to regulatory approval, the Bank applied to ministry of finance and State Bank of Pakistan for their endorsements and accordingly received their approval, with respect to the BoD decision, on April 07, 2020 and April 24, 2020 respectively.

Further, it has been decided by BoD to restrict their country operations in Afghanistan (Jalalabad) and Bangladesh (Sylhet, Chittagong and Gulshan) to one branch in each country located in Kabul and Dhaka respectively.

Particulars	CJSC Subsidiary Bank of NBP in Kazakhstan (Almaty)	CJSC Subsidiary Bank of NBP in Tajikistan (Dushanbe)	Baku (Azerbaijan)	Bishkek (Kyrgyzstan)	Ashgabat (Turkmenistan)	Total
	(Subsidiaries)		(Branches)			
	(Rupees in '000)					
Total Assets	1,649,350	2,272,075	1,133,887	2,137,273	2,127,420	9,320,005
Total Liabilities	36,844	1,507,804	274,831	519,126	1,881,502	4,220,107
Profit / (Loss) for the year	17,920	18,145	(20,109)	72,612	3,034	91,601

Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

		Note	2020	2019
			(Rupees in '000)	
7.	**CASH AND BALANCES WITH TREASURY BANKS**			
	In hand			
	Local currency		**48,499,942**	48,684,542
	Foreign currency		**6,925,688**	4,984,290
			55,425,630	53,668,832
	With State Bank of Pakistan in			
	Local currency current accounts	7.1	**125,017,412**	168,479,311
	Foreign currency current accounts	7.2	**10,209,399**	9,116,381
	Foreign currency deposit accounts	7.2	**21,022,297**	27,850,977
	Foreign currency collection accounts		**1,618,084**	1,473,861
			157,867,192	206,920,530
	With other central banks in			
	Foreign currency current accounts	7.3	**29,581,326**	25,994,672
	Foreign currency deposit accounts	7.3	**4,789,170**	4,865,977
			34,370,496	30,860,649
	Prize bonds		**2,306,248**	1,748,079
			249,969,566	293,198,090

7.1 This includes statutory liquidity reserves maintained with the SBP under Section 22 of the Banking Companies Ordinance, 1962.

7.2 These represent mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.

7.3 These balances pertain to the foreign branches and are held with central banks of respective countries. These include balances to meet the statutory and regulatory requirements in respect of liquidity and capital requirements of respective countries. The deposit accounts carry interest at the rate of 0% to 3.5% per annum (2019: 0% to 2.17% per annum).

		Note	2020	2019
			(Rupees in '000)	
8.	**BALANCES WITH OTHER BANKS**			
	In Pakistan			
	In current accounts		**33,502**	10,446
	In deposit accounts	8.1	**394,071**	178,710
			427,573	189,156
	Outside Pakistan			
	In current accounts		**8,708,983**	6,670,289
	In deposit accounts	8.2	**5,878,810**	6,738,880
			14,587,793	13,409,169
			15,015,366	13,598,325

8.1 These include various deposits with banks and carry interest at rates ranging from 2% to 8% per annum (2019: 2.5% to 11.25% per annum).

8.2 These include various deposits with correspondent banks outside Pakistan and carry interest at rates ranging from 0% to 2.5% per annum (2019: 0% to 2.17% per annum).

		Note	2020	2019
			(Rupees in '000)	
9.	**LENDINGS TO FINANCIAL INSTITUTIONS**			
	Call / clean money lendings	9.1	**2,040,800**	540,800
	Repurchase agreement lendings (Reverse Repo)	9.2	**124,763,875**	132,180,048
	Bai Muajjal receivable with State Bank of Pakistan	9.3	**-**	2,059,162
	Letters of placement	9.4	**176,150**	176,150
		9.5	**126,980,825**	134,956,160
	Less: provision held against lendings to financial institutions	9.6	**(176,150)**	(176,150)
	Lendings to financial institutions - net of provision		**126,804,675**	134,780,010

Notes to the Consolidated Financial Statements
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9.1 This includes zero rate lendings to a financial institution Rs. 40.8 million (2019: Rs. 40.8 million) which is guaranteed by the SBP.

9.2 These carry mark-up at rates ranging from 6.00% to 7.29% per annum (2019: 13.00% to 13.58% per annum) with maturities ranging from January 4, 2021 to January 26, 2021.

9.3 This represents Bai Muajjal agreement entered into with SBP and carries profit rate of Nil (2019: 10.39%) per annum.

9.4 These are overdue placements and full provision has been made against these placements as at December 31, 2020.

	Note	2020	2019
		(Rupees in '000)	
9.5 Particulars of lending			
In local currency		**126,980,825**	134,956,160
In foreign currencies		**-**	-
		126,980,825	134,956,160
9.6 Movement in provision held against lendings is as follows:			
Opening balance		**176,150**	176,150
Charge for the year		**-**	-
Closing balance		**176,150**	176,150

9.7 Securities held as collateral against lending to financial institutions

	2020			2019		
	Held by Group	**Further given as collateral**	**Total**	Held by Group	Further given as collateral	Total
	(Rupees in '000)					
Market Treasury Bills	**91,230,121**	**-**	**91,230,121**	124,080,048	-	124,080,048
Pakistan Investment Bonds	**33,533,754**	**-**	**33,533,754**	8,100,000	-	8,100,000
Total	**124,763,875**	**-**	**124,763,875**	132,180,048	-	132,180,048

9.7.1 Market value of the securities under repurchase agreement lendings amounts to Rs. 125,094 million (2019: Rs. 132,453 million).

9.8 Category of classification

	2020		2019	
	Classified Lending	**Provision held**	Classified Lending	Provision held
	(Rupees in '000)			
Domestic				
Loss	**176,150**	**176,150**	176,150	176,150
Total	**176,150**	**176,150**	176,150	176,150

10. INVESTMENTS

10.1 Investments by type:

	Note	2020				2019			
		Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
		(Rupees in '000)							
Held-for-trading securities									
Market Treasury Bills		96,157,306	-	3,529	96,160,835	27,007,755	-	(24,649)	26,983,106
Pakistan Investment Bonds		496,805	-	(1,455)	495,350	9,116,239	-	15,695	9,131,934
Ijarah Sukuks		-	-	-	-	71,299	-	-	71,299
Ordinary shares of listed companies		157,217	-	-	157,217	178,596	-	(2,042)	176,554
Investment in mutual funds		282,361	-	8,482	290,843	138,305	-	48,822	187,127
Foreign Government Securities		1,105,840	-	-	1,105,840	1,154,220	-	-	1,154,220
		98,199,529	-	10,556	98,210,085	37,666,414	-	37,826	37,704,240
Available-for-sale securities									
Market Treasury Bills		529,397,138	-	690,817	530,087,955	593,936,881	-	967,544	594,904,425
Pakistan Investment Bonds		470,136,168	-	2,776,564	472,912,732	322,248,605	-	(1,961,853)	320,286,752
Ijarah Sukuks		6,000,000	-	15,600	6,015,600	2,000,000	-	(21,200)	1,978,800
Ordinary shares of listed companies	10.13/10.14	33,242,726	(5,568,236)	20,257,485	47,931,975	29,062,226	(5,723,164)	18,467,531	41,806,593
Ordinary shares of unlisted companies		1,865,982	(410,893)	-	1,455,089	2,101,182	(507,573)	-	1,593,609
Preference shares		1,445,308	(539,708)	194,250	1,099,850	570,214	(490,826)	-	79,388
Term Finance Certificates / Musharika and Sukuk Bonds		60,250,294	(5,196,406)	856,659	55,910,547	60,253,886	(4,942,505)	941,278	56,252,659
GoP Foreign Currency Bonds		10,429,632	-	411,243	10,840,875	21,138,771	-	1,337,759	22,476,530
Foreign Government Securities		2,795,017	-	52,159	2,847,176	3,474,324	-	17,527	3,491,851
Foreign Currency Debt Securities		79,438	-	1,202	80,640	1,408,492	-	13,779	1,422,271
Investments in mutual funds		619,646	(41,167)	1,421,691	2,000,170	674,078	(41,167)	1,324,745	1,957,656
Ordinary shares of a bank outside Pakistan	10.7	463,295	-	17,189,483	17,652,778	463,294	-	18,368,462	18,831,756
		1,116,724,644	(11,756,410)	43,867,153	1,148,835,387	1,037,331,953	(11,705,235)	39,455,572	1,065,082,290
Held-to-maturity securities									
Market Treasury Bills		-	-	-	-	114,155,009	-	-	114,155,009
Pakistan Investment Bonds		168,676,415	-	-	168,676,415	184,864,103	-	-	184,864,103
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates		414,972	(407,134)	-	7,838	416,707	(407,134)	-	9,573
Bai Muajjal with Government of Pakistan		11,641,133	-	-	11,641,133	10,395,235	-	-	10,395,235
GoP Foreign Currency Bonds		-	-	-	-	4,087,591	-	-	4,087,591
Foreign Government Securities		32,418,809	-	-	32,418,809	30,231,741	-	-	30,231,741
Foreign Currency Debt Securities		618	-	-	618	596	-	-	596
		213,151,947	(407,134)	-	212,744,813	344,150,982	(407,134)	-	343,743,848
Associates	10.9/10.10	1,259,067	(697,984)	-	561,083	1,223,080	(782,251)	-	440,829
Joint Venture	10.12	6,054,005	-	-	6,054,005	5,827,985	-	-	5,827,985
Subsidiaries	10.15	1,245	(1,245)	-	-	1,245	(1,245)	-	-
Total Investments		1,435,390,437	(12,862,773)	43,877,709	1,466,405,373	1,426,201,659	(12,895,866)	39,493,398	1,452,799,192

10.2 **Investments by segments:**

	Note	2020 Cost / Amortised cost	2020 Provision for diminution	2020 Surplus / (Deficit)	2020 Carrying Value	2019 Cost / Amortised cost	2019 Provision for diminution	2019 Surplus / (Deficit)	2019 Carrying Value
		(Rupees in '000)							
Federal Government Securities:									
Market Treasury Bills		**625,554,444**	**-**	**694,346**	**626,248,790**	735,099,645	-	942,895	736,042,540
Pakistan Investment Bonds		**639,309,388**	**-**	**2,775,109**	**642,084,497**	516,228,947	-	(1,946,158)	514,282,789
Bai Muajjal Government of Pakistan		**11,641,133**	**-**	**-**	**11,641,133**	10,395,235	-	-	10,395,235
Ijarah Sukuks		**6,000,000**	**-**	**15,600**	**6,015,600**	2,071,299	-	(21,200)	2,050,099
		1,282,504,965	**-**	**3,485,055**	**1,285,990,020**	1,263,795,126	-	(1,024,463)	1,262,770,663
Shares									
Listed Companies	10.13/10.14	**33,399,943**	**(5,568,236)**	**20,257,485**	**48,089,192**	29,240,822	(5,723,164)	18,465,489	41,983,147
Unlisted Companies		**1,865,982**	**(410,893)**	**-**	**1,455,089**	2,101,182	(507,573)	-	1,593,609
		35,265,925	**(5,979,129)**	**20,257,485**	**49,544,281**	31,342,004	(6,230,737)	18,465,489	43,576,756
Non Government Debt Securities									
Listed		**25,872,498**	**(1,031,475)**	**405,860**	**25,246,883**	22,471,459	(971,908)	-	21,499,551
Unlisted		**34,792,768**	**(4,572,065)**	**450,799**	**30,671,502**	38,199,134	(4,377,731)	941,278	34,762,681
		60,665,266	**(5,603,540)**	**856,659**	**55,918,385**	60,670,593	(5,349,639)	941,278	56,262,232
Foreign Securities									
GoP Foreign Currency Bonds		**10,429,632**	**-**	**411,243**	**10,840,875**	25,226,362	-	1,337,759	26,564,121
Foreign Government Securities		**36,319,666**	**-**	**52,159**	**36,371,825**	34,860,285	-	17,527	34,877,812
Foreign Currency Debt Securities		**80,056**	**-**	**1,202**	**81,258**	1,409,088	-	13,779	1,422,867
		46,829,354	**-**	**464,604**	**47,293,958**	61,495,735	-	1,369,065	62,864,800
Preference shares		**1,445,308**	**(539,708)**	**194,250**	**1,099,850**	570,214	(490,826)	-	79,388
Investments in mutual funds		**902,007**	**(41,167)**	**1,430,173**	**2,291,013**	812,383	(41,167)	1,373,567	2,144,783
Ordinary shares of a bank outside Pakistan	10.7	**463,295**	**-**	**17,189,483**	**17,652,778**	463,294	-	18,368,462	18,831,756
Associates									
-Listed									
First Credit and Investment Bank Limited		**210,505**	**(28,830)**	**-**	**181,675**	208,089	(106,429)	-	101,660
Land Mark Spinning Mills Limited		**39,710**	**(39,710)**	**-**	**-**	39,710	(39,710)	-	-
SG Allied Businesses Limited		**218,534**	**(218,534)**	**-**	**-**	218,534	(218,534)	-	-
Nina Industries Limited		**49,060**	**(49,060)**	**-**	**-**	49,060	(49,060)	-	-
Agritech Limited	10.8	**-**	**-**	**-**	**-**	-	-	-	-
NBP Stock Fund		**500,734**	**(121,326)**	**-**	**379,408**	467,163	(156,183)	-	310,980
	10.9	**1,018,543**	**(457,460)**	**-**	**561,083**	982,556	(569,916)	-	412,640

		2020				2019			
		Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
		(Rupees in '000)							
-Unlisted									
Pakistan Emerging Venture Limited		**50,565**	**(50,565)**	**-**	**-**	50,565	(50,565)	-	-
National Fructose Company Limited		**6,500**	**(6,500)**	**-**	**-**	6,500	(6,500)	-	-
National Assets Insurance Company Limited		**44,815**	**(44,815)**	**-**	**-**	44,815	(16,627)	-	28,188
Dadabhoy Energy Supply Company Limited		**32,105**	**(32,105)**	**-**	**-**	32,105	(32,105)	-	-
Pakistan Mercantile Exchange Limited		**106,539**	**(106,539)**	**-**	**-**	106,539	(106,539)	-	-
	10.11	**240,524**	**(240,524)**	**-**	**-**	240,524	(212,336)	-	28,188
		1,259,067	**(697,984)**	**-**	**561,083**	1,223,080	(782,251)	-	440,829
Joint Venture									
United National Bank Limited	10.12	**6,054,005**	**-**	**-**	**6,054,005**	5,827,985	-	-	5,827,985
Subsidiaries									
Cast-N-Link Products Limited	10.15	**1,245**	**(1,245)**	**-**	**-**	1,245	(1,245)	-	-
Total Investments		**1,435,390,437**	**(12,862,773)**	**43,877,709**	**1,466,405,373**	1,426,201,659	(12,895,866)	39,493,398	1,452,799,192

		2020	2019
		(Rupees in '000)	
10.2.1	**Investments given as collateral**		
	Pakistan Investment Bonds	**2,300,000**	4,150,000
	Market Treasury Bills	**3,000,000**	360,000,000
		5,300,000	364,150,000

	Number of shares	Percentage of holding	Country of Incorporation	Based on the financial statements as at	Assets	Liabilities	Revenue	Profit / (loss) after taxation	Total comprehensive income
					(Rupees in '000)				
10.2.2 Associates									
Listed									
First Credit and Investment Bank Limited	20,000,000	30.77	Pakistan	June 30, 2020	1,667,186	928,395	154,763	28,703	46,801
National Fibres Limited	17,030,231	20.19	Pakistan	-	-	-	-	-	-
Land Mark Spinning Mills Limited	3,970,859	32.79	Pakistan	June 30, 2020	174,448	252,160	-	(16,925)	(16,925)
SG Allied Businesses Limited	3,754,900	25.03	Pakistan	June 30, 2020	1,148,303	600,882	5,245	(2,170)	414,712
Nina Industries Limited	4,906,000	20.27	Pakistan	-	-	-	-	-	-
Agritech Limited	106,014,565	27.01	Pakistan	December 31, 2019	69,135,919	58,399,826	12,174,419	(652,777)	15,624,634
NBP Stock Fund	31,347,444	2.64	Pakistan	June 30, 2020	13,985,018	283,399	72,309	(384,270)	(384,270)
Unlisted									
Pakistan Emerging Venture Limited	12,500,000	33.33	Pakistan	June 30, 2019	1,194	345	96	(175)	(175)
National Fructose Company Limited	1,300,000	39.50	Pakistan	-	-	-	-	-	-
Venture Capital Fund Management	33,333	33.33	Pakistan	-	-	-	-	-	-
Kamal Enterprises Limited	11,000	20.37	Pakistan	-	-	-	-	-	-
Mehran Industries Limited	37,500	32.05	Pakistan	-	-	-	-	-	-
National Assets Insurance Company Limited	4,481,500	8.96	Pakistan	December 31, 2019	668,041	8,392	75,275	29,439	29,680
Tharparkar Sugar Mills Limited	2,500,000	21.52	Pakistan	-	-	-	-	-	-
Youth Investment Promotion Society	644,508	25.00	Pakistan	-	-	-	-	-	-
Dadabhoy Energy Supply Company Limited	9,900,000	23.11	Pakistan	-	-	-	-	-	-
K-Agricole Limited	5,000	20.00	Pakistan	-	-	-	-	-	-
New Pak Limited	200,000	20.00	Pakistan	-	-	-	-	-	-
Pakistan Mercantile Exchange Limited	10,653,860	33.98	Pakistan	June 30, 2020	2,862,573	2,821,581	317,150	31,832	31,832
Prudential Fund Management Limited	150,000	20.00	Pakistan	-	-	-	-	-	-
10.2.3 Joint Venture									
United National Bank Limited	20,250,000	45.00	United Kingdom	December 31, 2019	104,391,593	88,500,998	1,062,408	(146,159)	1,614,231
10.2.4 Subsidiaries									
Cast-N-Link Products Limited	1,245,000	76.51	Pakistan	-	-	-	-	-	-

* " - " Not available

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		2020	2019
		----------(Rupees in '000)----------	
10.3	**Provision for diminution in value of investments**		
	Opening balance	**12,895,866**	10,664,680
	Charge / reversals		
	Charge for the year	**1,258,140**	2,615,328
	Reversals for the year	**(1,291,233)**	(384,142)
		(33,093)	2,231,186
	Closing Balance	**12,862,773**	12,895,866

10.3.1 Particulars of provision against debt securities

	2020		2019	
	NPI	**Provision**	NPI	Provision
Category of classification	---------- (Rupees in '000) ----------			
Domestic				
Doubtful	**-**	**-**	426,170	213,086
Loss	**5,671,871**	**5,603,540**	5,145,314	5,136,554
Total	**5,671,871**	**5,603,540**	5,571,484	5,349,640

10.4 Movement Schedule for Associates and Joint Venture

	2020								
	Opening balance	Addition	Disposal	Dividend paid	Share of profit / (loss) for the year - net of tax	Exchange translation reserve	Surplus (deficit) on revaluation properties	Surplus (deficit) on revaluation securities	Closing balance
	(Rupees in '000)								
Joint Venture									
United National Bank Limited	5,827,985	-	-	-	(219,389)	303,896	18,516	122,997	6,054,005
	5,827,985	-	-	-	(219,389)	303,896	18,516	122,997	6,054,005
Associates									
Unlisted									
Pakistan Emerging Venture Limited	50,565	-	-	-	-	-	-	-	50,565
National Fructose Company Limited	6,500	-	-	-	-	-	-	-	6,500
National Assets Insurance Company	44,815	-	-	-	-	-	-	-	44,815
Dadabhoy Energy Supply Company Limited	32,105	-	-	-	-	-	-	-	32,105
Pakistan Mercantile Exchange Limited	106,539	-	-	-	-	-	-	-	106,539
Listed									
First Credit and Investment Bank Limited	208,089	-	-	-	9,242	-	-	(6,826)	210,505
Land Mark Spinning Mills Limited	39,710			-	-	-	-	-	39,710
SG Allied Business Limited	218,534	-	-	-	-	-	-	-	218,534
Nina Industries Limited	49,060	-	-	-	-	-	-	-	49,060
Agritech Limited	-	-	-	-	-	-	-	-	-
NBP Stock Fund	467,163	-	-	-	33,571	-	-	-	500,734
	1,223,080	-	-	-	42,813	-	-	(6,826)	1,259,067

	2019								
	Opening Balance	Addition	Disposal	Dividend paid	Share of profit / (loss) for the year - net of tax	Exchange translation reserve	Surplus (deficit) on revaluation properties	Surplus (deficit) on revaluation securities	Closing Balance
	(Rupees in '000)								
Joint Venture									
United National Bank Limited	4,543,339	-	-	-	(96,336)	537,644	118,429	724,909	5,827,985
	4,543,339	-	-	-	(96,336)	537,644	118,429	724,909	5,827,985
Associates									
Unlisted									
Pakistan Emerging Venture Limited	50,565	-	-	-	-	-	-	-	50,565
National Fructose Company Limited	6,500	-	-	-	-	-	-	-	6,500
National Assets Insurance Company	44,815	-	-	-	-	-	-	-	44,815
Dadabhoy Energy Supply Company Limited	32,105	-	-	-	-	-	-	-	32,105
Pakistan Mercantile Exchange Limited	106,539	-	-	-	-	-	-	-	106,539
Listed									
First Credit and Investment Bank Limited	208,760	-	-	(6,000)	4,178	-	-	1,149	208,089
Land Mark Spinning Mills Limited	39,710	-	-	-	-	-	-	-	39,710
SG Allied Business Limited	218,534	-	-	-	-	-	-	-	218,534
Nina Industries Limited	49,060	-	-	-	-	-	-	-	49,060
Agritech Limited	-	-	-	-	-	-	-	-	-
NBP Stock Fund	434,010	-	-	-	33,153	-	-	-	467,163
	1,190,599	-	-	(6,000)	37,331	-	-	1,149	1,223,080

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For the year ended December 31, 2020

10.5 Quality of available for sale securities

Details regarding quality of available for sale securities are as follows:

	2020	2019
	(Rupees in '000)	
Federal government securities - government guaranteed		
Market Treasury Bills	**529,397,138**	593,936,881
Pakistan Investment Bonds	**470,136,168**	322,248,605
Ijarah Sukuks	**6,000,000**	2,000,000
Cost	**1,005,533,306**	918,185,486
Shares		
Listed companies sector-wise		
Automobile Assembler	**536,303**	212,858
Automobile Parts and Accessories	**843,923**	757,309
Cable and Electrical Goods	**211,166**	249,604
Cement	**1,882,741**	2,876,794
Chemical	**753,684**	261,598
Commercial Banks	**3,896,815**	2,874,502
Engineering	**855,646**	670,867
Fertilizer	**2,457,103**	1,539,023
Food and Personal Care	**1,393,503**	1,359,655
Glass and Ceramics	**203,855**	73,016
Insurance	**1,713,756**	980,165
Investment Banks / Investment companies / Securities companies	**513,840**	378,282
Leasing Companies	**21,890**	21,891
Leather and Tanneries	**189,470**	189,470
Modarabas	**120**	120
Oil and Gas Exploration Companies	**2,408,733**	2,357,129
Oil and Gas Marketing Companies	**5,954,784**	5,799,864
Paper and Board	**402,039**	172,695
Pharmaceuticals	**512,974**	361,833
Power Generation and Distribution	**2,988,617**	2,778,748
Real Estate Investment Trust	**586,526**	586,526
Refinery	**900,998**	1,253,494
Sugar and Allied Industries	**288,528**	288,527
Synthetic and Rayon	**91,980**	91,980
Technology and Communication	**960,033**	993,620
Textile Composite	**1,890,534**	1,242,681
Textile Spinning	**638,440**	485,713
Textile Weaving	**25,854**	25,854
Transport	**32,385**	32,385
Vanaspati and Allied Industries	**-**	58,890
Woollen	**-**	647
Miscellaneous	**86,486**	86,486
	33,242,726	29,062,226

Unlisted companies	2020		2019	
	Cost	**Breakup value**	Cost	Breakup value
	(Rupees in '000)			
Digri Sugar Mills Limited	**4,063**	**135,585**	4,063	135,585
JDM Textile Mills Limited	**4,784**	**324,651**	4,784	324,651
Gelcaps Pakistan Limited	**4,665**	**8,842**	4,665	9,801
Pakistan Agriculture Storage Service Corporation	**5,500**	**1,623**	5,500	109,831

Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

Unlisted companies	2020		2019	
	Cost	Breakup value	Cost	Breakup value
	(Rupees in '000)			
Al Ameen Textile	327	N/A*	327	N/A*
Al Zamin Modarba Management (Private) Limited	1,000	2,134	1,000	2,134
AMZ Venture Limited Class A	121	N/A	121	N/A
Arabian Sea Country Club	6,500	(6,640)	6,500	N/A
Atlas Power Limited	375,000	1,328,000	375,000	1,130,503
Attock Textile Mills Limited	200	N/A	200	N/A
Bunny's Limited	-	-	235,200	140,743
Pakistan Mortgage Refinance Company Limited	600,000	770,195	600,000	608,951
F.T.C. Management Company Private Limited	250	46,998	250	36,908
Fauji Akbar Portia Marines Terminal Limited	321,076	570,680	321,076	515,937
Fauji Oil Terminals and Distribution Limited	10,886	99,059	10,886	69,747
First Women Bank Limited	21,100	71,946	21,100	71,946
Fortune Securities Limited	5,000	7,574	5,000	7,408
Frontier Textile Mills Limited	500	272	500	272
Gulistan Power Generation Limited	2,200	8,096	2,200	8,096
Hazara Woolen Mills Limited	200	N/A	200	N/A
Industrial Development Bank of Pakistan	107	N/A	107	N/A
Inter Asia Leasing Company Limited	500	N/A	500	N/A
ISE Towers REIT Management Company Limited	30,346	46,890	30,346	43,979
Junaid Cotton Mills Limited	327	N/A	327	N/A
Kaisar Arts and Krafts Limited	8,395	N/A	8,395	N/A
Kaytex Mills Limited	3,778	N/A	3,778	N/A
Mian Mohammad Sugar Mills Limited	15	N/A	15	N/A
Muslim Ghee Mills Limited	1,810	N/A	1,810	N/A
Myfip Video Industries Limited	5,373	N/A	5,373	N/A
National Asset Leasing Corporation Limited	14	N/A	14	N/A
National Construction Limited	250	597	250	597
National Institution of Facilitation Technology (Private) Limited	1,526	74,484	1,526	71,187
National Investment Trust Limited	100	830,782	100	832,931
National Woolen Mills Limited	183	N/A	183	N/A
Natover Lease and Refinance	2,602	N/A	2,602	N/A
Nowshehra Engineering Works Limited	41	N/A	41	N/A
Pakistan Export Finance Guarantee Agency Limited	11,529	1,152	11,529	1,152
Pakistan Paper Corporation Limited	373	N/A	373	N/A
Pakistan Telephone Cables	143	N/A	143	N/A
Pakistan Textile City	100,000	12,410	100,000	12,410
Pakistan Tourism Development Corporation	100	82	100	24,983
People Steel Mills Limited	3,276	N/A	3,276	N/A
Qadri Textile Mills Limited	500	N/A	500	N/A
Rehman Cotton Mills Limited	16,958	107,895	16,958	107,895
Rishabh Metals and Chemicals Private Limited	4,589	N/A	4,589	N/A
Rousch Power Pakistan Limited	132,888	1,322,458	132,888	1,269,793
Ruby Rice and General Mills Limited	750	N/A	750	N/A
Sahrish Textile Mills	21	N/A	21	N/A
Shoaib Capital	272	544	272	544
SME Bank Limited	26,950	(318)	26,950	(318)
South Asia Regional Fund	287	N/A	287	N/A
Star Salica Industries Limited	267	N/A	267	N/A
Syed Match Industries	2	N/A	2	N/A
Union Insurance Company of Pakistan	4	N/A	4	N/A
Unity Modaraba	28	N/A	28	N/A
Zafar Textiles Mills Limited	257	N/A	257	N/A

* Not available

Notes to the Consolidated Financial Statements

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Unlisted companies	2020 Cost	2020 Breakup value	2019 Cost	2019 Breakup value
	(Rupees in '000)			
Zulsham Engineering Works Limited	**330**	**N/A***	330	N/A*
Information System Associates Limited	**1,719**	**N/A**	1,719	N/A
1 Link (Guarantee) Limited	**50,000**	**139,362**	50,000	147,332
Pakistan Corporate Restructuring Company Limited	**96,000**	**N/A**	96,000	N/A
	1,865,982		2,101,182	

* Not available

	2020	2019
	(Rupees in '000)	
Debt Securities		
Listed		
- AAA	**1,597,751**	1,547,830
- AA+, AA, AA-	**13,709,811**	7,739,909
- A+, A, A-	**700,000**	299,880
- BBB+, BBB, BBB-	**299,820**	-
- Unrated	**9,537,168**	12,855,892
Cost	**25,844,550**	22,443,511
Unlisted		
- AAA	**19,792,680**	23,554,109
- AA+, AA, AA-	**1,236,000**	801,000
- A+, A, A-	**1,866,667**	500,000
- Unrated	**11,510,397**	12,955,266
Cost	**34,405,744**	37,810,375

Foreign Securities

Government Securities	2020 Cost	2020 Rating	2019 Cost	2019 Rating
	(Rupees in '000)		(Rupees in '000)	
USA	**2,795,017**	**AA+**	3,474,324	AA+

Non Government Debt Securities - Cost	2020	2019
	(Rupees in '000)	
Listed		
- A+	**79,438**	1,408,492

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	2020	2019
	(Rupees in '000)	
10.6 Particulars relating to Held to Maturity securities are as follows:		
Federal Government Securities - Government guaranteed		
Market Treasury Bills	-	114,155,009
Pakistan Investment Bonds	168,676,415	184,864,103
Bai Muajjal with Government of Pakistan	11,641,133	10,395,235
	180,317,548	309,414,347
Debt securities		
Listed		
- AA+, AA, AA-	27,948	27,948
Unlisted		
- Unrated	387,025	388,759
	387,025	388,759

Foreign Securities

	2020		2019	
	Cost	Rating	Cost	Rating
	(Rupees in '000)		(Rupees in '000)	
Government Securities				
Azerbaijan	646,649	BB+	484,683	BB+
Bangladesh	27,277,984	Ba3	24,741,528	BB-
Kyrgyzstan	1,118,290	B2	1,400,585	B2
Kingdom of Saudi Arabia	2,551,243	A	2,302,369	A+
Korea	734,572	AA	671,179	AA
Tajikistan	90,071	Unrated	631,397	-
	32,418,809		30,231,741	

	2020	2019
	(Rupees in '000)	
Non Government Debt Securities		
Listed		
- Unrated - Cost	618	596

10.6.1 The market value of securities classified as held-to-maturity as at December 31, 2020 amounted to Rs. 218,678 million (2019: Rs. 328,496 million).

10.7 Investment in shares of a bank incorporated outside Pakistan - Bank Al-Jazira

The Bank holds 30,333,333 (2019: 30,333,333) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 3.7% (2019: 3.7%) holding in total equity of BAJ. The investment has been marked to market using closing price as quoted on the Saudi Stock Exchange in accordance with SBP concurrence vide letter No. BSD/SU-13/331/685/2006 dated February 17, 2006. BAJ's Viability Rating is BB+ with short term and long term IDR at BBB+ by Fitch Rating Agency.

10.8 The 94,273,510 (2019: 94,273,510) shares of Agritech Limited were acquired from Azgard Nine Limited as part of multiple agreements including the Master Restructuring Agreement (MRA). These shares were acquired at an agreed price of Rs. 35 per share. The market value of these shares at December 31, 2020 amounted to Rs. 5.11 per share resulting in an impairment of Rs. 3,124 million (2019: Rs. 3,217 million) which has been fully recorded in these consolidated financial statements.

There is a put option available to Azgard Nine Limited, under which Azgard Nine Limited has the right to sell 58.29 million preference shares of Agritech Limited to the Bank at a price of Rs. 5.25 per share subject to the occurrence of certain events under the agreement.

Notes to the Consolidated Financial Statements
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10.9 Aggregate market value of investment in associates (quoted) on the basis of quoted prices amounts to Rs. 1,456 million (2019: Rs. 1,014 million).

10.10 Associates with zero carrying amount, represent the investments acquired from former National Development Finance Corporation (NDFC) which have negative equity or whose operations were closed at the time of amalgamation.

10.11 The details of break-up value based on latest available financial statements of unlisted investments in associates are as follows:

	Year / Period ended	Break-up value (Rupees in '000)
National Assets Insurance Limited	December 31, 2019	59,124
Pakistan Emerging Venture Limited	June 30, 2019	283
Pakistan Mercantile Exchange Limited	June 30, 2020	13,928

	Note	2020	2019
		(Rupees in '000)	
10.12 Investment in joint venture			
United National Bank Limited (UNBL) (Incorporated in United Kingdom)	10.1 / 10.2 / 10.12.1	**6,054,005**	5,827,985

10.12.1 Under a joint venture agreement, the Bank holds 20.25 million ordinary shares (45%) and United Bank Limited (UBL) holds 23.25 million ordinary shares (55%) in UNBL. In addition to ordinary shares, four preference shares categories as "A", "B", "C" and "D" have been issued and allotted. The "B" and "D" category shares are held by the Bank and category "A" and "C" are held by UBL. Dividends payable on "A" and "B" shares are related to the ability of the venture to utilize tax losses that have been surrendered to it on transfer of business from the Bank or UBL as appropriate. Dividends payable on "C" and "D" shares are related to loans transferred to the venture by the Bank or UBL that have been written-off or provided for at the point of transfer and the ability of the venture to realize in excess of such loan value.

10.13 The investments in shares include shares of Pakistan State Oil Company Limited, Sui Northern Gas Pipeline Limited and Pakistan Engineering Company with cost of Rs. 4,603 million (2019: Rs. 4,603 million) that have been frozen by the Government of Pakistan for sale in the equity market due to their proposed privatization.

10.14 The investments also include shares acquired under tri-partite consent agreement dated June 29, 2011. These strategic investments comprise of the shares of Pakistan State Oil (38,055,247 shares), shares of Sui Northern Gas Pipeline Limited (18,805,318 shares) and Pakistan Engineering Company (135,242). The cost of these shares amounts to Rs. 4,603 million and market value as at December 31, 2020 amounts to Rs. 9,065 million. These shares can not be sold without concurrence of privatization commission.

	2020	2019
	(Rupees in '000)	
10.15 Investments in subsidiaries		
Cast-N-Link Products Limited	**1,245**	1,245
Less: provision for diminution in value of investments	**(1,245)**	(1,245)
	-	-

10.15.1 The financial statements of Cast-N-Link Products Limited (CNL) are not available since the year 1997. Accordingly, the management of the Group had applied to the Securities and Exchange Commission of Pakistan (SECP) for the exemption from the requirements of section 228 of the Companies Act, 2017 (the Act) in respect of consolidating its subsidiary CNL. The SECP, vide its letter EMD/233/627/2002-103 dated November 18, 2019, has not acceded the Bank's request from the exemption from consolidation of CNL in its consolidated financial statements for the year ended December 31, 2019 and further directed to comply with the requirement of section 228 of the Act. However the Bank, based on the fact that investment of the Group in CNL is not material and comprise of 0.000041% of the total assets of the Bank and the investment have been fully provided for, has not consolidated the financial statements of CNL.

11. ADVANCES

	Note	Performing		Non Performing		Total	
		2020	2019	2020	2019	2020	2019
		(Rupees in '000)					
Loans, cash credits, running finances, etc.		932,517,097	936,301,542	160,534,747	142,383,652	1,093,051,844	1,078,685,194
Islamic financing and related assets		37,546,863	33,880,111	602,913	203,934	38,149,776	34,084,045
Net Investment in finance lease	11.1	58,239	71,576	28,944	28,944	87,183	100,520
Bills discounted and purchased		18,998,127	32,463,246	10,646,008	6,760,524	29,644,135	39,223,770
Advances - gross	11.2	989,120,326	1,002,716,475	171,812,612	149,377,054	1,160,932,938	1,152,093,529
Provision against advances							
- Specific		-	-	154,587,769	134,688,966	154,587,769	134,688,966
- General		22,473,748	9,005,951	-	-	22,473,748	9,005,951
	11.4	22,473,748	9,005,951	154,587,769	134,688,966	177,061,517	143,694,917
Advances - net of provision		966,646,578	993,710,524	17,224,843	14,688,088	983,871,421	1,008,398,612

11.1 Net Investment in Finance Lease

	2020				2019			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	(Rupees in '000)							
Lease rentals receivable	61,751	556	-	62,307	62,474	10,434	-	72,908
Residual value	48,804	815	-	49,619	47,934	9,617	-	57,551
Minimum lease payments	110,555	1,371	-	111,926	110,408	20,051	-	130,459
Financial charges for future periods	24,710	32	-	24,742	29,146	793	-	29,939
Present value of minimum lease payments	85,845	1,339	-	87,183	81,262	19,258	-	100,520

The leases executed are for a term of 1 to 5 years. Security deposit is generally obtained upto 10% of the cost of leased assets at the time disbursement. The Group requires the lessee to insure the leased assets in favour of the group. Additional surcharge is charged on delayed rentals. The average return implicit ranges from 10.19% to 17.30% (2019: 10.19% to 19.46%) per annum.

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		2020	2019
		(Rupees in '000)	
11.2	**Particulars of advances (Gross)**		
	In local currency	**1,071,981,593**	1,052,162,269
	In foreign currencies	**88,951,345**	99,931,260
		1,160,932,938	1,152,093,529

11.3 Advances include Rs. 171,813 million (2019: Rs. 149,377 million) which have been placed under non-performing status as detailed below:

Category of Classification	2020 Non Performing Loans	2020 Provision	2019 Non Performing Loans	2019 Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	**1,626,950**	**45,392**	1,299,042	78,430
Substandard	**5,418,693**	**1,336,002**	10,292,449	2,550,709
Doubtful	**15,816,861**	**7,881,223**	6,489,076	3,207,031
Loss	**106,261,071**	**103,917,273**	89,852,808	88,647,897
	129,123,575	**113,179,889**	107,933,375	94,484,067
Overseas				
Not past due but impaired	**-**	**-**	-	-
Overdue by:				
Upto 90 days	**11,666**	**9,183**	-	-
91 to 180 days	**-**	**-**	-	-
181 to 365 days	**-**	**-**	-	-
>365 days	**42,677,371**	**41,398,697**	41,443,678	40,204,898
	42,689,037	**41,407,880**	41,443,678	40,204,898
Total	**171,812,612**	**154,587,769**	149,377,054	134,688,966

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11.4 Particulars of provision against advances

	Note	2020 Specific	2020 General	2020 Total	2019 Specific	2019 General	2019 Total
		(Rupees in '000)					
Opening balance		**134,688,966**	**9,005,951**	**143,694,917**	126,969,680	7,207,106	134,176,786
Exchange adjustments		**1,462,567**	**15,535**	**1,478,102**	3,813,805	28,732	3,842,537
Charge for the year		**19,001,917**	**13,707,207**	**32,709,124**	11,501,956	2,018,117	13,520,073
Reversals		**(3,138,355)**	**(321,795)**	**(3,460,150)**	(4,730,294)	(248,004)	(4,978,298)
		15,863,562	**13,385,412**	**29,248,974**	6,771,662	1,770,113	8,541,775
Amounts written off	11.5.1	**(89,494)**	**-**	**(89,494)**	(33,004)	-	(33,004)
Amounts charged off - agriculture financing	11.4.1.3	**(193,807)**	**-**	**(193,807)**	(232,480)	-	(232,480)
Transfer from other assets		**2,855,975**	**66,850**	**2,922,825**	-	-	-
Amount charged off international branches		**-**	**-**	**-**	(1,776,734)	-	(1,776,734)
Amount charged off international subsidiaries		**-**	**-**	**-**	(91,274)	-	(91,274)
Other adjustments		**-**	**-**	**-**	(220,744)	-	(220,744)
Other movement		**-**	**-**	**-**	(511,946)	-	(511,946)
Closing balance		**154,587,769**	**22,473,748**	**177,061,517**	134,688,966	9,005,951	143,694,917

11.4.1 Particulars of provision against advances

	2020 Specific	2020 General	2020 Total	2019 Specific	2019 General	2019 Total
	(Rupees in '000)					
In local currency	**113,179,889**	**22,274,089**	**135,453,978**	94,484,067	8,550,136	103,034,203
In foreign currencies	**41,407,880**	**199,659**	**41,607,539**	40,204,898	455,815	40,660,713
	154,587,769	**22,473,748**	**177,061,517**	134,688,966	9,005,951	143,694,917

11.4.1.1 The Group maintains general reserve in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing and Prudential Regulations for Small and Medium Enterprise Financing issued by the SBP.

The Group has also maintained general provision of Rs. 17,078 million (2019: Rs. 3,850 million) in respect of its underperforming portfolio on prudent basis.

11.4.1.2 The SBP had allowed specific relaxation to the Bank for non-classification of overdue loans of certain Public Sector Entities (PSEs) which were guaranteed by the Government of Pakistan as non-performing loans up till December 31, 2021.

11.4.1.3 These represent non-performing advances for agriculture finance which have been classified as loss and fully provided for more than 3 years. These non-performing advances have been charged off by extinguishing them against the provision held in accordance with Prudential Regulations for Agriculture Financing issued by the SBP. This charge off does not, in any way, prejudice the Bank's right of recovery from these customers.

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11.4.1.4 State Bank of Pakistan ('SBP'), vide its BPRD circular letter No. 13 of 2020, has provided regulatory relief to dampen the effects of Covid-19 and allowed banks to offer deferral of principal component of installments to its borrowers for one year, provided that the borrower will continue to service the mark-up amount as per agreed terms & conditions.

During the year ended December 31, 2020, 77 corporate borrowers, having aggregate outstanding exposure of Rs. 145,851 million, have availed regulatory relief extended by SBP amounted to Rs. 27,357 million.

		Note	2020	2019
			----------(Rupees in '000)----------	
11.5	**Particulars of write-offs**			
11.5.1	Against provisions	11.5.2	**89,494**	33,004
11.5.2	Write Offs of Rs. 500,000 and above			
	- Domestic	11.6	**40,260**	5,957
	Write-offs of below Rs. 500,000		**49,234**	27,047
			89,494	33,004

11.6 Details of loan write-off of Rs. 500,000/- and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the Statement in respect of written-off loans or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended is given in Annexure-I. (except where such disclosure is restricted by overseas regulatory authorities).

		Note	2020	2019
			----------(Rupees in '000)----------	
12.	**FIXED ASSETS**			
	Capital work-in-progress	12.1	**2,232,001**	2,162,985
	Property and equipment	12.2	**52,854,808**	52,756,579
			55,086,809	54,919,564
12.1	**Capital work-in-progress**			
	Civil works		**2,040,456**	2,001,776
	Equipment		**10,825**	15,446
	Advances to suppliers and contractors		**59,000**	58,372
	License and implementation fee for core banking software		**-**	40,491
	Software implementation in progress		**121,720**	46,900
			2,232,001	2,162,985

12.2 Property and equipment

	2020												
	Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Furniture and fixture	Computer and peripheral equipment	Electrical, office equipment	Vehicles	Assets held under finance lease - Vehicles	Assets held under finance lease - Office Equipment	Assets held under Ijarah - Machinery	Assets held under Ijarah - Vehicle	Total
	(Rupees in '000)												
At January 1, 2020													
Cost / revalued amount	20,108,882	19,362,870	6,467,259	4,325,158	5,959,314	4,246,166	5,821,542	1,315,119	390,175	9,628	97,261	301,379	68,404,753
Accumulated depreciation	-	-	(949,326)	(738,900)	(4,069,050)	(4,073,149)	(4,588,702)	(710,448)	(200,334)	(1,522)	(41,220)	(275,523)	(15,648,174)
Net book value	20,108,882	19,362,870	5,517,933	3,586,258	1,890,264	173,017	1,232,840	604,671	189,841	8,106	56,041	25,856	52,756,579
Year ended December 2020													
Opening net book value	20,108,882	19,362,870	5,517,933	3,586,258	1,890,264	173,017	1,232,840	604,671	189,841	8,106	56,041	25,856	52,756,579
Additions	-	-	3,622	46,509	862,190	314,363	531,086	196,439	76,083	-	-	-	2,030,292
Movement in surplus on assets revalued	261,564	310,289	28,757	59,670	-	-	-	-	-	-	-	-	660,280
Disposals	-	-	-	(1,753)	(35,996)	(12,072)	(9,320)	(199,509)	(14,928)	-	(690)	(1,961)	(276,229)
Depreciation charge	-	-	(293,455)	(173,990)	(683,657)	(278,073)	(638,313)	(374,030)	(51,851)	(963)	(2,274)	(3,727)	(2,500,333)
Depreciation adjustment - disposal	-	-	-	1,713	17,337	7,133	5,873	161,764	6,506	-	686	1,953	202,965
Exchange rate adjustments	-	-	-	(38,834)	(763)	39,551	(21,661)	3,249	-	-	-	-	(18,458)
Other adjustments / transfers - cost	-	-	-	(9,555)	8,902	(594)	(873)	727	(1,098)	(1)	-	-	(2,492)
Other adjustments / transfers - depreciation	-	-	-	5	622	641	705	(867)	1,028	70	-	-	2,204
Closing net book value	20,370,446	19,673,159	5,256,857	3,470,023	2,058,899	243,966	1,100,337	392,444	205,581	7,212	53,763	22,121	52,854,808
At December 31, 2020													
Cost / revalued amount	20,370,446	19,673,159	6,499,638	4,381,195	6,793,647	4,587,414	6,320,774	1,316,025	450,232	9,627	96,571	299,418	70,798,146
Accumulated depreciation	-	-	(1,242,781)	(911,172)	(4,734,748)	(4,343,448)	(5,220,437)	(923,581)	(244,651)	(2,415)	(42,808)	(277,297)	(17,943,338)
Net book value	20,370,446	19,673,159	5,256,857	3,470,023	2,058,899	243,966	1,100,337	392,444	205,581	7,212	53,763	22,121	52,854,808
Rate of depreciation (percentage)	Nil	Nil	5% on book value	5% on book value	20% on cost	33.33% on cost	20% on cost	20% on cost	20% on cost	20% on book value	25% to 33% on cost	20% on book value	

Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

	2019												
	Free hold land	Lease hold land	Building on Free hold land	Building on Lease hold land	Furniture and fixture	Computer and peripheral equipment	Electrical, office equipment	Vehicles	Assets held under finance lease - Vehicles	Assets held under finance lease - Office Equipment	Assets held under Ijarah - Machinery	Assets held under Ijarah - Vehicle	Total
	(Rupees in '000)												
At January 1, 2019													
Cost / revalued amount	20,108,882	18,684,751	6,467,259	3,966,370	5,237,005	4,098,782	5,193,669	1,291,719	320,066	10,578	100,040	309,717	65,788,836
Accumulated depreciation	-	-	(662,736)	(564,104)	(3,395,037)	(3,764,282)	(4,014,031)	(467,014)	(199,608)	(1,413)	(40,566)	(275,974)	(13,384,765)
Net book value	20,108,882	18,684,751	5,804,523	3,402,267	1,841,968	334,500	1,179,638	824,705	120,458	9,165	59,474	33,743	52,404,071
Year ended December 2019													
Opening net book value	20,108,882	18,684,751	5,804,523	3,402,267	1,841,968	334,500	1,179,638	824,705	120,458	9,165	59,474	33,743	52,404,072
Additions	-	-	-	53,360	719,081	126,613	609,719	132,091	138,620	-	-	-	1,779,484
Movement in surplus on assets revalued	-	566,789	-	86,281	-	-	-	-	-	-	-	-	653,070
Disposals	-	-	-	-	(16,371)	(5,439)	(7,160)	(142,479)	(36,420)	(950)	(2,779)	(8,338)	(219,936)
Depreciation charge	-	-	(286,590)	(174,792)	(687,820)	(312,550)	(577,403)	(341,028)	(35,648)	(1,037)	(2,979)	(6,049)	(2,425,896)
Depreciation adjustment - disposal	-	-	-	-	13,644	4,953	6,001	115,602	17,040	928	2,325	6,500	166,993
Exchange rate adjustments	-	-	-	12,204	19,719	24,013	21,177	1,444	-	-	-	-	78,557
Other adjustments / transfers - cost	-	111,330	-	206,943	(120)	2,197	4,137	32,344	(32,091)	-	-	-	324,740
Other adjustments / transfers - depreciation	-	-	-	(4)	163	(1,270)	(3,269)	(18,008)	17,882	-	-	-	(4,506)
Closing net book value	20,108,882	19,362,870	5,517,933	3,586,259	1,890,264	173,016	1,232,840	604,671	189,841	8,106	56,041	25,856	52,756,580
At December 31, 2019													
Cost / revalued amount	20,108,882	19,362,870	6,467,259	4,325,158	5,959,314	4,246,166	5,821,542	1,315,119	390,175	9,628	97,261	301,379	68,404,753
Accumulated depreciation	-	-	(949,326)	(738,900)	(4,069,050)	(4,073,149)	(4,588,702)	(710,448)	(200,334)	(1,522)	(41,220)	(275,523)	(15,648,174)
Net book value	20,108,882	19,362,870	5,517,933	3,586,258	1,890,264	173,016	1,232,840	604,671	189,841	8,106	56,041	25,856	52,756,579
Rate of depreciation (percentage)	Nil	Nil	5% on book value	5% on book value	20% on cost	33.33% on cost	20% on cost	20% on cost	20% on cost	20% on book value	25% to 33% on cost	20% on book value	

During the year ended December 31, 2020, land and building were revalued. The basis of revaluations were desktop valuations and were carried by RBS Associates (Private) Limited (PBA registered valuer) independent of the Bank, resulting in surplus of Rs. 660 million. For the purpose of the value assessment, factors like commercial value, location, utilization, nature of title etc. were kept in mind.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

12.3 Details of disposals of fixed assets to related parties

The particulars of disposal of fixed assets to related parties are given below:

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Purchaser name
	---------- (Rupees in '000) ----------						
Office Equipment & Electrical Installations	50	10	10	-	As per entitlement	Ex-Employee	Muhammad Saleem Qasim
Office Equipment & Electrical Installations	50	13	13	-	As per entitlement	Ex-Employee	Amjad Pervaiz
Office Equipment & Electrical Installations	49	33	33	-	As per entitlement	Ex-Employee	Zia Ur Rashid Ibrahim
Office Equipment & Electrical Installations	155	-	-	-	As per entitlement	Ex-Employee	Nasir Hussain
Office Equipment & Electrical Installations	50	-	-	-	As per entitlement	Employee	Muhammad Naeem Ansari
Office Equipment & Electrical Installations	464	-	-	-	As per entitlement	Ex-Employee	Aamir Sattar
Office Equipment & Electrical Installations	800	-	-	-	As per entitlement	Ex-Employee	Aamir Sattar
Office Equipment & Electrical Installations	35	15	15	-	As per entitlement	Ex-Employee	Muhammad Najmuddin
Office Equipment & Electrical Installations	30	-	-	-	As per entitlement	Ex-Employee	Khadija Adnan
Office Equipment & Electrical Installations	50	-	-	-	As per entitlement	Employee	Muhammad Naeem Ansari
	1,733	**71**	**71**	**-**			
Computer Equipment	93	-	9	9	As per entitlement	Employee	Amber Memon
Computer Equipment	59	-	6	6	As per entitlement	Employee	Prem Kumar
Computer Equipment	87	-	9	9	As per entitlement	Ex-Employee	Faraz Haider
Computer Equipment	64	-	6	6	As per entitlement	Employee	Shahid Ali Khan
Computer Equipment	101	-	10	10	As per entitlement	Employee	Abdul Wajid
Computer Equipment	90	-	9	9	As per entitlement	Ex-Employee	Saleem
Computer Equipment	140	-	14	14	As per entitlement	Employee	Asad Saleem
Computer Equipment	99	-	10	10	As per entitlement	Ex-Employee	Syed Tariq Hasan
Computer Equipment	99	-	10	10	As per entitlement	Employee	Umar Azim Daudpota
Computer Equipment	183	-	-	-	As per entitlement	Ex-Employee	Nasir Hussain
Computer Equipment	110	-	-	-	As per entitlement	Ex-Employee	Amjad Pervaiz
Computer Equipment	140	-	14	14	As per entitlement	Employee	Muhammad Naeem Ansari
	1,265	**-**	**97**	**97**			

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Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Purchaser name
	---------- (Rupees in '000) ----------						
Furniture & Fixtures	125	71	71	-	As per entitlement	Ex-Employee	Muhammad Akhtar
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Maqsood Ahmed
Furniture & Fixtures	150	31	31	-	As per entitlement	Ex-Employee	Farhat Anjum Shaikh
Furniture & Fixtures	150	35	35	-	As per entitlement	Ex-Employee	Niaz Ahmed Chatha
Furniture & Fixtures	125	25	25	-	As per entitlement	Ex-Employee	Muhammad Adnan
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Bilqees Talat
Furniture & Fixtures	125	39	39	-	As per entitlement	Ex-Employee	Sharaf Ahmed
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Ashraf
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Akram
Furniture & Fixtures	125	67	67	-	As per entitlement	Ex-Employee	Naveed Akhtar
Furniture & Fixtures	125	60	60	-	As per entitlement	Ex-Employee	Muhammad Aslam Lalani
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Shaheen Aijaz
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Late Mehboob Ali Abro
Furniture & Fixtures	125	17	17	-	As per entitlement	Ex-Employee	Muhammad Ilyas Bashir
Furniture & Fixtures	150	45	45	-	As per entitlement	Ex-Employee	Haji Anwar Baloch
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Tariq Mehmood Bukhari
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Muhammad Rafique
Furniture & Fixtures	125	31	31	-	As per entitlement	Ex-Employee	Ghulam Akbar Chandio
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Nasir Ehsan
Furniture & Fixtures	150	78	78	-	As per entitlement	Ex-Employee	Muhammad Ejaz
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Late Mehboob Ellahi
Furniture & Fixtures	125	41	41	-	As per entitlement	Ex-Employee	Muhammad Fayyaz Qureshi
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Farooq
Furniture & Fixtures	125	1	1	-	As per entitlement	Ex-Employee	Shaheen Haider
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Akhtar Hussain
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Mureed Hussain Shaikh
Furniture & Fixtures	125	63	63	-	As per entitlement	Ex-Employee	Manzoor Hussain
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Muhammad Hayat
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Syed Iftikhar Hussain
Furniture & Fixtures	175	-	-	-	As per entitlement	Ex-Employee	Masood Iqbal
Furniture & Fixtures	175	70	70	-	As per entitlement	Ex-Employee	Zia Ur Rashid Ibrahim
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Shahid Iqbal
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Ismail
Furniture & Fixtures	125	15	15	-	As per entitlement	Ex-Employee	Sajida Ishaq
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Javed Iqbal
Furniture & Fixtures	125	68	68	-	As per entitlement	Ex-Employee	Muhammad Javed
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Shahid Javid
Furniture & Fixtures	150	35	35	-	As per entitlement	Ex-Employee	Dilpazir Khan
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Bashir Ahmed Khan
Furniture & Fixtures	125	58	58	-	As per entitlement	Ex-Employee	Muhammad Rasheed
Furniture & Fixtures	300	-	-	-	As per entitlement	Ex-Employee	Shafiq Ahmed Khan
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Jamil Khan

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Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Purchaser name
	---------- (Rupees in '000) ----------						
Furniture & Fixtures	150	50	50	-	As per entitlement	Ex-Employee	Muhammad Asghar
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Farooq Khan
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Ali Khan
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Late Abdul Sami
Furniture & Fixtures	150	70	70	-	As per entitlement	Ex-Employee	Khalid Mehmood
Furniture & Fixtures	150	69	69	-	As per entitlement	Ex-Employee	Hassan Ali Memon
Furniture & Fixtures	150	82	82	-	As per entitlement	Ex-Employee	Tariq Mehmood
Furniture & Fixtures	190	44	44	-	As per entitlement	Ex-Employee	Wasi Murtaza
Furniture & Fixtures	125	29	29	-	As per entitlement	Ex-Employee	Raja Sultan Mehmood
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Tariq Mahmood
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Nazia Ghulam Muhammad
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	S.M Rashid Nabi
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Khurshud Agned Nishat
Furniture & Fixtures	150	16	16	-	As per entitlement	Ex-Employee	Muhammad Najamuddin
Furniture & Fixtures	175	19	19	-	As per entitlement	Ex-Employee	Amjad Pervez
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Agha Fazalullah
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Abdul Rahim Qureshi
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Ramzan
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Abdul Rauf
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Mian Shafiq Ur Rehman
Furniture & Fixtures	175	55	55	-	As per entitlement	Ex-Employee	Muhammad Salim Qasim
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Ch.Muhammad Shafi
Furniture & Fixtures	125	53	53	-	As per entitlement	Ex-Employee	Muhammad Shafi
Furniture & Fixtures	125	43	43	-	As per entitlement	Ex-Employee	Muhammad Sabir
Furniture & Fixtures	125	75	75	-	As per entitlement	Ex-Employee	Muhammad Saleem
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Muhammad Sohail
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Shahzad Saleem
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Abdul Razzak Shaikh
Furniture & Fixtures	150	69	69	-	As per entitlement	Ex-Employee	Muhammad Shahid
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	M. Shamim Shakir
Furniture & Fixtures	150	-	-	-	As per entitlement	Ex-Employee	Abdul Latif Solongi
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Fazeel Tahir
Furniture & Fixtures	125	-	-	-	As per entitlement	Ex-Employee	Muhammad Usman
Furniture & Fixtures	150	21	21	-	As per entitlement	Ex-Employee	Ghulam Qadir Jam
Furniture & Fixtures	190	82	82	-	As per entitlement	Ex-Employee	Syed Ajmal Habib
Furniture & Fixtures	190	63	63	-	As per entitlement	Ex-Employee	Muhammad Saleem Adil
Furniture & Fixtures	150	34	34	-	As per entitlement	Ex-Employee	Abdul Qayum Zia
Furniture & Fixtures	175	83	83	-	As per entitlement	Ex-Employee	Arif Raza Abdy
Furniture & Fixtures	150	20	20	-	As per entitlement	Ex-Employee	Arshad Mahmood
Furniture & Fixtures	175	7	7	-	As per entitlement	Employee	Muhammad Naeem Ansari
Furniture & Fixtures	500	319	319	-	As per entitlement	Ex-Employee	Tariq Jamali
Furniture & Fixtures	150	34	34	-	As per entitlement	Ex-Employee	Abid Ali Siddiqi

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Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Purchaser name
	---------- (Rupees in '000) ----------						
Furniture & Fixtures	160	63	63	-	As per entitlement	Ex-Employee	Bilqis Sikandar
Furniture & Fixtures	150	64	64	-	As per entitlement	Ex-Employee	Muhammad Younas
Furniture & Fixtures	300	95	95	-	As per entitlement	Employee	Imdad Hussain
Furniture & Fixtures	175	33	33	-	As per entitlement	Ex-Employee	Khadija Adnan
Furniture & Fixtures	335	131	131	-	As per entitlement	Employee	Azra Naila Uzair
Furniture & Fixtures	175	41	41	-	As per entitlement	Ex-Employee	Hafiz Muhammad Fayyaz
Furniture & Fixtures	175	22	22	-	As per entitlement	Ex-Employee	Abdul Aziz Nadeem
Furniture & Fixtures	150	5	5	-	As per entitlement	Ex-Employee	Hamid Rasool Qadri
Furniture & Fixtures	200	82	82	-	As per entitlement	Ex-Employee	Mumtaz Rafi
Furniture & Fixtures	125	57	57	-	As per entitlement	Ex-Employee	Raja Ejaz Ahmed
	14,190	2,780	2,780	-			
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Asad Saleem
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Farooq Ahmed Soomro
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Mashkoor Ahmed Khan
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Ahmed Naseem
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Salman Talat
Motor Vehicles	1,873	468	468	-	As per entitlement	Employee	Shaukat Mahmood
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Abid Kithclew
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	M.Mubashir Ahmad
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Tariq Zafar Iqbal
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Hidayat Ali Shar
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Abdul Majeed Arshad
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Syed Naveed Asghar
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Muhammad Akram Khan
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Aziz Ur Rehman
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	M.Ehsan Tabassum
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Abdul Jamal Tariq
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	M.Zaman Khan
Motor Vehicles	1,858	372	372	-	As per entitlement	Employee	Ovais Asad Khan
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Hamid Raza
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Kamran Masud Khan
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Rashid Mirza
Motor Vehicles	1,658	304	332	28	As per entitlement	Ex-Employee	Abdul Qadir
Motor Vehicles	1,658	304	332	28	As per entitlement	Ex-Employee	Saeed Habib
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Manzur Ahmad
Motor Vehicles	1,858	341	372	31	As per entitlement	Employee	Muhammad Ismail Usuf
Motor Vehicles	1,858	372	372	-	As per entitlement	Employee	M.Atlas Khan
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Syed Waseem Akhtar
Motor Vehicles	1,858	372	372	-	As per entitlement	Employee	S.H.Irtiza Kazmi
Motor Vehicles	1,858	341	372	31	As per entitlement	Employee	Karim Akram Khan
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Muhammad Farrukh Ghouri

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Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Purchaser name
	---------- (Rupees in '000) ----------						
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Sarfaraz Ahmed
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Shaikh Tariq Abdullah
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Wajahat Malik
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Ahmad Sohail Warraich
Motor Vehicles	1,858	372	372	-	As per entitlement	Employee	Khadim Hussain
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Tarannum Sarwar
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Farooq Hasan
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	M.Iqbal Malik
Motor Vehicles	1,873	343	375	32	As per entitlement	Employee	Shahid Iqbal Choudry
Motor Vehicles	1,658	304	332	28	As per entitlement	Employee	Ahmer Liaquat
Motor Vehicles	1,658	221	332	111	As per entitlement	Ex-Employee	Aziz Ur Rehman
Motor Vehicles	1,673	446	446	-	As per entitlement	Ex-Employee	Masood Iqbal
Motor Vehicles	1,567	313	313	-	As per entitlement	Employee	Mahmood Akhtar Nadeem
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	M.Ahsan Aslam
Motor Vehicles	1,658	276	332	56	As per entitlement	Ex-Employee	M.Khursheed Khan
Motor Vehicles	1,658	332	332	-	As per entitlement	Employee	Amjad Pervaiz
Motor Vehicles	1,673	446	446	-	As per entitlement	Ex-Employee	Muhammad Salim Qasim
Motor Vehicles	1,664	610	610	-	As per entitlement	Ex-Employee	Talat Khurshid
Motor Vehicles	1,789	745	745	-	As per entitlement	Ex-Employee	Shafiq Ahmed Khan
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Saleem Saleemi
Motor Vehicles	1,658	635	635	-	As per entitlement	Ex-Employee	M.Saleem Baig
Motor Vehicles	5,106	766	766	-	As per entitlement	Ex-Employee	Kausar Iqbal Malik
Motor Vehicles	1,643	438	438	-	As per entitlement	Ex-Employee	Syed Tariq Hasan
Motor Vehicles	1,858	186	186	-	As per entitlement	Ex-Employee	Nasir Hussain
Motor Vehicles	1,714	996	996	-	As per entitlement	Ex-Employee	Syed Hasan Mustafa Naqvi
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Dawood Jan Khan
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Masood Yasin
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Muhammad Amjad
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Muhammad Saqib
Motor Vehicles	1,673	279	335	56	As per entitlement	Employee	Rafique Ahmed Bhurgri
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Farhan Javaid Durrani
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Ghulam Rasool
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Mansoor Hussain Qureshi
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Aqeel Muslim
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Nasir Khan
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Hananeel Azhar Joseph
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Muhammad Mumtaz Ahmed Farooq
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Nadeem Khan
Motor Vehicles	1,893	725	725	-	As per entitlement	Ex-Employee	Khawar Saeed
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Qaiser Rasheed
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Irshad Ahmed
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Akhtar Munir
Motor Vehicles	1,673	279	335	56	As per entitlement	Employee	Syed Rehan Mobin
Motor Vehicles	1,673	279	335	56	As per entitlement	Employee	Abdul Hadi Palekar
Motor Vehicles	1,673	251	335	84	As per entitlement	Employee	Rashid Ata

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Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Purchaser name
	---------- (Rupees in '000) ----------						
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Shakeel Ahmed
Motor Vehicles	1,743	349	349	-	As per entitlement	Employee	Shahzad Karimi
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Muhammad Akram
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Shahid Iqbal Khan
Motor Vehicles	5,136	978	1,027	49	As per entitlement	Employee	Syed Jamal Baquar
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Hakim Ali Laghari
Motor Vehicles	1,673	307	335	28	As per entitlement	Ex-Employee	Akhter Hussain Khan
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Rana Mujahid Ali
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Aamir Shabbir
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Ashfaq Ahmed Qadir
Motor Vehicles	1,658	-	166	166	As per entitlement	Employee	Umar Azim Daudpota
Motor Vehicles	1,673	223	335	112	As per entitlement	Employee	Ahmar Qadeer
Motor Vehicles	1,673	307	335	28	As per entitlement	Employee	Muhammad Zulfiqar Ali
Motor Vehicles	1,673	279	335	56	As per entitlement	Employee	Pir Baksh
Motor Vehicles	1,743	335	335	-	As per entitlement	Employee	Zahida Hamid
Motor Vehicles	1,664	555	1,054	499	As per entitlement	Ex-Employee	Ansar Raza Goraha
Motor Vehicles	1,658	83	332	249	As per entitlement	Ex-Employee	Arif Raza Abdy
Motor Vehicles	1,708	370	370	-	As per entitlement	Employee	Muhammad Naeem Ansari
Motor Vehicles	5,106	-	511	511	As per entitlement	Ex-Employee	Tariq Jamali
Motor Vehicles	1,673	390	390	-	As per entitlement	Ex-Employee	Khadija Adnan
Motor Vehicles	1,673	223	223	-	As per entitlement	Ex-Employee	Tanvir Yaqub
Motor Vehicles	1,538	308	527	219	As per entitlement	Ex-Employee	Hafiz Muhammad Fayyaz
Motor Vehicles	1,824	942	942	-	As per entitlement	Ex-Employee	Abdul Aziz Nadeem
Motor Vehicles	1,673	335	335	-	As per entitlement	Employee	Noor Ul Islam
	177,480	**35,177**	**38,279**	**3,102**			
	194,668	**38,028**	**41,227**	**3,199**			

Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

13. INTANGIBLE ASSETS

	2020					
	Core Banking Application	Computer software	Website	Goodwill on NBP Fund Acquisition	Others	Total
	(Rupees in '000)					
At January 1, 2020						
Cost	2,913,953	1,310,345	1,041	655,146	4,774	4,885,259
Accumulated amortisation and impairment	(2,913,953)	(804,164)	(1,041)	(92,593)	(2,742)	(3,814,493)
Net book value	-	506,181	-	562,553	2,032	1,070,766
Year ended December 2020						
Opening net book value	-	506,181	-	562,553	2,032	1,070,766
Additions:						
- developed internally	-	146,646	-	-	-	146,646
- directly purchased	-	1,576	-	-	-	1,576
Adjustments - addition	-	45,756	-	-	-	45,756
Disposals	-	-	-	-	-	-
Amortisation charge	-	(238,932)	-	-	-	(238,932)
Other adjustments - cost	-	(4,853)	-	-	-	(4,853)
Other adjustments - amortisation	-	1,184	-	-	-	1,184
Closing net book value	-	457,558	-	562,553	2,032	1,022,143
At December 31, 2020						
Cost	2,913,953	1,499,470	1,041	655,146	4,774	5,074,384
Accumulated amortisation and impairment	(2,913,953)	(1,041,912)	(1,041)	(92,593)	(2,742)	(4,052,241)
Net book value	-	457,558	-	562,553	2,032	1,022,143
Rate of amortisation (percentage)	33.33 % on cost	33.33 % on cost	33.33 % on cost	Nil	Nil	
Useful life	3 years	3 years	3 years			

	2019					
	Core Banking Application	Computer software	Website	Goodwill on NBP Fund Acquisition	Others	Total
	(Rupees in '000)					
At January 1, 2019						
Cost	2,913,953	627,981	1,041	655,146	4,774	4,202,895
Accumulated amortisation and impairment	(2,800,926)	(448,693)	(1,041)	(92,593)	(2,742)	(3,345,995)
Net book value	113,027	179,288	-	562,553	2,032	856,900
Year ended December 2019						
Opening net book value	113,027	179,288	-	562,553	2,032	856,900
Additions:						
- developed internally	-	57,219	-	-	-	57,219
- directly purchased	-	438,010	-	-	-	438,010
Adjustments - addition	-	178,877	-	-	-	178,877
Disposals	-	-	-	-	-	-
Amortisation charge	(113,027)	(214,855)	-	-	-	(327,882)
Other adjustments - cost	-	8,258	-	-	-	8,258
Other adjustments - amortization	-	(140,616)	-	-	-	(140,616)
Closing net book value	-	506,181	-	562,553	2,032	1,070,766
At December 31, 2019						
Cost	2,913,953	1,310,345	1,041	655,146	4,774	4,885,259
Accumulated amortisation and impairment	(2,913,953)	(804,164)	(1,041)	(92,593)	(2,742)	(3,814,493)
Net book value	-	506,181	-	562,553	2,032	1,070,766
Rate of amortisation (percentage)	33.33 % on cost	33.33 % on cost	33.33 % on cost	Nil	Nil	
Useful life	3 years	3 years	3 years			

13.1 For the purpose of impairment testing of goodwill, management has considered discounted cash flow method using weighted average cost of capital of 15.3% and terminal growth of 3.3% considering five years cash flows. Further, discount for lack of marketability is also considered at the rate of 20%. Other key assumption used in the method are management fees, growth rates on asset under management keeping in view of industry growth, expenses based on the historic growth trends, short term investment with the assumption of reinvestment and discount rate which is based on risk free rate, sector beta and market equity risk premium.

As a result, the recoverable amount exceeds the carrying value as at December 31, 2020, therefore, management did not identify any impairment.

Notes to the Consolidated Financial Statements
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14. RIGHT-OF-USE ASSETS

	2020	2019
	(Rupees in '000)	
The recognised right-of-use assets relate to the following types of assets:		
Balance as at January 01,	**7,447,414**	8,201,792
Additions during the period	**1,622,504**	1,185,554
Depreciation charged for the period	**2,052,898**	1,939,932
Balance as at December 31,	**7,017,020**	7,447,414

The right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right of use assets at the date of initial application.

15. OTHER ASSETS

	Note	2020	2019
		(Rupees in '000)	
Income / return / mark-up accrued in local currency - net of provision		**39,649,974**	52,636,870
Income / return / mark-up accrued in foreign currency - net of provision		**2,353,317**	2,577,971
Advances, deposits, advance rent and other prepayments	15.1	**3,069,977**	7,989,931
Advance taxation (payments less provisions)	15.6	**3,113,391**	9,310,764
Income tax refunds receivable	15.6	**24,278,882**	42,667,383
Compensation for delayed tax refunds		**17,556,551**	13,722,128
Non-banking assets acquired in satisfaction of claims	15.4	**3,750,925**	3,284,853
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)		**208,423**	208,423
Unrealized gain on forward foreign exchange contracts		**-**	-
Commission receivable on Government. treasury transactions		**4,612,174**	4,065,704
Stationery and stamps on hand		**499,511**	435,733
Barter trade balances		**195,399**	195,399
Receivable on account of Government transactions	15.2	**323,172**	323,172
Receivable from Government under VHS scheme	15.3	**418,834**	418,834
Receivable against sale / purchase of shares		**128,290**	492,009
Receivable from Pakistan Stock Exchange		**128,743**	6,331
Receivable from mutual funds		**892,552**	791,738
Acceptances		**15,741,754**	26,934,779
Others		**6,760,465**	10,462,646
		123,682,334	176,524,668
Less: Provision held against other assets	15.5	**11,882,119**	10,853,588
Other assets (net of provision)		**111,800,215**	165,671,080
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		**217,404**	477,215
Other assets - total		**112,017,619**	166,148,295

15.1 This includes Rs. 800 million (2019: Rs. 5,808 million) advance against Pre-IPO placement of Term Finance Certificates.

15.2 This represents amount receivable from GoP on account of encashment of various instruments handled by the Group for GoP as an agent of the SBP. Due to uncertainty about its recoverability, full amount has been provided for.

15.3 This represents payments made under the Voluntary Handshake Scheme (VHS), recoverable from GoP. Due to uncertainty about its recoverability, full amount has been provided for.

	2020	2019
	(Rupees in '000)	
15.4 Market value of Non-banking assets acquired in satisfaction of claims	**3,968,329**	3,762,068

An independent valuation of the Bank's non-banking assets were performed by an independent professional valuer to determine the fair value of the assets as at December 31, 2020. The valuation was carried out by an independent valuer Imtech (Private) Limited, registered at SBP panel of valuers. The valuation conforms to International Valuation Standards.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

	2020	2019
	(Rupees in '000)	

15.4.1 Non-banking assets acquired in satisfaction of claims

Opening Balance	**3,762,068**	3,594,660
Revaluation	**217,404**	477,215
Depreciation	**(15,784)**	(29,577)
Adjustment	**4,641**	38,041
Transfer to operating fixed assets	**-**	(318,271)
Closing Balance	**3,968,329**	3,762,068

15.5 Provision held against other assets

Income / mark-up accrued in local currency	**152,607**	152,607
Advances, deposits, advance rent and other prepayments	**837,949**	837,949
Stationery and stamps on hand	**96,542**	96,542
Barter trade balances	**195,399**	195,399
Receivable on account of Government transactions	**323,172**	323,172
Receivable from Government under VHS scheme	**418,834**	418,834
Protested bills	**4,092,280**	2,555,322
Provision against FE-25 loans	**-**	1,734,591
Ex-MBL / NDFC - other assets	**770,398**	770,398
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)	**208,423**	208,423
Others	**4,786,515**	3,560,351
	11,882,119	10,853,588

15.5.1 Movement in provision held against other assets

Opening balance	**10,853,588**	8,884,661
Charge for the year	**1,511,502**	1,589,466
Transfer (out) / in	**(484,393)**	457,738
Adjustment against provision	**1,422**	(78,277)
Closing balance	**11,882,119**	10,853,588

15.6 During the year, the Group has adjusted its advance tax liability and demand of previous tax year against prior year income tax refunds receivables.

	2020	2019
	(Rupees in '000)	

16. BILLS PAYABLE

In Pakistan	**16,718,064**	19,648,708
Outside Pakistan	**77,122**	218,716
	16,795,186	19,867,424

Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

		2020	2019
		(Rupees in '000)	
17.	**BORROWINGS**		
	Secured		
	Borrowings from State Bank of Pakistan		
	Under Export Refinance Scheme	**2,451,874**	1,908,291
	Under Export Refinance Scheme (New Scheme)	**28,686,149**	20,687,441
	Financing Scheme for Renewable Energy	**481,261**	236,175
	Refinance Facility for Modernization of SMEs	**177,976**	45,000
	Financing Facility for storage of Agriculture Produce (FFSAP)	**256,184**	284,012
	Under Long-Term Financing Facility (LTFF)	**16,380,117**	8,923,286
	Refinance Scheme for Payment of Wages and Salaries	**1,167,527**	-
	Temporary Economic Refinance Facility	**537,912**	-
	Refinance Facility for Combating Covid-19	**61,448**	-
		50,200,448	32,084,205
	Repurchase agreement borrowings	**5,266,007**	332,053,770
	Bai Muajjal	**79,788,522**	59,069,167
	Total secured	**135,254,977**	423,207,142
	Unsecured		
	Call borrowings	**2,047,588**	39,052,969
	Overdrawn nostro accounts	**1,236,440**	3,467,767
	Bai Muajjal	**-**	6,029,474
	Total unsecured	**3,284,028**	48,550,210
		138,539,005	471,757,352
17.1	**Particulars of borrowings with respect to currencies**		
	In local currency	**136,491,430**	432,843,644
	In foreign currencies	**2,047,575**	38,913,708
		138,539,005	471,757,352

17.2 Mark-up / interest rates and other terms are as follows:

- The Group has entered into agreements with the SBP for extending export refinance to customers. As per the terms of the agreement, the Group has granted SBP the right to recover the outstanding amount from the Group at the date of maturity of finances by directly debiting the current account maintained by the Bank with the SBP. These borrowings carry mark-up 3% (2019: 3%).
- Repurchase agreement borrowings carry mark-up ranging from 7% to 7.05% per annum (2019: 13.2% to 13.32% per annum) having maturity on January 8, 2021.
- Call borrowings carry interest ranging from 0% to 2.0% per annum (2019: 1.75% to 4.0% per annum).

17.3 Borrowings from the SBP under export oriented projects refinance schemes of the SBP are secured by the Group's cash and security balances held by the SBP.

17.4 Pakistan Investment Bond and Market Treasury Bills having maturity of 5 years and 6 months respectively, are pledged as security under borrowing having carrying amount of Rs. 5,266 million (2019: Rs. 332,054 million).

Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

18. DEPOSITS AND OTHER ACCOUNTS

	2020			2019		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	(Rupees in '000)					
Customers						
Current deposits - remunerative	**405,738,851**	**-**	**405,738,851**	320,884,110	-	320,884,110
Current deposits - non-remunerative	**433,284,063**	**116,597,781**	**549,881,844**	387,189,069	139,244,567	526,433,636
Savings deposits	**637,694,450**	**66,235,665**	**703,930,115**	533,399,568	52,502,297	585,901,865
Term deposits	**276,454,916**	**81,153,488**	**357,608,404**	285,063,204	75,448,185	360,511,389
Others	**4,683,735**	**316,040**	**4,999,775**	4,970,352	3,924	4,974,276
	1,757,856,015	**264,302,974**	**2,022,158,989**	1,531,506,303	267,198,973	1,798,705,276
Financial Institutions						
Current deposits	**360,373,331**	**654,758**	**361,028,089**	357,457,518	375,807	357,833,325
Savings deposits	**4,253,051**	**3,246,855**	**7,499,906**	4,405,416	2,911,091	7,316,507
Term deposits	**12,392,089**	**8,739,494**	**21,131,583**	21,655,082	5,638,426	27,293,508
Others	**7,109,902**	**-**	**7,109,902**	6,549,217	286,740	6,835,957
	384,128,373	**12,641,107**	**396,769,480**	390,067,233	9,212,064	399,279,297
	2,141,984,388	**276,944,081**	**2,418,928,469**	1,921,573,536	276,411,037	2,197,984,573

18.1 Composition of deposits

	2020	2019
	(Rupees in '000)	
Individuals	**847,730,521**	700,612,760
Government (Federal and Provincial)	**674,985,259**	602,785,706
Public Sector Entities	**257,336,852**	237,284,226
Banking Companies	**368,302,117**	379,108,513
Non-Banking Financial Institutions	**29,051,796**	20,196,519
Private Sector	**241,521,924**	257,996,849
	2,418,928,469	2,197,984,573

18.2 Foreign currencies deposits include deposit of foreign branches amounting to Rs. 73,145 million (2019: Rs. 85,488 million).

18.3 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 981,942 million (2019: Rs. 859,148 million) including islamic branches.

19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2020			2019		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
	(Rupees in '000)					
Not later than one year	**83,677**	**10,197**	**73,480**	74,023	17,757	56,266
Later than one year and upto five years	**129,092**	**5,348**	**123,744**	151,479	13,342	138,137
Over five years	**-**	**-**	**-**	-	-	-
	212,769	**15,545**	**197,224**	225,502	31,099	194,403

The Group has entered into lease agreements with various financial institutions for lease of vehicles. Lease rentals are payable in quarterly installments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rates ranging from 6M KIBOR + 1.75% per annum (2019: 6M KIBOR + 1.75% per annum). At the end of lease term, the Group has option to acquire the assets, subject to adjustment of security deposits.

Notes to the Consolidated Financial Statements
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	2020	2019
	(Rupees in '000)	

20. LEASE LIABILITIES AGAINST RIGHT-OF-USE ASSETS

Lease liabilities included in the statement of financial position As at December 31,	**7,869,355**	7,831,350
Of which are:		
Current lease liability	**1,517,181**	1,339,898
Non-current lease liability	**6,352,174**	6,491,452
	7,869,355	7,831,350
Maturity analysis - contractual undiscounted cashflows		
Less than one year	**2,473,379**	2,097,191
One to five years	**6,130,245**	6,753,791
More than five years	**5,843,702**	6,652,960
Total undiscounted lease liabilities as at December 31,	**14,447,326**	15,503,942

21. DEFERRED TAX

	2020			
	At January 1, 2020	Recognised in profit and loss account	Recgonised in other comprehensive income	At December 31, 2020
	(Rupees in '000)			
Deductible Temporary Differences on				
- Tax losses carried forward	**10,705**	**-**	**-**	**10,705**
- Post retirement employee benefits	**3,905,148**	**14,914**	**268,139**	**4,188,201**
- Provision for diminution in the value of investments	**236,751**	**-**	**-**	**236,751**
- Provision against advances	**2,625,495**	**6,459,106**	**-**	**9,084,601**
- Provision against off-balance sheet obligations	**115,222**	**-**	**-**	**115,222**
- Other provision	**105,416**	**-**	**-**	**105,416**
- Others	**3,827**	**(329)**	**(441)**	**3,058**
	7,002,564	**6,473,691**	**267,698**	**13,743,954**
Taxable Temporary Differences on				
- Surplus on revaluation of fixed assets	**(1,695,407)**	**452,339**	**(29,777)**	**(1,272,845)**
- Excess of accounting book value of leased assets over lease liabilities	**(3,720)**	**(6,682)**	**(2,278)**	**(12,680)**
- Surplus on revaluation of investments	**(13,816,519)**	**-**	**(1,530,321)**	**(15,346,840)**
- Surplus on revaluation of non-banking assets	**(41,439)**	**-**	**(3,274)**	**(44,713)**
- Others	**(2,314,832)**	**2,314,832**	**-**	**-**
	(17,871,917)	**2,760,489**	**(1,565,650)**	**(16,677,078)**
	(10,869,353)	**9,234,180**	**(1,297,952)**	**(2,933,124)**

Notes to the Consolidated Financial Statements
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	2019			
	At January 1, 2019	Recognised in profit and loss account	Recgonised in other comprehensive income	At December 31, 2019
	(Rupees in '000)			
Deductible Temporary Differences on				
- Tax losses carried forward	10,705	-	-	10,705
- Post retirement employee benefits	2,816,109	3,845	1,085,194	3,905,148
- Provision for diminution in the value of investments	236,751	-	-	236,751
- Provision against advances	622,390	2,003,105	-	2,625,495
- Provision against off-balance sheet obligations	115,222	-	-	115,222
- Other provision	111,576	(6,160)	-	105,416
- Others	3,904	-	(77)	3,827
	3,916,657	2,000,790	1,085,117	7,002,564
Taxable Temporary Differences on				
- Surplus on revaluation of fixed assets	(1,822,205)	154,018	(27,220)	(1,695,407)
- Excess of accounting book value of leased assets over lease liabilities	(2,477)	(1,243)		(3,720)
- Surplus on revaluation of investments	(6,667,702)	-	(7,148,817)	(13,816,519)
- Surplus on revaluation of non-banking assets	(55,208)	-	13,769	(41,439)
- Others	(2,314,832)	-	-	(2,314,832)
	(10,862,424)	152,775	(7,162,268)	(17,871,917)
	(6,945,767)	2,153,565	(6,077,151)	(10,869,353)

	Note	2020	2019
		(Rupees in '000)	
22. OTHER LIABILITIES			
Mark-up / Return / Interest payable in local currency		**37,808,884**	57,027,903
Mark-up / Return / Interest payable in foreign currency		**844,452**	439,959
Unearned commission and income on bills discounted		**1,593,730**	3,058,753
Accrued expenses		**18,315,863**	19,037,792
Advance payments		**398,682**	430,377
Acceptances		**15,741,754**	26,934,779
Unclaimed dividends		**185,516**	186,668
Unrealized loss on forward foreign exchange contracts		**2,918,017**	4,358,883
Unrealized loss on put option		**306,339**	306,339
Branch adjustment account		**917,487**	926,311
Employee benefits:			
Pension fund		**15,704,077**	14,785,647
Post retirement medical benefits		**22,282,747**	18,333,947
Benevolent scheme		**2,054,218**	1,749,006
Gratuity scheme		**2,956,827**	2,403,018
Compensated absences		**9,251,755**	8,344,182
Staff welfare fund		**371,257**	371,257
Liabilities relating to Barter trade agreements		**2,142,033**	5,539,436
Provision against off-balance sheet obligations		**627,494**	627,494
Provision against contingencies	22.1	**4,180,071**	4,629,645
Payable to brokers		**65,137**	38,667
Payable to customers		**301,585**	158,180
PIBs shortselling		**3,237,676**	256,284
Others		**15,339,746**	14,688,731
		157,545,347	184,633,258

Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

		Note	2020	2019
			----------(Rupees in '000)----------	
22.1	**Provision against contingencies**			
	Opening balance		**4,629,645**	3,734,889
	Charge during the year		**381,090**	1,152,495
	Transfer out		**(830,664)**	(457,739)
	Other movement		**-**	200,000
	Closing balance	22.1.1	**4,180,071**	4,629,645

22.1.1 This represents provision made on account of regulatory violations and reported instances of financial improprieties for which investigations are in progress.

23. SHARE CAPITAL

23.1 Authorized Capital

2020	2019		2020	2019
--------- (Number of shares) ---------			---------- (Rupees in '000) ----------	
2,500,000,000	2,500,000,000	Ordinary shares of Rs. 10 each	**25,000,000**	25,000,000

23.2 Issued, subscribed and paid up

2020	2019		2020	2019
--------- (Number of shares) ---------		**Ordinary shares**	---------- (Rupees in '000) ----------	
140,388,000	140,388,000	Fully paid in cash	**1,403,880**	1,403,880
1,987,125,026	1,987,125,026	Issued as bonus shares	**19,871,251**	19,871,251
2,127,513,026	2,127,513,026		**21,275,131**	21,275,131

The Federal Government and the SBP held 75.60% (2019: 75.60%) shares of the Bank.

23.3 Shares of the Bank held by subsidiary and associate

	2020	2019
	---------(Number of shares) ---------	
Following shares were held by the associate of the Bank as of year end:		
First Credit & Investment Bank Limited	**70,000**	70,000
NBP Stock Fund	**-**	330,000
	70,000	400,000

24. RESERVES

24.1 Exchange translation reserve

This comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

24.2 Statutory reserve

Every bank incorporated in Pakistan is required to transfer 20% of their profits to a statutory reserve until the reserve equals share capital, thereafter 10% of the profits of the Bank are to be transferred to this reserve.

24.3 General loan loss reserve

The Group is cognizant of the fact that a part of its credit or loan portfolio (funded and non-funded) which is not currently impaired as per the applicable Prudential Regulations is underperforming and therefore the potential for risk of credit losses on this part of portfolio is higher than the usual risk. Therefore, as a matter of abundant caution and in order to protect the equity base of the Bank from future contingencies in respect of the credit portfolio, the Board of Directors in their meeting held on April 29, 2015 decided to transfer an aggregate amount of Rs. 12 billion from the unappropriated profits to a "General loan loss reserve". This appropriation was made on the basis of the management's best estimates and judgement regarding the inherent portfolio risks. Subsequently, Board of directors in their meeting held on 11 & 12 July, 2019 decided to transfer Rs. 4 billion from general loss reserve to unappropriated profit based on revised estimates.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

	Note	2020	2019
		(Rupees in '000)	
25. SURPLUS ON REVALUATION OF ASSETS			
Net surplus on revaluation of :			
- Available for sale securities	10.1	**43,867,153**	39,455,572
- Fixed Assets	25.1	**45,421,244**	45,096,875
- Non-banking assets accquired in satisfaction of claims	25.2	**2,757,207**	2,539,695
- On securities of associates and joint venture		**(269,430)**	(385,602)
		91,776,174	86,706,540
Deferred tax on surplus on revaluation of:			
- Available for sale securities		**(15,346,840)**	(13,816,519)
- Fixed Assets	25.1	**(2,396,819)**	(2,489,995)
- Non-banking assets accquired in satisfaction of claims	25.2	**(44,713)**	(41,439)
		(17,788,372)	(16,347,953)
		73,987,802	70,358,587
25.1 Surplus on revaluation of fixed assets			
Surplus on revaluation of fixed assets as at January 1		**44,576,547**	44,292,018
Recognised during the year		**660,281**	653,070
Realised on disposal during the year - net of deferred tax		**-**	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		**(230,379)**	(239,552)
Related deferred tax liability on incremental depreciation charged during the year		**(124,050)**	(128,989)
Surplus on revaluation of fixed assets as at December 31		**44,882,399**	44,576,547
Less: related deferred tax liability on:			
- revaluation as at January 1		**(2,489,995)**	(2,588,785)
- revaluation recognised during the year		**(30,874)**	(30,199)
- incremental depreciation charged during the year		**124,050**	128,989
		(2,396,819)	(2,489,995)
Share of surplus on revaluation of fixed assets of associates and joint venture		**538,845**	520,328
		43,024,425	42,606,880
25.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims			
Surplus on revaluation as at January 1		**2,539,695**	2,062,480
Recognised during the year		**217,512**	477,215
Surplus on revaluation as at December 31		**2,757,207**	2,539,695
Less: related deferred tax liability on:			
- revaluation as at January 1		**(41,439)**	(55,208)
- revaluation recognised during the year		**(3,274)**	13,769
		(44,713)	(41,439)
		2,712,494	2,498,256

Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

		Note	2020	2019
			----------(Rupees in '000)----------	
26.	**CONTINGENCIES AND COMMITMENTS**			
	Guarantees	26.1	**206,831,672**	161,579,745
	Commitments	26.2	**1,433,601,765**	1,761,652,119
	Other contingent liabilities	26.3	**34,820,672**	30,664,297
			1,675,254,109	1,953,896,161
26.1	**Guarantees:**			
	Financial guarantees		**137,366,954**	101,841,274
	Performance guarantees		**69,464,718**	59,738,471
			206,831,672	161,579,745
26.2	**Commitments:**			
	Documentary credits and short-term trade-related transactions			
	- letters of credit		**986,016,071**	937,616,635
	Commitments in respect of:			
	- forward foreign exchange contracts	26.2.1	**419,327,735**	801,290,548
	- forward government securities transactions	26.2.2	**27,625,340**	22,164,581
	Commitments for acquisition of:			
	- operating fixed assets		**632,619**	566,855
	- intangible assets		**-**	-
	Other commitments	26.2.3	**-**	13,500
			1,433,601,765	1,761,652,119
26.2.1	**Commitments in respect of forward foreign exchange contracts**			
	Purchase		**272,245,550**	478,842,756
	Sale		**147,082,185**	322,447,792
			419,327,735	801,290,548

Commitments for outstanding forward foreign exchange contracts are disclosed in these consolidated financial statements at contracted rates. Commitments denominated in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the statement of financial position date.

		2020	2019
		----------(Rupees in '000)----------	
26.2.2	**Commitments in respect of forward government securities transactions**		
	Purchase	**496,331**	256,814
	Sale	**27,129,009**	21,907,767
		27,625,340	22,164,581

Commitments for outstanding forward government securities transactions are disclosed in these consolidated financial statements at contracted rates.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

		2020	2019
		----------(Rupees in '000)----------	
26.2.3	Professional services to be received	-	13,500
26.3	**Other contingent liabilities**		
26.3.1	Claim against the Group not acknowledged as debt	**34,820,672**	30,664,297

Claims against the Bank not acknowledged as debts including claims relating to former Mehran Bank Limited amounting to Rs. 1,597 million (2019: Rs. 1,597 million).

26.3.2 Taxation

Tax returns of the Bank have been filed up to tax year 2019 and amended by tax authorities up to tax year 2019. Tax year 2019 has been selected for tax audit under section 177 of the Income Tax Ordinance, 2001 in July 2020 which is on-going. For Azad Kashmir and Gilgit Baltistan branches no amendment to returns filed under section 120 of the Ordinance has been made, hence returns filed are deemed assessments for all the years till tax year 2020.

a) During the year the Taxation Officer issued show-cause notices under section 221 of the Income Tax Ordinance, 2001 to the Bank to withdraw compensation on delayed refunds already given to the Bank, and questioned issuance of refund orders already issued to the Bank in the past several years which had become past and closed transactions and thus legally fall outside the scope of rectification. The amount involved is Rs. 14.8 billion and Rs. 21.25 billion respectively. These notices being totally illegal were challenged by the Bank before the Honourable Sindh High Court (SHC) which instructed the taxation officer not to take adverse action. The Honourable SHC has stayed the recovery of tax demands. The Bank as a matter of abundant caution, have also filed appeal before CIR(A), the hearing may take place after the Honourable SHC decides the outcome of petitions filed in favor of the Bank.

b) Sindh High Court had quashed the show-cause notices issued in previous round in 2013 for passing orders for tax years 2006 and 2007 under section 161 of the Ordinance on the grounds that these were time-barred in terms of section 174(3) of the Ordinance. Supreme Court on Department's appeal has subsequently allowed taxation officer to initiate proceedings through fresh notices, subject to certain directions. Orders are recently passed by taxation officer for tax years 2006 and 2007 on June 30, 2020, treating the Bank as taxpayer-in-default and raising tax demands of Rs. 1,032 million and Rs. 1,395 million respectively. Bank has filed appeals before CIR(A) primarily on the grounds that Supreme Court's instructions have been blatantly ignored as cogent reasons for late proceedings were not given and neither amount of tax default nor names of parties were disclosed in the show-cause notices or the orders. The orders are also assailed for being passed in quite arbitrary manner and various legal and factual mistakes are made therein.

c) The Additional Commissioner, PRA has passed an order creating the Punjab sales tax liability on the non-withholding of Punjab Sales Tax on the insurance services received by the Bank for the tax periods January 2016-December 2016 and January 2017-December 2017 amounting to Rs. 254.734 million and Rs. 281.774 million respectively. The rectification application has been submitted under section 79 of the Punjab Sales Tax on Services Act, 2012 for the apparent mistake of facts. After the rectification, the net principal exposure would be Rs. 56.621 million and Rs. 50.685 million. Based on the legal and factual position, the Tax Advisor is confident that the ultimate outcome of the proceeding will be decided in the Bank's favor.

d) The other matters under tax contingencies include interest credited to suspense account, allocation of common expenditure between taxable income and exempt / low tax rate income, reversal of bad debts expense, reversal of provisions of non-performing loans, provisions for diminution in value of investment. Surplus on revaluation of Available for Sale Securities disclosed in the Statement of Comprehensive Income has been taxed in respect of tax year 2013. Miscellaneous Application before CIR(A) as well as appeal before Appellate Tribunal have been filed by Bank. The aggregate effect of these contingencies as on December 31, 2020, including amount of Rs. 645.97 million (December 31, 2019: Rs. 183.455 million) in respect of indirect tax issues, amounts to Rs. 21.163 billion (December 31, 2019: Rs. 18.166 billion). No provision has been made against these contingencies, based on the opinion of tax consultants of the Bank, who expect favorable outcome upon decisions of pending appeals.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

26.3.3 Contingencies in respect of employees benefits and related matters

The following are the details of the contingencies arising out of the various legal cases pending adjudication in respect of employees' benefits and related matters. The Group considers that except for Pensionary benefits note 26.3.3.1, the financial impact of other matters is impracticable to determine with sufficient reliability.

26.3.3.1 Pensionary benefits to retired employees

In 1977 the Federal Govt. vide letter No. 17 (9) 17 XI / 77 dated November 30, 1977, addressed to the Pakistan Banking Council, directed that all executives / officers of all the nationalized banks would be paid pension as calculated @ 70% of average emoluments upon completion of 30 years of qualifying service of employees and where qualifying service was less than 30 years but not less than 10 years, proportionate reduction in percentage was to be made. This pension scheme was made applicable with effect from May 01, 1977.

In the year 1997, the Banks Nationalization Act, 1974 ("BNA, 1974") was substantially amended whereby the Pakistan Banking Council was abolished and the Board of Directors of the nationalized banks were empowered / mandated respectively to determine personnel policies with the President of the Bank deciding the remuneration and benefits of the employees in accordance with policies determined by the Board. In the year 1999, by virtue of the said amendments in BNA, the Board of Directors of the Bank approved the Revised Pay Structure for the officers / executives of the Bank with effect from January 01, 1999 vide Circular No.37/1999, whereby the basic salary was increased by 110 % to 140% and besides giving multifarious benefits to its employees, formula for monthly gross pension was revised. However, the amount of gross pension on the basis of existing Basic Pay and existing formula was protected.

A number of Bank's employees, after attaining the age of superannuation filed Writ Petitions before the Lahore High Court and the Peshawar High Court, praying for re-calculation of their pensionary benefits and increases in accordance with the Bank circular No. 228 (C) dated December 26, 1977 and furthermore, for allowing the increases in their pension as per the increases allowed by the Federal Government to its employees. This litigation started in the year 2010 and 2011.

The Peshawar High Court, in terms of judgment dated June 03, 2014, dismissed the petition while observing that the petition was hit by laches and that the Petitioners could not claim the benefits granted to the similarly placed employees of other institutions who were governed through different Statutes and Service Rules.

The Lahore High Court, Lahore, vide its judgement dated January 15, 2016, allowed the Writ Petitions on the same matter and the Bank was directed to release the pensionary benefits of the Petitioners. The said order was assailed by the Bank by filing Intra Court Appeals in January 2016 which were dismissed by the Lahore High Court, Lahore, through its judgement dated January 16, 2017. The Bank assailed the said judgement by filing appeals in the Supreme Court of Pakistan.

The Honorable Supreme Court of Pakistan after hearing the arguments of both Parties, vide its judgement dated September 25, 2017 upheld the decision of the Division Bench of the Lahore High Court on the contention of increase in Bank's employees' pension, thereby instructing the Bank to give pension benefits to its employees in the light of Head Office Instruction Circular No. 228 (c) of 1977. Under this Circular, the pension of employees was to be calculated @ 70% of average emoluments upon completion of minimum qualifying service requirement, besides requiring the Bank to follow subsequent revisions in pension scheme and rates granted by the Federal Government to civil servants from time to time as well.

The Bank as well as Federal Government filed Review petitions against the aforesaid judgment of the Honorable Supreme Court of Pakistan and also made an application for constitution of larger bench of the Supreme Court to hear the Review petition, which was reportedly accepted by the Chief Justice. However on March 18, 2019, the matter came up for hearing before a three member Bench instead of a larger bench. As advised by our legal counsels, the Bank considers that due to conflicting decision of the other bench of the Supreme Court in a case which, in all material facts and circumstances, is identical to the Bank's case and various other legal infirmities in the judgement as highlighted by the Bank in its Review Petition, the Bank has a reasonably strong case on legal grounds to convince the Supreme Court for review of its decision. The Review Petition is ongoing and is expected to be listed for hearing soon.

In case this matter is decided unfavorably, the Bank estimates based on the actuarial advice that the financial impact arising from the additional liability would be approximately Rs. 68.2 billion excluding any penal interest / profit payment (if any) due to delayed payment. Pension expense for the current year and onward will also increase by Rs. 6.8 billion due to this decision. Based on the opinion of legal counsel. No provision has been made in these consolidated financial statements for the above-mentioned amount as the Bank is confident about the favorable outcome of the matter.

26.3.3.2 Regularizing the temporary hires / workers deployed by Service provider companies under outsourcing arrangements

The Bank outsourced certain noncore jobs to various service provider companies after entering into contracts with them. The resources deployed by the service provider companies were their employees and the said companies have had sole administrative control over these resources. Some of these resources filed writ petitions before the High Courts and NIRC

Notes to the Consolidated Financial Statements
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seeking to be absorbed by the Bank in its regular service based on grounds that they were in fact employees of the Bank. Presently, there are 6 cases on appeal pending at the Supreme Court where these have been clubbed to be heard as one. The Chief Justice of Pakistan has constituted a larger bench comprising of five Judges being headed by himself for adjudication. The case is ongoing and is presently adjourned for a date to be fixed. A favorable outcome of this case is expected.

26.3.3.3 Litigation related to management trainee program

Treatment of Non-MTOs (regular employees) at Par with the MTOs (also appointed in regular cadres) - Litigation arising out of order dated September 21,2016 passed by the Supreme Court in our CA No.1644/2013 out of our CPLA No. 805/2013 filed against order dated March 13, 2013 of the Division Bench of Sindh High Court, Sukkar in CP No. D-417/2010.

Mr. Ashfaq Ali and three (3) others filed a CP No. D-417/2010 before the Sindh High Court, Bench at Sukkur while praying to treat them equally in respect of remunerations with other employees (MTOs) having same grade, nature of job and qualification.

The Honorable Division Bench at Sukkur, vide order dated March 13, 2013, directed the Bank to ensure equal treatment to the petitioners with similarly placed employees without any discrimination.

The aforementioned order of the Sindh High Court was assailed by the Bank before the Apex Court through CP No. 805/2013. The Civil Appeal was dismissed vide order September 21, 2016 in terms of which the Order of the Sindh High Court was upheld to pay arrears. Review Petition filed by the Bank was also dismissed vide order dated April 14, 2017.

Moreover, a number of Bank employees, after their representations were declined by the Bank, filed Writ Petitions before Various Benches of the Sindh High Court, Lahore High Court and Islamabad High Court. The Petitions filed before the Sindh High Court were disposed off with directions to the Bank to constitute a Committee for examining the cases of not only the Petitioners but all employees of the NBP with regard to their entitlement of the benefits as available to the similarly placed staff members keeping in view the judgement given by the honorable Supreme Court of Pakistan in Civil appeal number 1644/2013 dated September 21, 2016. Subsequently, the Karachi Bench of Sindh High Court modified their earlier judgment and restricted the same to the extent of Petitioners only. The Bank formed a Committee and cases of the petitioners / employees, claiming to be similarly placed with the MTOs, were reviewed by the Bank on the touch stone of intelligible differentia.

One of those Writ Petitions filed by Mr. Muhammad Naeem in the year 2013 was allowed by the Peshawar High Court, Peshawar, vide order dated May 30, 2018, in the light of the aforesaid judgment of the Supreme Court. The Bank assailed the said order before the Apex court however the same was dismissed vide order dated October 2, 2019 which has now attained finality.

During the year, the Bank has entered an out of court settlements which has successfully been executed with many Non-MTO employees ('petitioners') and accordingly compromise agreements ('the agreement'), offering waiver of loans, increase in basic salaries and provision of other allowances, were signed with those petitioners who have withdrawn their cases against the Bank. Further, the Bank has carried out an assessment to ascertain the financial implications of the case with respect to non-petitioners and accordingly, they were also encouraged to enter into a similar agreement with Bank. The management is in the process of negotiation and is confident to undertake the agreement with remaining petitioners and non-petitioners. Furthermore, with respect to ongoing litigation, the management has reflected any potential impact it may have in an appropriate manner in these consolidated financial statements.

26.4 Compliance and risk matters relating to anti-money laundering

The Bank and its New York Branch have entered into a Written Agreement with the Federal Reserve Bank of New York and New York State Department of Financial Services (US regulators) in 2016 which inter-alia requires the Bank to address certain compliance and risk management matters relating to anti-money laundering and the US bank secrecy law requirements and the implementation of the requisite systems and controls and allocation of adequate resources to ensure full compliance with such requirements. Management continues to address the matters highlighted in the Written Agreement and in the subsequent inspections and gets them independently validated. The Bank has made considerable progress and seeks to comply with all possible laws and regulations.

	2020	2019
	----------(Rupees in '000)----------	
27. MARK-UP / RETURN / INTEREST EARNED		
Loans and advances	**99,797,877**	109,691,501
Investments	**154,128,269**	122,407,550
On securities purchased under resale agreements	**2,474,560**	5,463,361
Balances with other banks	**1,630,672**	2,147,878
	258,031,378	239,710,290

Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

		Note	2020	2019
			----------(Rupees in '000)----------	
28.	**MARK-UP / RETURN / INTEREST EXPENSED**			
	Deposits		**103,348,851**	110,045,944
	Borrowings		**6,929,625**	6,981,845
	Cost of foreign currency swaps against foreign currency deposits / borrowings		**9,175,328**	9,157,133
	Finance charge on lease liability against right of use assets		**781,642**	734,741
	Securities sold under repurchase agreements		**33,416,502**	40,636,745
			153,651,948	167,556,408
29.	**FEE AND COMMISSION INCOME**			
	Branch banking customer fees		**1,234,426**	1,450,895
	Consumer finance related fees		**773,004**	810,367
	Card related fees		**1,054,031**	657,077
	Credit related fees		**181,504**	237,625
	Investment banking fees		**670,458**	616,320
	Commission on trade		**2,723,962**	3,359,376
	Commission on guarantees		**477,465**	440,867
	Commission on cash management		**14,855**	22,656
	Commission on remittances including home remittances		**1,076,858**	949,284
	Commission on bancassurance		**278,406**	392,746
	Commission on government transactions		**9,652,545**	9,958,006
	Management Fee & Sale Load		**1,071,266**	1,182,963
	Brokerage Income		**113,828**	73,008
	Others		**157,844**	265,452
			19,480,452	20,416,642
30.	**GAIN ON SECURITIES - NET**			
	Realised	30.1	**7,902,210**	2,127,698
	Unrealised - held for trading	10.1	**10,556**	37,826
			7,912,766	2,165,524
30.1	Realised gain on:			
	Federal Government Securities		**5,346,600**	557,418
	Shares and mutual funds		**1,887,298**	1,541,817
	Ijarah Sukuks		**8**	28,463
	Foreign Securities		**668,304**	-
			7,902,210	2,127,698
31.	**OTHER INCOME**			
	Rent on property		**20,234**	33,031
	Gain on sale of fixed assets - net		**23,053**	37,487
	Postal, SWIFT and other charges recovered		**48,071**	44,202
	Compensation for delayed tax refunds	31.1	**3,834,424**	5,639,569
	Digital infrastructure support income		**-**	33,729
	Others		**39,701**	28,956
			3,965,483	5,816,974

31.1 This represents compensation of delayed refunds determined under Section 171 of Income Tax Ordinance 2001.

Notes to the Consolidated Financial Statements
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		Note	2020	2019
			----------(Rupees in '000)----------	
32.	**OPERATING EXPENSES**			
	Total compensation expense	32.1	**41,470,089**	46,186,431
	Property expense			
	Rent and taxes		**425,562**	989,622
	Insurance	32.2	**41,267**	52,762
	Utilities cost		**1,365,253**	1,218,397
	Security (including guards)		**2,770,744**	2,562,745
	Repair and maintenance (including janitorial charges)		**1,150,350**	1,078,882
	Depreciation		**467,445**	461,382
	Depreciation on non banking assets		**15,784**	29,577
	Depreciation on Ijarah assets		**85,593**	161,131
	Depreciation on ROUA		**2,052,898**	1,939,932
			8,374,896	8,494,430
	Information technology expenses			
	Software maintenance		**1,368,934**	1,069,328
	Hardware maintenance		**24,421**	19,882
	Depreciation		**278,073**	312,550
	Amortisation		**238,932**	327,882
	Network charges		**559,235**	522,070
			2,469,595	2,251,712
	Other operating expenses			
	Directors' fees and allowances		**36,160**	38,613
	Directors' fees and allowances - subsidaries		**9,175**	6,873
	Fees and allowances to Shariah Board		**9,290**	9,163
	Legal and professional charges		**2,337,125**	882,871
	Outsourced services costs	32.3	**829,229**	794,629
	Travelling and conveyance		**667,989**	1,084,793
	NIFT clearing charges		**189,866**	153,825
	Depreciation		**1,754,815**	1,651,965
	Training and development		**70,637**	118,488
	Postage and courier charges		**222,231**	214,909
	Communication		**363,475**	354,206
	Stationery and printing		**1,138,854**	1,030,548
	Marketing, advertisement and publicity		**319,675**	302,158
	Donations		**100**	-
	Contributions for other Corporate and Social Responsibility	32.4	**85,447**	26,868
	Auditors' remuneration	32.5	**205,857**	206,690
	Fixed Assets / Non-banking asset deficit		**-**	-
	Financial charges on leased assets		**38,135**	44,648
	Entertainment		**257,223**	297,093
	Clearing charges, verification and licence fee		**353,324**	444,739
	Subscription		**1,269**	1,095
	Brokerage		**117,381**	108,171
	Insurance general		**373,834**	415,779
	Vehicle expenses		**149,421**	145,957
	Deposit premium expense		**1,388,248**	1,244,433
	Repairs and maintenance general		**508,258**	387,878
	Others		**384,466**	329,097
			11,811,484	10,295,489
			64,126,064	67,228,062

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32.1 Total compensation expense

	2020	2019
	(Rupees in '000)	
Managerial Remuneration		
i) Fixed	**13,589,108**	18,259,935
ii) Variable		
of which;		
a) Cash Bonus / Awards etc.	**4,448,698**	4,242,652
Charge for defined benefit plan	**7,392,388**	7,495,742
Charge for defined benefit plan - Subsidiaries	**54,886**	59,264
Rent & house maintenance	**4,699,328**	4,619,663
Utilities	**1,740,373**	1,693,998
Medical	**3,153,828**	3,115,337
Conveyance	**3,199,086**	3,301,861
Club Membership & Subscription	**81,204**	43,125
Education Allowance	**1,463,449**	1,570,297
Insurance	**452,455**	309,152
Honorarium to Staff and Staff Welfare	**206,662**	262,111
Overtime	**25,196**	53,628
Special Duty Allowance	**477**	1,143
Washing Allowance	**15,971**	16,707
Key Allowance	**72,208**	78,886
Unattractive Area Allowance	**57,929**	48,282
Leave Encashment	**9,246**	80,128
Teaching Allowance	**9,199**	7,962
Incentive on CASA deposits mobilization	**6,790**	26,063
Meal Allowance	**126,585**	126,561
Liveries	**1,086**	490
Leave Fare Assistance	**18,053**	21,472
EOBI	**9,915**	9,211
Hill, Late Sitting & Saturday allowance etc.	**635,969**	742,761
	41,470,089	46,186,431
Grand Total	**41,470,089**	46,186,431

32.2 This includes Rs. 3.550 million (2019: Rs. 3.201 million) insurance premium against directors' liability insurance.

32.3 Total cost for the year included in other operating expenses relating to outsourced activities is Rs. 829 million (2019: Rs. 795 million). Out of this cost, Rs. 821 million (2019: Rs. 787 million) pertains to the payment to companies incorporated in Pakistan and Rs. 8 million (2019: Rs. 8 million) pertains to payment to companies incorporated outside Pakistan. Total Cost of outsourced activities for the year given to related parties is Rs Nil (Prior Year: Rs Nil). Outsourcing shall have the same meaning as specified in Annexure-I of BPRD Circular No. 06 of 2017. The material outsourcing arrangements along with their nature of services are as follows:

Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

Name of Company	Nature of Services	2020	2019
		(Rupees in '000)	
ICON Consultant (Private) Limited	IT support Services, sales services, collection, reconciliation and engineering services etc.	**270,438**	265,011
HTECH Solutions (Private) Limited	Call center management	**97,407**	-
Virtual World (Private) Limited	Call center management	**5,497**	60,994
		373,342	326,005

32.4 Contributions for Corporate & Social Responsibilities inlcude following amounts exceeding Rs. 500,000:

Description	2020	2019
	(Rupees in '000)	
Karachi Relief Trust (KRT)	**20,000**	-
Rural Community Development Program	**20,000**	-
National Rural Support Program	**25,000**	-
SAFCO Support Program	**5,000**	-
Thardeep Mirco Finance Foundation	**5,000**	-
Agha Khan Rural Support Program	**5,000**	-
Namal College-Mianwali	**5,200**	5,198
DHQ Hospital Gawadar	**-**	3,750
Syed Abad Botanical Garden University of Chitral	**-**	525
Earthquake Effectees of Mirpur AJ&K.	**-**	7,500
Aman Foundation	**-**	2,000
	85,200	18,973

32.4.1 None of the Directors, Sponsor shareholders and Key Management Personnel or their spouse have an interest in the Donee.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

	Yousuf Adil	Grant Thornton Anjum Rahman	Total 2020	Total 2019
	---------- (Rupees in '000) ----------			
32.5 Auditors' remuneration				
Audit fee	**6,226**	**6,226**	**12,452**	12,452
Review of interim financial statements	**2,178**	**2,178**	**4,356**	4,356
Fee for audit of domestic branches	**5,060**	**5,060**	**10,120**	10,120
Fee for other statutory certifications	**-**	**2,500**	**2,500**	3,500
Special certifications and sundry advisory services	**1,136**	**1,968**	**3,104**	8,472
Tax services	**-**	**20,000**	**20,000**	20,000
Sales Tax	**1,168**	**3,035**	**4,203**	4,712
Out-of-pocket expenses	**4,500**	**4,500**	**9,000**	9,000
	20,268	**45,467**	**65,735**	72,612
Fee for audit of overseas branches including advisory services and out-of-pocket expenses	**-**	**-**	**132,328**	125,144
Fee for audit of subsidiaries including out-of-pocket expenses	**-**	**-**	**7,795**	8,934
	20,268	**45,467**	**205,857**	206,690

	Note	2020	2019
		----------(Rupees in '000)----------	
33. OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		**310,588**	141,015
Penalties imposed by other regulatory bodies (Central Bank of international branches)		**4,719**	7,076
Penalties imposed by other regulatory bodies (Regulators of subsidiaries)		**1,132**	2,494
		316,439	150,585
34. PROVISIONS & WRITE OFFS - NET			
Provisions for diminution in value of investments	10.3	**(33,093)**	2,231,186
Provisions against loans and advances	11.4	**29,248,974**	8,541,775
Provision against other assets and other liabilities		**1,696,095**	2,784,140
		30,911,976	13,557,101
35. TAXATION			
Current	35.1	**25,032,667**	13,430,533
Prior years		**-**	1,053,841
Deferred		**(9,234,180)**	(2,153,565)
		15,798,487	12,330,809

35.1 Current taxation includes Rs. Nil million (2019: Rs. 319 million) of overseas branches.

Notes to the Consolidated Financial Statements
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35.2 Relationship between tax expense and accounting profit

	2020	2019
	(Rupees in '000)	
Accounting profit before tax	**46,384,406**	28,978,001
Income tax at statutory rate @ 35% (2019: 35%)	**16,234,542**	10,142,300
Super tax at statutory rate @ 4% (2019: 4%)	**1,848,966**	1,120,501
Prior year tax effects	**-**	1,053,841
Impact of tax order	**(2,314,832)**	-
Others	**29,811**	14,167
Tax charge for current and prior years	**15,798,487**	12,330,809

36. BASIC EARNINGS PER SHARE

	2020	2019
Profit for the year (Rupees in 000's)	**30,489,753**	16,582,705
Weighted average number of ordinary shares (Number in 000's)	**2,127,513**	2,127,513
Basic earnings per share (Rupees)	**14.33**	7.79

37. DILUTED EARNINGS PER SHARE

	2020	2019
Profit for the year (Rupees in 000's)	**30,489,753**	16,582,705
Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares) (Number in 000's)	**2,127,513**	2,127,513
Diluted earnings per share (Rupees)	**14.33**	7.79

38. CASH AND CASH EQUIVALENTS

	Note	2020	2019
		(Rupees in '000)	
Cash and balance with treasury banks	7	**249,969,566**	293,198,090
Balance with other banks	8	**15,015,366**	13,598,325
Call money lendings	9	**2,040,800**	540,800
Call borrowings	17	**(2,047,588)**	(39,052,969)
Overdrawn nostros	17	**(1,236,440)**	(3,467,767)
		263,741,704	264,816,479

Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

38.1 Reconciliation of movements of liabilities to cash flows arising from financing activities

	2020	
	Lease Obligations	Unclaimed Dividend
	(Rupees in '000)	
Balance as at January 1, 2020	8,025,753	186,668
Changes from financing cashflows		
Payment of lease obligation / dividend	(2,273,256)	(1,152)
Total charges from financing activities	(2,273,256)	(1,152)
Other charges		
Renewed lease during the period	1,671,961	-
Interest unwinding	701,144	-
Foreign exchange gain	(59,023)	-
Total other charges	2,314,082	-
Balance as at December 31, 2020	8,066,579	185,516

	2019	
	Lease Obligations	Unclaimed Dividend
	(Rupees in '000)	
Balance as at January 1, 2019	8,030,520	188,868
Changes from financing cashflows		
Payment of lease obligation / dividend	(2,186,508)	(2,200)
Total charges from financing activities	(2,186,508)	(2,200)
Other charges		
Renewed lease during the period	1,322,531	-
Increase in unclaimed dividend	734,741	-
Foreign exchange gain	124,469	-
Total other charges	2,181,741	-
Balance as at December 31, 2019	8,025,753	186,668

39. STAFF STRENGTH

	2020	2019
	(Number)	
Permanent	11,278	11,612
On contract	5,162	4,982
Staff strength at the end of the year	16,440	16,594

39.1 In addition to the above, 1,838 (2019: 2,102) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services. Further, 1,825 employees are working domestically (2019: 2,096) and abroad 13 (2019: 6) respectively.

Notes to the Consolidated Financial Statements
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40. DEFINED BENEFIT PLAN

40.1 General description

General description of the type of defined benefit plan and accounting policy for recognising actuarial gains and losses is disclosed in note 5.15 to the consolidated financial statements.

40.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2020	2019
	(Numbers)	
Pension fund	**10,751**	11,430
Gratuity scheme	**3,985**	3,776
Benevolent scheme	**10,751**	11,430

40.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2020 using the following significant assumptions:

	2020	2019
	(Per annum)	
Discount rate	**9.75%**	11.25%
Expected rate of return on plan assets	**9.75%**	11.25%
Expected rate of salary increase	**9.75%**	11.25%
Expected rate of increase in pension	**14.00%**	6.75%
Expected rate of increase in medical benefit	**9.75%**	11.25%

40.4 Reconciliation of (receivable from) / payable to defined benefit plans

	2020						2019					
	Pension fund	Post retirement medical scheme	Benevolent Scheme	Gratuity fund	Compensated absences	Total	Pension fund	Post retirement medical scheme	Benevolent Scheme	Gratuity fund	Compensated absences	Total
	(Rupees in '000)											
Present value of obligations	72,742,130	22,282,747	2,054,218	2,711,914	9,251,755	109,042,764	66,473,466	18,333,947	1,749,006	2,206,599	8,344,182	97,107,200
Fair value of plan assets	(57,038,053)	-	-	-	-	(57,038,053)	(51,687,819)	-	-	-	-	(51,687,819)
Holding Company	15,704,077	22,282,747	2,054,218	2,711,914	9,251,755	52,004,711	14,785,647	18,333,947	1,749,006	2,206,599	8,344,182	45,419,381
Subsidaries	-	-	-	244,913	-	244,913	-	-	-	196,419	-	196,419
	15,704,077	22,282,747	2,054,218	2,956,827	9,251,755	52,249,624	14,785,647	18,333,947	1,749,006	2,403,018	8,344,182	45,615,800

40.5 Movement in defined benefit obligations

Obligations at the beginning of the year	66,473,466	18,333,947	1,749,006	2,206,599	8,344,182	97,107,200	61,084,925	15,371,225	1,604,689	1,730,265	7,541,419	87,332,523
Current service cost	1,517,934	554,295	61,059	311,438	133,178	2,577,904	1,422,746	524,008	51,215	252,641	181,761	2,432,371
Adjustment against contigency reserve	2,338,905	497,146	20,650		319,164	3,175,865	-	-	-	-	-	-
Interest cost	7,285,453	1,996,008	183,757	244,487	919,810	10,629,515	7,869,225	1,975,232	196,021	226,381	973,033	11,239,892
Benefits paid by the Bank	(3,427,771)	(1,183,316)	(231,219)	(66,763)	(336,194)	(5,245,263)	(3,389,098)	(927,632)	(250,563)	(43,460)	(395,546)	(5,006,299)
Re-measurement loss / (gain) - Profit and Loss	-	-	-	-	(128,385)	(128,385)	-	-	-	-	43,515	43,515
Re-measurement loss / (gain) - OCI	(1,445,857)	2,084,667	270,965	16,153	-	925,928	(514,332)	1,391,114	147,644	40,772	-	1,065,198
Obligations at the end of the year	72,742,130	22,282,747	2,054,218	2,711,914	9,251,755	109,042,764	66,473,466	18,333,947	1,749,006	2,206,599	8,344,182	97,107,200

40.6 Movement in fair value of plan assets

Fair value at the beginning of the year	51,687,819	-	-	-	-	51,687,819	48,015,260	-	-	-	-	48,015,260
Interest income on plan assets	5,686,646	-	-	-	-	5,686,646	6,220,036	-	-	-	-	6,220,036
Contribution by the Bank - net	1,148,063	-	-	-	-	1,148,063	1,245,917	-	-	-	-	1,245,917
Benefits paid	(3,427,771)	-	-	-	-	(3,427,771)	(3,389,098)	-	-	-	-	(3,389,098)
Benefits paid on behalf of fund	1,783,479	-	-	-	-	1,783,479	1,631,059	-	-	-	-	1,631,059
Actuarial gain or (loss) on assets	159,817	-	-	-	-	159,817	(2,035,355)	-	-	-	-	(2,035,355)
Fair value at the end of the year	57,038,053	-	-	-		57,038,053	51,687,819	-	-	-	-	51,687,819

Movement in (receivable) / payable under defined benefits scheme of Holding Company

Opening balance	14,785,647	18,333,947	1,749,006	2,206,599	8,344,182	45,419,381	13,069,665	15,371,225	1,604,689	1,730,265	7,541,419	39,317,263
Charge / (reversal) for the year	3,116,741	2,550,303	244,816	555,925	924,603	7,392,388	3,071,935	2,499,240	247,236	479,022	1,198,309	7,495,742
Adjustment against contigency Reserve	2,338,905	497,146	20,650	-	319,164	3,175,865	-	-	-	-	-	-
Contribution by the bank - net	(1,148,063)	-	-	-	-	(1,148,063)	(1,245,917)	-	-	-	-	(1,245,917)
Re-measurement loss / (gain) recognized in OCI during the year	(1,605,674)	2,084,667	270,965	16,153	-	766,111	1,521,023	1,391,114	147,644	40,772	-	3,100,553
Benefits paid on behalf of fund	(1,783,479)	(1,183,316)	(231,219)	(66,763)	(336,194)	(3,600,971)	(1,631,059)	(927,632)	(250,563)	(43,460)	(395,546)	(3,248,260)
	15,704,077	22,282,747	2,054,218	2,711,914	9,251,755	52,004,711	14,785,647	18,333,947	1,749,006	2,206,599	8,344,182	45,419,381

40.7 Charge for defined benefit plans

40.7.1 Cost recognised in profit and loss

Current service cost	1,517,934	554,295	61,059	311,438	133,178	2,577,904	1,422,746	524,008	51,215	252,641	181,761	2,432,371
Actuarial loss recognized - Profit and Loss	-	-	-	-	(128,385)	(128,385)	-	-	-	-	43,515	43,515
Net interest on defined benefit asset / liability	1,598,807	1,996,008	183,757	244,487	919,810	4,942,869	1,649,189	1,975,232	196,021	226,381	973,033	5,019,856
	3,116,741	2,550,303	244,816	555,925	924,603	7,392,388	3,071,935	2,499,240	247,236	479,022	1,198,309	7,495,742

40.7.2 Re-measurements recognised in OCI during the year

Loss / (gain) on obligation												
- Experience adjustment	(1,605,674)	2,084,667	270,965	16,153	-	766,111	1,521,023	1,391,114	147,644	40,772	-	3,100,553
Total re-measurements recognised in OCI	(1,605,674)	2,084,667	270,965	16,153	-	766,111	1,521,023	1,391,114	147,644	40,772	-	3,100,553

Notes to the Consolidated Financial Statements
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		2020	2019
		(Rupees in '000)	
40.8	**Components of plan assets**		
	Pakistan Investment Bonds	**22,127,729**	22,127,729
	Treasury Bills	**1,655,750**	
	Term Finance Certificates	**104,000**	104,000
	Mutual Funds / Shares	**6,427,374**	5,870,329
	Shares	**7,179,354**	6,288,248
	Defence Saving Certificates	**8,479,970**	7,538,348
	Special Saving Certificates	**9,635,360**	8,523,972
	Cash at Bank	**1,428,516**	1,235,194
		57,038,053	51,687,819

40.9 Sensitivity analysis

The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption should be summarised as below:

	2020					
	Pension fund	Post retirement medical scheme	Benevolent Scheme	Gratuity fund	Compensated absences	Total
	(Rupees in '000)					
1% increase in discount rate	**65,308,485**	**19,266,575**	**1,915,735**	**2,396,364**	**8,538,577**	**97,425,736**
1% decrease in discount rate	**81,782,213**	**26,081,439**	**2,211,838**	**3,088,758**	**10,070,396**	**123,234,644**
1 % increase in expected rate of salary increase	**76,592,777**	**23,499,623**	**2,081,710**	**3,098,775**	**10,107,352**	**115,380,237**
1 % decrease in expected rate of salary increase	**69,280,964**	**21,191,648**	**2,027,093**	**2,383,069**	**8,494,357**	**103,377,131**
1% increase in expected rate of pension increase	**77,360,353**	**24,019,702**	**-**	**-**	**-**	**101,380,055**
1% decrease in expected rate of pension increase	**68,785,097**	**20,793,333**	**-**	**-**	**-**	**89,578,430**
1% increase in expected rate of medical benefit increase	**-**	**23,097,183**	**-**	**-**	**-**	**23,097,183**
1% decrease in expected rate of medical benefit increase	**-**	**21,601,836**	**-**	**-**	**-**	**21,601,836**

40.10	**Expected contributions to be paid to the funds in the next financial year**	**1,478,863**
40.11	**Expected charge for the next financial year**	**7,034,716**

Notes to the Consolidated Financial Statements
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40.12 Maturity profile

The weighted average duration of the obligation

	Years
Pension Fund	11.32
Post retirement medical fund	15.29
Benevolent fund	7.21
Gratuity fund	12.77
Compensated absences	8.28

40.13 Funding Policy

Pension Fund - Bank's current assets and its percentage is given below.

Current Assets

	Amount (Rupees in '000)	Percentage
Cash and cash equivalents - net	1,428,516	2.5%
Government Securities	41,898,809	73.5%
Shares	7,179,354	12.6%
Non-Government Debt Securities	104,000	0.2%
Mutual Funds	6,427,374	11.3%
	57,038,053	100.0%

Bank will continue to invest with the same percentage in the asset categories mentioned but increase the assets gradually so that there is no deficit in the pension fund.

40.14 Significant risks associated with the staff retirement benefit schemes are as follows:

Asset volatility The risk arises when the future earnings are lower than expectation. This risk is measured at a plan level over the obligation period of the current population. The company assets are either invested in fixed securities or cash.

Changes in bond yields The risk arises when the actual return on plan assets is lower than expectation.

Inflation risk The most common type of retirement benefit is one where the benefit is linked with last drawn salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.

Life expectancy / Withdrawal rate The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population. The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.

Investment Risk The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

41. DEFINED CONTRIBUTION PLAN

A defined contribution (DC) plan is a type of retirement plan in which the employer, employee or both make contributions on a regular basis. Individual accounts are set up for participants and benefits are based on the amounts credited to these accounts (through employee contributions and, if applicable, employer contributions) plus any investment earnings on the money in the account. In defined contribution plans, future benefits fluctuate on the basis of investment earnings.

Group currently does not have any defined contribution plan.

Notes to the Consolidated Financial Statements
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42. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

42.1 Total Compensation Expense

Items	2020					
	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other material risk takers / controllers
	Chairman	Non-Executives				
	(Rupees in '000)					
Fees and Allowances etc.	3,450	30,150	-	-	-	-
Managerial Remuneration						
i) Fixed	-	-	7,362	54,000	206,031	405,064
ii) Total Variable						
of which						
a) Cash Bonus / Awards	-	-	549	-	64,745	175,480
Charge for defined benefit plan	-	-	-	4,500	40,979	104,283
Rent & house maintenance	-	-	683	-	89,343	193,085
Utilities	-	-	211	-	27,615	60,211
Medical	-	-	155	-	24,633	63,510
Conveyance	-	-	330	-	17,234	50,435
Others	659	1,900	-	3,511	13,709	61,611
Total	4,109	32,050	9,290	62,011	484,289	1,113,679
Number of Persons	1	8	3	1	34	99

The President and certain executives are also provided with free use of Bank's cars, household equipment, mobile phones and free membership of clubs.

42.1.1 SBP has issued guidelines and disclosure on governance and remuneration practices through BPRD Circular No. 01 of 2017 dated January 25, 2017 effective from January 01, 2019. No bonus payout has yet been made under the said circular and deferral as per Human Resources Policy will be made at the time of payment.

Performance bonus is accounted for on payment basis.

Items	2019				
	Directors		Members Shariah Board	President / CEO	Key Management Personnel
	Chairman	Non-Executives			
	(Rupees in '000)				
Fees and Allowances etc.	2,550	28,650	-	-	-
Managerial Remuneration					
i) Fixed	-	-	7,359	49,557	146,697
ii) Total Variable					
of which					
a) Cash Bonus / Awards	-	-	402	-	54,435
Charge for defined benefit plan	-	-	-	4,500	38,739
Rent & house maintenance	-	-	681	790	80,897
Utilities	-	-	211	310	24,939
Medical	-	-	155	396	23,531
Conveyance	-	-	330	-	16,825
Others	1,654	5,759	25	2,784	14,857
Total	4,204	34,409	9,163	58,337	400,920
Number of Persons	1	10	3	1	29

The above information does not include particulars of directors, chief executives and executives of subsidiaries.

Notes to the Consolidated Financial Statements
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42.2 Remuneration paid to Directors for participation in Board and Committee Meetings

2020

S.No.	Name of Director	Meeting Fees and Allowances Paid							
		For Board Meetings	For Board Committees						
			Board Audit Committee	Board Risk and Compliance Committee	Board HR and Remuneration Committee	Board Technology and Digitalization Committee	Board Inclusive Development Committee	Board International Franchises and Remittance Committee	Total Amount Paid
		(Rupees in '000)							
1	Mr. Zubyr Soomro	2,759	-	-	1,350	-	-	-	4,109
2	Mr. Muhammad Naeem	554	414	150	-	-	-	-	1,118
3	Mr. Muhammad Sohail Rajput	2,309	1,056	-	-	-	1,050	-	4,415
4	Ms. Sadaffe Abid	1,721	-	-	-	1,350	1,050	-	4,121
5	Mr. Tawfiq Asghar Hussain	2,100	1,200	1,050	-	-	-	1,200	5,550
6	Mr. Zafar Masud	900	-	-	600	450	-	300	2,250
7	Mr. Farid Malik	2,456	-	1,139	1,567	1,634	-	-	6,797
8	Mr. Imam Bukhsh Baloch	2,100	-	1,050	-	-	1,050	-	4,200
9	Mr. Asif Jooma	1,650	900	-	1,050	-	-	-	3,600
	Total Amount Paid	16,549	3,570	3,389	4,567	3,434	3,150	1,500	36,160

2019

S.No.	Name of Director	Meeting Fees and Allowances Paid							
		For Board Meetings	For Board Committees						
			Board Audit Committee	Board Risk and Compliance Committee	Board HR and Remuneration Committee	Board Technology and Digitalization Committee	Board Inclusive Development Committee	Board International Franchises and Remittance Committee	Total Amount Paid
		(Rupees in '000)							
1	Mr. Zubyr Soomro	2,854	-	-	1,350	-	-	-	4,204
2	Mr. Muhammad Naeem	2,545	1,722	766	1,434	323	-	-	6,790
3	Mr. Muhammad Sohail Rajput	1,333	1,104	-	-	-	904	-	3,341
4	Ms. Sadaffe Abid	1,127	-	-	-	1,050	750	-	2,927
5	Mr. Tawfiq Asghar Hussain	1,050	1,050	600	-		-	300	3,000
6	Mr. Zafar Masud	1,200	-	-	1,350	1,200	-	300	4,050
7	Mr. Farid Malik	3,066	-	826	721	2,237	-	-	6,850
8	Mr. Imam Bukhsh Baloch	1,200	-	450	-	-	750	-	2,400
9	Mr. A. Akbar Sharifzada	1,050	498	-	583	-	-	-	2,131
10	Mr. Asad Munir	1,144	-	-	426	-	-	-	1,570
11	Mr. Muhammad Imran Malik	750	450	150	-	-	-	-	1,350
	Total Amount Paid	17,319	4,824	2,792	5,864	4,810	2,404	600	38,613

42.2.1 In last year, Rs. 578,000 was inadvertently disclosed as amount paid to Mr. Zubyr Soomro for attending Board Risk & Compliance Committee. In current year, said amount has been reclassified to Board meeting fees & allowances. Further, Nil figure was erroneously disclosed in Board Inclusive Development Committee last year which is corrected in current year.

42.3 Remuneration paid to Shariah Board Members

Items	2020				2019			
	Chairman	Resident Member	Non-Resident Member(s)	Total	Chairman	Resident Member	Non-Resident Member(s)	Total
	(Rupees in '000)							
Retainer Fee & Fixed Remuneration	3,240	3,170	2,880	9,290	3,240	3,043	2,880	9,163
Total Amount Paid	3,240	3,170	2,880	9,290	3,240	3,043	2,880	9,163
Total Number of Persons	1	1	1	3	1	1	1	3

The above information does not include particulars of subsidiaries.

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43. FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted instruments classified as held to maturity are carried at cost.

The fair value of unquoted debt securities, fixed term loans, other assets, other liabilities, fixed term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

43.1 Fair value of financial assets

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	2020				
	Carrying Value	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Market Treasury Bills	626,248,790	-	626,248,790	-	626,248,790
Pakistan Investment Bonds	473,408,082	-	473,408,082	-	473,408,082
Ijarah Sukuks	6,015,600	-	6,015,600	-	6,015,600
Ordinary shares of listed companies	48,089,192	48,089,192	-	-	48,089,192
Investment in mutual funds	2,291,013	2,291,013	-	-	2,291,013
Preference shares	1,099,850	1,099,850	-	-	1,099,850
Term Finance Certificates / Musharika and Sukuk Bonds	55,910,547	4,280,000	51,630,547	-	55,910,547
GoP Foreign Currency Bonds	10,840,875	-	10,840,875	-	10,840,875
Foreign Government Securities	3,953,016	-	3,953,016	-	3,953,016
Foreign Currency Debt Securities	80,640	-	80,640	-	80,640
Ordinary shares of a bank outside Pakistan	17,652,778	17,652,778	-	-	17,652,778
	1,245,590,383	73,412,833	1,172,177,550	-	1,245,590,383
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	249,969,566	-	-	-	-
Balances with other banks	15,015,366	-	-	-	-
Lendings to financial institutions	126,804,675	-	-	-	-
Investments					
Market Treasury Bills	-	-	-	-	-
Pakistan Investment Bonds	168,676,415	-	-	-	-
Ordinary shares of unlisted companies	1,455,089	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	7,838	-	-	-	-
Bai Muajjal with Government of Pakistan	11,641,133				
GoP Foreign Currency Bonds	-	-	-	-	-
Foreign Government Securities	32,418,809	-	-	-	-
Foreign Currency Debt Securities	618	-	-	-	-
Advances	983,871,421	-	-	-	-
Other Assets	112,017,619	-	-	-	-
	1,701,878,549	-	-	-	-
	2,947,468,932	73,412,833	1,172,177,550	-	1,245,590,383
Off-balance sheet financial instruments - measured at fair value					
Foreign exchange contracts purchase and sale	419,327,735	-	(2,918,017)	-	(2,918,017)
Forward government securities transactions	27,625,340	-	52,885	-	52,885

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For the year ended December 31, 2020

	2019				
	Carrying Value	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Market Treasury Bills	621,887,531	-	621,887,531	-	621,887,531
Pakistan Investment Bonds	329,418,686	-	329,418,686	-	329,418,686
Ijarah Sukuks	2,050,099	-	2,050,099	-	2,050,099
Ordinary shares of listed companies	41,983,147	41,983,147	-	-	41,983,147
Investments in mutual funds	2,144,783	2,144,783	-	-	2,144,783
Preference shares	79,388	35,956	-	43,432	79,388
Term Finance Certificates / Musharika and Sukuk Bonds	56,252,659	4,598,000	51,654,659	-	56,252,659
GoP Foreign Currency Bonds	22,476,530	-	22,476,530	-	22,476,530
Foreign Government Securities	4,646,071	-	4,646,071	-	4,646,071
Foreign Currency Debt Securities	1,422,271	-	1,422,271	-	1,422,271
Ordinary shares of a bank outside Pakistan	18,831,756	18,831,756	-	-	18,831,756
	1,101,192,921	67,593,642	1,033,555,847	43,432	1,101,192,921
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	293,198,090	-	-	-	-
Balances with other banks	13,598,325	-	-	-	-
Lending to financial instruments	134,780,010	-	-	-	-
Investments					
Market Treasury Bills	114,155,009	-	-	-	-
Pakistan Investment Bonds	184,864,103	-	-	-	-
Ordinary shares of unlisted companies	1,593,609	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	9,573	-	-	-	-
Bai Muajjal with Government of Pakistan	10,395,235				
GoP Foreign Currency Bonds	4,087,591	-	-	-	-
Foreign Government Securities	30,231,741	-	-	-	-
Foreign Currency Debt Securities	596	-	-	-	-
Advances	1,008,398,612	-	-	-	-
Other assets	166,148,295	-	-	-	-
	1,961,460,789	-	-	-	-
	3,062,653,710	67,593,642	1,033,555,847	43,432	1,101,192,921
Off-balance sheet financial instruments - measured at fair value					
Foreign exchange contracts purchase and sale	801,290,548	-	(4,358,883)	-	(4,358,883)
Forward government securities transactions	22,164,581	-	107,348	-	107,348

Notes to the Consolidated Financial Statements
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Valuation techniques used in determination of fair valuation of financial instruments within level 2 and level 3

Item	Valuation approach and input used
Market Treasury Bills	PKRV (MUFAP)
Pakistan Investment Bonds	PKRV (MUFAP)
Ijarah Sukuks	MUFAP
Ordinary shares of unlisted companies	Breakup value as per latest available audited financial statements
Term Finance Certificates / Musharika and Sukuk Bonds	MUFAP
GoP Foreign Currency Bonds	Reuter page
Foreign Government Securities	Reuter page
Foreign Currency Debt Securities	Reuter page

43.2 Fair value of non-financial assets

Information about the fair value hierarchy of Group's non-financial assets as at the end of the reporting period are as follows:

	2020				
	Carrying Value	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
Land & building (property and equipment)	**48,770,485**	**-**	**48,770,485**	**-**	**48,770,485**
Non-banking assets acquired in satisfaction of claims	**3,750,925**	**-**	**3,750,925**	**-**	**3,750,925**
	52,521,410	**-**	**52,521,410**	**-**	**52,521,410**

	2019				
	Carrying Value	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
Land & building (property and equipment)	48,575,942	-	48,575,942	-	48,575,942
Non-banking assets acquired in satisfaction of claims	3,284,853	-	3,284,853	-	3,284,853
	51,860,795	-	51,860,795	-	51,860,795

44. SEGMENT INFORMATION

44.1 Segment Details with respect to Business Activities

During the year the Group changed its internal organisation structure in a manner that changed the composition of its reportable segments, and accordingly the prior year disclosure is restated to reflect the current reportable segments. Branch banking has been bifurcated in to Retail Banking Group and Inclusive Development Group.

Notes to the Consolidated Financial Statements
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	2020									
	Retail Banking Group	Inclusive Development Group	Corporate and Investment Banking	Treasury	International, Financial Institution and Remittance	Aitemaad and Islamic Banking	Head Office / Others	Sub total	Eliminations	Total
	(Rupes in '000)									
Profit and loss account										
Net mark-up / return / profit	(76,417,139)	15,658,237	43,113,972	113,674,589	2,944,549	5,033,803	371,419	104,379,430	-	104,379,430
Inter segment revenue - net	127,171,107	(12,345,431)	(38,048,674)	(86,111,719)	-	(409,849)	9,744,567	-	-	-
Non mark-up / return / interest income	13,636,909	1,303,132	2,934,104	11,890,634	1,933,019	425,941	5,235,716	37,359,455	-	37,359,455
Total Income	64,390,877	4,615,938	7,999,402	39,453,504	4,877,568	5,049,895	15,351,703	141,738,885	-	141,738,885
Segment direct expenses	28,602,759	2,177,142	906,172	366,426	6,337,022	2,542,000	1,736,268	42,667,790	-	42,667,790
Inter segment expense allocation	-	-	-	-	-	-	21,774,714	21,774,714	-	21,774,714
Total expenses	28,602,759	2,177,142	906,172	366,426	6,337,022	2,542,000	23,510,983	64,442,503	-	64,442,503
Provisions	670,506	3,818,845	26,216,211	(202,726)	(484,011)	398,979	494,170	30,911,976	-	30,911,976
Profit / (loss) before tax	35,117,612	(1,380,048)	(19,122,981)	39,289,803	(975,444)	2,108,916	(8,653,450)	46,384,406	-	46,384,406
Statement of financial position										
Cash and bank balances	148,446,514	9,809,667	281,210	49,710,033	47,960,766	5,724,957	3,051,784	264,984,932	-	264,984,932
Investments	-	-	31,393,587	1,340,556,530	46,098,046	42,109,641	6,247,569	1,466,405,373	-	1,466,405,373
Net inter segment lending	1,716,041,623	-	-	-	-	-	192,791,099	1,908,832,722	(1,908,832,722)	-
Lendings to financial institutions	-	-	-	126,802,025	-	-	2,650	126,804,675	-	126,804,675
Advances - performing	231,940,537	128,340,996	538,861,528	-	43,633,881	37,546,863	8,796,522	989,120,326	-	989,120,326
Advances - non-performing	3,796,433	22,497,098	47,548,441	-	42,345,094	602,913	55,022,633	171,812,612	-	171,812,612
Provision against Advances	(8,430,326)	(19,538,451)	(52,114,538)	-	(41,266,079)	(602,913)	(55,109,211)	(177,061,517)	-	(177,061,517)
Advances - net	227,306,644	131,299,642	534,295,432	-	44,712,896	37,546,863	8,709,944	983,871,421	-	983,871,421
Others	24,509,010	1,626,569	22,588,501	366,297	3,972,925	2,679,165	119,401,139	175,143,591	-	175,143,591
Total Assets	2,116,303,791	142,735,878	588,558,730	1,517,434,885	142,744,633	88,060,626	330,204,184	4,926,042,714	(1,908,832,722)	3,017,209,992
Borrowings	(292,063)	3,511,852	46,688,596	86,290,983	2,047,575	-	292,062	138,539,005	-	138,539,005
Deposits & other accounts	2,068,891,897	-	200,011,969	-	73,225,543	75,268,262	1,530,800	2,418,928,469	-	2,418,928,469
Net inter segment borrowing	-	136,108,152	323,788,034	1,375,268,749	63,868,561	9,799,226	-	1,908,832,722	(1,908,832,722)	-
Others	47,703,958	3,115,875	17,857,441	12,387,953	3,138,352	2,333,570	98,803,091	185,340,236	-	185,340,236
Total liabilities	2,116,303,791	142,735,878	588,346,040	1,473,947,685	142,280,030	87,401,058	100,625,953	4,651,640,432	(1,908,832,722)	2,742,807,710
Equity	-	-	212,690	43,487,200	464,603	659,569	229,578,231	274,402,282	-	274,402,282
Total Equity & liabilities	2,116,303,791	142,735,878	588,558,730	1,517,434,885	142,744,633	88,060,626	330,204,184	4,926,042,714	(1,908,832,722)	3,017,209,992
Contingencies & Commitments	573,019,328	-	1,046,103,666	-	20,577,429	-	35,553,685	1,675,254,109	-	1,675,254,109

	2019 (Restated)									
	Retail Banking Group	Inclusive Development Group	Corporate and Investment Banking	Treasury	International, Financial Institution and Remittance	Aitemaad and Islamic Banking	Head Office / Others	Sub total	Eliminations	Total
	(Rupees in '000)									
Profit and loss account										
Net mark-up / return / profit	(83,637,534)	15,619,259	54,921,742	76,654,512	3,143,738	4,396,685	1,055,481	72,153,882	-	72,153,882
Inter segment revenue - net	148,346,359	(15,451,546)	(54,445,167)	(83,724,892)	-	(375,722)	5,650,967	-	-	-
Non mark-up / return / interest income	13,915,664	1,794,975	2,858,776	9,610,964	1,831,482	543,892	7,204,113	37,759,867	-	37,759,867
Total Income	78,624,489	1,962,688	3,335,351	2,540,584	4,975,220	4,564,855	13,910,561	109,913,749	-	109,913,749
Segment direct expenses	28,523,599	2,350,847	801,063	310,208	4,276,639	2,601,428	1,967,246	40,831,031	-	40,831,031
Inter segment expense allocation	-	-	-	-	-	-	26,547,614	26,547,614	-	26,547,614
Total expenses	28,523,599	2,350,847	801,063	310,208	4,276,639	2,601,428	28,514,859	67,378,645	-	67,378,647
Provisions	1,881,924	922,825	8,030,099	1,899,416	(104,320)	(75,061)	1,002,220	13,557,101		13,557,101
Profit / (loss) before tax	48,218,966	(1,310,984)	(5,495,811)	330,960	802,901	2,038,487	(15,606,519)	28,978,001	-	28,978,001
Statement of financial position										
Cash and bank balances	162,051,623	12,045,241	238,501	82,716,513	42,748,449	4,410,976	2,585,111	306,796,415	-	306,796,415
Investments	-	-	38,801,666	1,316,800,220	61,079,182	29,811,516	6,306,609	1,452,799,192	-	1,452,799,192
Net inter segment lending	1,631,347,664	-	-	-	-	-	134,629,475	1,765,977,140	(1,765,977,140)	-
Lendings to financial institutions	-	-	-	132,718,198	-	2,059,162	2,650	134,780,010	-	134,780,010
Advances - performing	221,843,742	144,537,546	538,385,369	-	55,382,884	33,880,111	8,686,822	1,002,716,475	-	1,002,716,475
Advances - non-performing	2,973,437	17,309,704	32,196,797	-	41,049,352	203,934	55,643,830	149,377,054	-	149,377,054
Provision against advances	(6,712,559)	(14,171,794)	(27,075,335)	-	(40,266,389)	(203,934)	(55,264,906)	(143,694,917)	-	(143,694,917)
Advances - net	218,104,620	147,675,456	543,506,831	-	56,165,847	33,880,111	9,065,746	1,008,398,612	-	1,008,398,612
Others	25,398,302	1,853,736	40,745,805	3,971,387	4,014,363	4,890,661	148,711,787	229,586,039	-	229,586,039
Total Assets	2,036,902,210	161,574,433	623,292,803	1,536,206,318	164,007,841	75,052,426	301,301,379	4,898,337,408	(1,765,977,140)	3,132,360,268
Borrowings	1,348,351	-	30,388,706	400,759,524	38,913,708	-	347,062	471,757,352	-	471,757,352
Deposits & other accounts	1,971,199,214	-	76,371,345	-	85,487,723	63,285,897	1,640,393	2,197,984,573	-	2,197,984,573
Net inter segment borrowing	-	156,839,607	484,593,419	1,081,180,371	36,248,475	7,115,268	-	1,765,977,140	(1,765,977,140)	-
Others	64,354,645	4,734,824	31,794,954	17,079,796	1,988,871	3,875,565	99,567,133	223,395,788	-	223,395,788
Total liabilities	2,036,902,210	161,574,431	623,148,424	1,499,019,691	162,638,777	74,276,729	101,554,589	4,659,114,853	(1,765,977,140)	2,893,137,713
Equity	-	-	144,380	37,186,627	1,369,066	775,697	199,746,791	239,222,555	-	239,222,555
Total Equity & liabilities	2,036,902,210	161,574,433	623,292,803	1,536,206,318	164,007,841	75,052,426	301,301,379	4,898,337,408	(1,765,977,140)	3,132,360,268
										-
Contingencies & Commitments	833,218,160	-	236,880,686	823,455,129	28,997,140	-	31,345,046	1,953,896,161	-	1,953,896,161

44.2 Segment details with respect to geographical locations

	2020					
	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	Total
	(Rupees in '000)					
Profit and loss account						
Net mark-up / return/profit	101,234,782	735,554	59,526	421,629	1,927,939	104,379,430
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	35,400,181	536,152	316,191	747,936	358,994	37,359,455
Total Income	136,634,963	1,271,706	375,718	1,169,565	2,286,933	141,738,885
Segment direct expenses	36,123,107	1,806,638	793,919	3,173,426	770,701	42,667,790
Inter segment expense allocation	21,774,714	-	-	-	-	21,774,714
Total expenses	57,897,821	1,806,638	793,919	3,173,426	770,701	64,442,503
Provisions	31,413,690	(325,772)	(117,586)	(32,798)	(25,557)	30,911,976
Profit / (loss) before tax	47,323,453	(209,159)	(300,616)	(1,971,063)	1,541,789	46,384,406
Statement of financial position						
Cash and bank balances	215,386,431	19,040,664	10,399,385	19,076,487	1,081,965	264,984,932
Investments	1,419,111,415	30,973,985	-	2,927,816	13,392,157	1,466,405,373
Net inter segment lendings	63,868,561	-	-	-	-	63,868,561
Lendings to financial institutions	126,804,675	-	-	-	-	126,804,675
Advances - performing	944,902,218	2,475,488	574,741	1,680,370	39,487,510	989,120,326
Advances - non-performing	129,129,200	35,912,396	1,205,975	-	5,565,041	171,812,612
Provision against advances	(135,717,854)	(35,725,929)	(1,205,975)	(2,306)	(4,409,453)	(177,061,517)
Advances - net	938,313,564	2,661,954	574,741	1,678,064	40,643,098	983,871,421
Others	170,927,847	3,016,719	139,572	183,851	875,601	175,143,591
Total Assets	2,934,412,493	55,693,323	11,113,698	23,866,218	55,992,821	3,081,078,553
Borrowings	136,491,431	1,240,487	-	-	807,088	138,539,005
Deposits & other accounts	2,344,187,228	36,900,634	7,278,305	9,204,947	21,357,355	2,418,928,469
Net inter segment borrowing	-	14,344,870	3,643,594	13,051,137	32,828,959	63,868,561
Others	182,172,934	830,555	191,798	1,556,773	588,176	185,340,236
Total liabilities	2,662,851,593	53,316,546	11,113,698	23,812,857	55,581,578	2,806,676,270
Equity	271,560,901	2,376,778	-	53,361	411,243	274,402,282
Total Equity & liabilities	2,934,412,493	55,693,323	11,113,698	23,866,218	55,992,821	3,081,078,553
Contingencies & Commitments	1,654,676,680	3,380,468	3,105,342	7,173,633	6,917,986	1,675,254,109

	2019 (Restated)					
	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	Total
Profit and loss account	(Rupees in '000)					
Net mark-up/return/profit	68,805,824	68,371	81,192	1,028,536	2,169,958	72,153,882
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	35,903,457	398,445	303,359	579,091	575,516	37,759,867
Total Income	104,709,281	466,816	384,551	1,607,627	2,745,474	109,913,749
Segment direct expenses	36,144,294	1,809,948	720,501	1,328,813	649,772	40,653,328
Inter segment expense allocation	26,725,318	-	-	-	-	26,725,318
Total expenses	62,869,612	1,809,948	720,501	1,328,813	649,772	67,378,647
Provisions	13,629,288	(133,107)	(5,771)	28,281	38,409	13,557,101
Profit / (loss) before tax	28,210,381	(1,210,025)	(330,179)	250,533	2,057,293	28,978,001
Statement of financial position						
Cash and bank balances	262,626,290	25,653,998	10,435,547	5,119,150	2,961,430	306,796,415
Investments	1,389,934,352	34,982,676	-	10,751,978	17,130,186	1,452,799,192
Net inter segment lendings	36,248,474	-	-	-	8,107,633	44,356,106
Lendings to financial institutions	134,780,010	-	-	-	-	134,780,010
Advances - performing	947,067,992	7,818,734	120,810	14,706,409	33,002,530	1,002,716,475
Advances - non-performing	107,957,426	34,842,092	1,168,349	-	5,409,187	149,377,054
Provision against advances	(103,342,532)	(34,853,042)	(1,168,349)	(34,009)	(4,296,985)	(143,694,917)
Advances - net	951,682,886	7,807,784	120,810	14,672,400	34,114,732	1,008,398,612
Others	225,227,346	3,075,071	121,839	373,587	788,196	229,586,039
Total Assets	3,000,499,358	71,519,529	10,678,196	30,917,116	63,102,176	3,176,716,374
Borrowings	432,843,644	1,825,928	-	2,322,714	34,765,066	471,757,352
Deposits & other accounts	2,111,038,766	40,692,380	6,812,172	12,396,062	27,045,193	2,197,984,573
Net inter segment borrowing	-	25,343,803	3,679,631	15,332,672	-	44,356,106
Others	221,359,049	941,501	186,393	480,780	428,067	223,395,788
Total liabilities	2,765,241,459	68,803,612	10,678,196	30,532,227	62,238,326	2,937,493,819
Equity	235,257,903	2,715,918	-	384,888	863,849	239,222,555
Total Equity & liabilities	3,000,499,358	71,519,529	10,678,196	30,917,116	63,102,176	3,176,716,374
Contingencies & Commitments	1,924,899,021	4,703,237	3,479,436	6,359,387	14,455,079	1,953,896,161

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45. TRUST ACTIVITIES

45.1 Endowment Fund

Students Loan Scheme was launched by Government of Pakistan with collaboration with the major commercial banks with a view to extend financial help by way of mark-up free loan to the meritorious students without sufficient resources for pursuing scientific technical and professional education within Pakistan.

The Scheme is being administered by a high powered committee headed by the Deputy Governor, State Bank of Pakistan and the Presidents of NBP, HBL, UBL, MCB, ABL and the Deputy Secretary, Ministry of Finance as member and Senior Director of SMEFD (Infra Structure Housing &SME Finance Department) as a secretary of the Committee. The State Bank of Pakistan has assigned National Bank of Pakistan to operate the scheme.

The Committee in its meeting held on August 7, 2001 approved creation of Endowment Fund initially at an amount of Rs.500 million, Rs.396 million were transferred from the old Qarz-e-Hasna (Defunct) Fund, Rs.50 million contributed by Government of Pakistan and Rs. 54 million were contributed by participating banks (HBL, NBP and UBL 25% each, MCB 17.5% and ABL 7.5%).

The amount of the Endowment Funds in investments stands at Rs. 785 million as at December 31, 2020 (2019: Rs. 758 million).

46. RELATED PARTY TRANSACTIONS

The Group has related party transactions with its parent, subsidiaries, associates, joint ventures, employee benefit plans and its directors and Key Management Personnel. The details of investment in subsidiary companies, joint venture and associated undertaking and their provisions are stated in note 10 of the financial statement of the Group.

The Group enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these consolidated financial statements are as follows:

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(Rupees in '000)

	2020									2019								
	Directors	Key management personnel	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.I.D.A A/c)	Provident Fund	Other related parties	Directors	Key management personnel	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.I.D.A A/c)	Provident Fund	Other related parties
Balances with other banks																		
In current accounts	-	-	-	2,951	-	-	-	-	-	-	-	-	1,159	-	-	-	-	-
	-	-	-	2,951	-	-	-	-	-	-	-	-	1,159	-	-	-	-	-
Advances																		
Opening balance	-	228,805	3,046,662	-	-	-	-	-	23,386,325	-	222,967	3,115,819	-	-	-	-	-	217,063
Addition during the year	-	64,850		-	-	-	-	-	115,824,347	-	74,615	-	-	-	-	-	-	11,246,254
Repaid during the year	-	(31,840)	(65,633)	-	-	-	-	-	(115,673,058)	-	(22,888)	(69,157)	-	-	-	-	-	(14,896,873)
*Transfer in / (out) - net		(28,548)	-						(23,232,497)	-	(45,889)	-	-	-	-	-	-	26,819,881
Closing balance	-	233,267	2,981,029	-	-	-	-	-	305,117	-	228,805	3,046,662	-	-	-	-	-	23,386,325
Provision held against advances	-	-	2,837,287	-	-	-	-	-	-	-	-	2,827,375	-	-	-	-	-	-

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For the year ended December 31, 2020

	2020									2019								
	Directors	Key management personnel	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.I.D.A A/c)	Provident Fund	Other related parties	Directors	Key management personnel	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.I.D.A A/c)	Provident Fund	Other related parties
	(Rupees in '000)																	
Other Assets																		
Interest / mark-up accrued	-	-	1,720,157	-	-	-	-	-	-	-	-	1,725,222	-	-	-	-	-	-
Borrowings																		
Opening balance	-	-	-	279,814	-	-	-	-	-	-	-	-	38,248	-	-	-	-	-
Borrowings during the year	-	-	-	-	-	-	-	-	-	-	-	-	241,566	-	-	-	-	-
Settled during the year	-	-	-	(270,703)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	9,111	-	-	-	-	-	-	-	-	279,814	-	-	-	-	-
Deposits and other accounts																		
Opening balance	3,835	94,715	-	-	73	-	1,235,120	13,296,883	40,416,083	10,732	80,688	-	-	1,085	11,100,000	458,328	12,465,939	-
Received during the year	8,672	713,917	-	-	47,037,983	-	3,054,527	1,941,908	708,790	23,314	625,431	-	-	45,832,581	-	11,785,192	2,246,185	273,669,395
Withdrawn during the year	(11,228)	(620,573)	-	-	(46,979,185)	-	(2,920,003)	(1,956,775)	(630,132)	(22,146)	(591,564)	-	-	(45,833,593)	(11,100,000)	(11,008,400)	(1,415,241)	(278,409,470)
* Transfer in (out) - net	41	(10,823)	-	-	-	-	-	-	(40,290,295)	(8,065)	(19,840)	-	-	-	-	-	-	45,156,158
Closing balance	1,320	177,236	-	-	58,871	-	1,369,644	13,282,016	204,446	3,835	94,715	-	-	73	-	1,235,120	13,296,883	40,416,083
Contingencis & Commitments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,463,085

* Transfer in (out) - net due to retirement / appointment of directors and changes in key management executives.

	2020						2019					
	Key management personnel	Associates	Joint venture	Pension Fund	Provident Fund	Funds / Others	Key management personnel	Associates	Joint venture	Pension Fund	Provident Fund	Funds / Others
	(Rupees in '000)											
Income												
Mark-up / return / interest earned	-	-	9	-	-	-	-	-	112	-	-	-
Debts due by Companies in which Directors of the Bank is interested as Directors	-	-	-	-	-	15,755	-	-	-	-	-	1,860,682
Dividend income	-	-	-	-	-	-	-	6,000	-	-	-	-
Rent income / Lighting & Power and Bank charges	-	4,637	-	-	-	19,447	-	4,637	-	-	-	15,558
Expense												
Mark-up / return / interest paid	-	-	303	108,346	1,441,640	4,012	-	-	780	204,666	1,690,456	4,345,823
Expenses paid to company in which Director of the bank is interested as CEO	-	-	-	-	-	10,712	-	-	-	-	-	6,096
Remuneration to key management executives including charge for defined benefit plan	546,300	-	-	-	-	-	459,257	-	-	-	-	-
Post Retirement Benefit paid to Director cum Ex-employee	-	-	-	-	-	2,087	-	-	-	-	-	2,087

46.1 Transactions with Government-related entities

The Federal Government through State Bank of Pakistan holds controlling interest (75.60% shareholding) in the Bank and therefore entities which are owned and / or controlled by the Federal Government, or where the Federal Government may exercise significant influence, are related parties of the group.

The Group in the ordinary course of business enters into transaction with Government–related entities. Such transactions include lending to, deposits from and provision of other banking service to Government–related entities.

The Group also earned commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs. 9,653 million (2019: 9,958 million) for the year ended December 31, 2020. As at the statement of financial position date the loans and advances, deposits and contingencies relating to Government–related entities amounted to Rs. 337,572 million (2019: 377,158 million), Rs. 932,317 million (2019: 840,064 million) and Rs. 948,335 million (2019: 876,232 million) respectively and income earned on advances and investment and profit paid on deposits amounted to Rs. 40,908 million (2019: 30,498 million) and Rs. 64,149 million (2019: 50,926 million) respectively.

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For the year ended December 31, 2020

47. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- to comply with the capital requirements set by the regulators of the banking markets where the Group operates;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

The SBP has issued instructions for Basel-III Implementation vide BPRD Circular No. 06 of 2013 dated August 15, 2013. These instructions are effective from December 31, 2013 in a phased manner with full implementation intended by December 31, 2019.

Basel-III instructions comprises of the following three capital standards:

i. Minimum Capital Requirement (MCR):

The MCR standard sets the nominal amount of capital banks/ DFIs are required to hold. Currently the MCR for banks and DFIs is Rs. 10 billion as prescribed by SBP.

ii. Capital Adequacy Ratio:

The Capital Adequacy Ratio (CAR) assesses the capital requirement based on the risks faced by the banks/ DFIs. The banks/ DFIs are required to comply with the minimum requirements as specified by the SBP on standalone as well as consolidated basis. Currently the required CAR for banks is 11.50% (plus 2.0% for NBP as D-SIB requirement).

iii. Leverage Ratio:

Tier-1 Leverage Ratio of 3% is introduced in response to Basel III Accord as the third capital standard. Group level disclosure of the leverage ratio and its components has started from December 31, 2015. The Group has a leverage ratio of 4.16% in the year December 31, 2020 (2019: 3.44%) and Tier-1 capital of Rs 176,735 Million (2019: Rs 146,628 Million).

The SBP's regulatory capital as managed by the Group is analysed into following tiers:

1. Tier 1 Capital (going-concern capital)

- Common Equity Tier 1
- Additional Tier 1

- Tier I capital, which comprises highest quality capital element and include fully paid up capital, balance in share premium account, reserve for issue of bonus shares, general reserves and un-appropriate profits (net of accumulated losses, if any).

2. Tier 2 Capital (gone-concern capital)

- Tier II capital, which includes general reserve for loan losses, revaluation reserve, exchange translation reserve and subordinated debt.

Basel III capital rules requires bank to make certain deductions from the capital before arriving at the Capital Adequacy Ratio (CAR).

Risk weighted assets are measured according to the nature and reflect an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposures, with some adjustments to reflect more contingent nature of potential losses.

The Group's policy is to maintain strong capital base so as to maintain, investor, creditor and market confidence and to sustain future development of the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the SBP. The ratios compare the amount of eligible capital with the total of risk-weighted assets. The Group monitors and reports its capital ratio under the SBP rules, which ultimately determines the regulatory capital, required to be maintained by Banks and DFIs.

The paid-up capital of the Group for the year ended December 31, 2020 stood at Rs. 21,275 billion (2019: Rs. 21,275 billion) and is in compliance with the SBP requirement for the said year. In addition the Bank has maintained minimum Capital Adequacy Ratio (CAR) of 20.10% (2019: 15.82%).

There have been no material changes in the Group's management of capital during the year.

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	2020	2019
	----------(Rupees in '000)----------	
Minimum Capital Requirement		
Paid-up capital	**199,498,333**	168,001,436
Capital Adequacy Ratio		
Eligible Common Equity Tier 1 Capital	**176,735,007**	146,628,152
Eligible Additional Tier 1 Capital	**-**	-
Total Eligible Tier 1 Capital	**176,735,007**	146,628,152
Eligible Tier 2 Capital	**56,705,915**	41,295,951
Total Eligible Capital (Tier 1 + Tier 2)	**233,440,922**	187,924,103
Risk Weighted Assets		
Credit Risk	**862,944,817**	918,174,576
Market Risk	**88,080,262**	93,146,479
Operational Risk	**210,140,934**	176,625,691
Total	**1,161,166,013**	1,187,946,746
Common Equity Tier 1 Capital Adequacy ratio	**15.22%**	12.34%
Tier 1 Capital Adequacy Ratio	**15.22%**	12.34%
Total Capital Adequacy Ratio	**20.10%**	15.82%
Leverage Ratio		
Tier-1 Capital	**176,735,007**	146,628,152
Total Exposures	**4,249,194,554**	4,260,315,310
Leverage Ratio	**4.16%**	3.44%
Liquidity Coverage Ratio		
Total High Quality Liquid Assets	**1,200,257,790**	890,965,256
Total Net Cash Outflow	**666,722,922**	603,741,462
Liquidity Coverage Ratio	**180%**	148%
Net Stable Funding Ratio		
Total Available Stable Funding	**2,309,310,465**	2,040,913,906
Total Required Stable Funding	**901,126,786**	875,207,068
Net Stable Funding Ratio	**256%**	233%

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

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48. RISK MANAGEMENT

Risk management is about understanding and managing the potential for volatility of earnings, loss of access to reliable deposits and funding and depletion of capital arising from the business activities, whilst pursuing its strategic objectives. The Group has in place a well-defined risk management strategy / policy with clear objectives and deliverables through multi-pronged risk management processes.

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

- Identification and assessment of significant material risks.
- Overseeing and managing the risk profile of the Group within the context of the risk appetite.
- Optimize risk/return decisions by aligning them to business objective of achieving sustainable optimum growth.

In order to support Risk Management Group (RMG's) activities, the strong data management mechanism is also in place to collect and consolidate exposure wise information various risk related analysis and reviews. The mechanism also helps in identification of e-CIB related information, performing periodic review, generates reports and highlights inconsistencies and errors, and issuing instructions to the relevant data entry points for rectification.

In addition, Information Security Division (ISD) became an integral part of Risk Management Group to confronting the emerging risks arises due to the introduction and use of IT based systems. Fraud risk management has also been made a part of RMG under the umbrella of Operational and Fraud Risk Management Division.

48.1 Risk Governance Structure

Risk Management Group (RMG) operates as an independent group under the supervision of Chief Risk Officer. RMG's scope and coverage has been enhanced to cater enterprise-wide risk management, credit approvals, and asset rehabilitation. CRO reports directly to the President with a dotted line reporting to the Board Risk & Compliance Committee (BRCC). The group is responsible to perform the functions pertaining to development and oversight of the risk framework, methodologies and other functions assigned from time to time in line with local / international best practices and under the supervision of SBP's regulations/ guidelines.

The Group's Board is responsible to ensure active oversight over implementation of policies and frameworks so as to prevent any significant financial loss or reductions in shareholders' value that may be suffered by the Group. Therefore, it is the responsibility of the Board to ensure that policies and frameworks are in place to recognize all significant/ material risks to which the Group is / may be exposed and that the required human resource, culture, practices and systems are adequate to address such risks. The Board and its relevant committee, i.e. BRCC and the senior management along with its relevant committees i.e. Management Credit Committee (MCC), Enterprise Risk Committee (ERC), ALCO etc. are responsible to ensure implementation of risk management framework.

48.2 Risk Management Framework

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions, products and services offered.

The Group implements risk management framework through a 'Three Lines of Defence' model which defines clear responsibilities and accountabilities for various offices and ensures effective and independent oversight and also that the activities take place as intended. RMG together with Compliance Group acts as second line of defence and performs integrated function of oversight and independently challenges the effectiveness of risk management actions taken by business groups, who are the first line of defence. The risk management is further strengthened by the third line of defence, where Board Audit and Compliance Committee and Audit and Inspection Group add value through independent and objective assurance in improving risk management functions of the Group.

Following paragraphs introduce Group's exposures to material risks associated with its business activities and explain overall strategies and processes to manage those risks:

48.2.1 Credit Risk

Credit risk is the risk of loss resulting from the decline in credit quality or possibility that a obligor or counterparty may not honor on its contractual obligations to the Group in accordance with agreed terms. NBP's lending activities account for most of the Group's credit risk. Credit risk is continuously evolving in various financial activities including loans and advances, commitments to lend, contingent liabilities such as letter of credit and guarantees, and other types of both on and off-balance sheet transactions. Group has a dedicated setup lead by Chief Risk Officer that ensures the effectiveness of the frameworks for assessment / measurement, review and reporting of credit risk under supervision of Board Risk and Compliance Committee.

Group has in place Risk Appetite Framework and Credit Risk Concentration Management Framework to ascertain the levels of credit risk it undertakes by placing limits on exposures in relation to existing or potential obligors, economic groups and to various

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industry segments. These risks are analysed on perpetual basis and is subject to frequent review. Bank ensures that credit exposures are adequately collateralized and comprehensive risk palliating measures are taken to regulate overall credit risk exposure in accordance with Bank's tolerance limits.

Credit review and approval process of the Bank is well-defined and is managed under strict supervision of senior management. For analysis of counterparties within various asset classes / constitutions / economic group, Bank also has an Internal Ratings System / Model based on multiple risk factors. The model coupled with Cash Flow Analysis Memorandum provides an understanding of obligors' current and future financial health. This creates an integral contribution in decision making by senior management of the Bank. Concentration of exposure / risk in any of counterparty, economic group, or industry is assessed frequently and accordingly limit setting is tailored.

Standardized Approach is used to calculate capital charge for credit risk as per Basel regulatory framework, with simple approach for credit risk mitigation. Additionally, stress testing for credit risk is completed on regular basis to evaluate the conceivable effects of scenarios provided by the regulator.

Particulars of Group's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

48.2.1.1 Lendings to financial institutions

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2020	2019	**2020**	2019	**2020**	2019
	(R upees in '000)					
Public/ Government	**-**	2,059,162	**-**	-	**-**	-
Private	**126,980,825**	132,896,998	**176,150**	176,150	**176,150**	176,150
	126,980,825	134,956,160	**176,150**	176,150	**176,150**	176,150

48.2.1.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2020	2019	**2020**	2019	**2020**	2019
	(R upees in '000)					
Cement	**470,168**	19,453	**20,168**	19,453	**20,168**	19,453
Chemical	**2,073,812**	2,073,812	**323,812**	323,812	**323,812**	323,812
Construction	**3,885,490**	3,885,489	**1,633,739**	1,633,738	**1,633,738**	1,633,738
Engineering	**4,842**	4,842	**4,842**	4,842	**4,842**	4,842
Fertilizer	**1,040,960**	1,425,089	**656,831**	656,831	**656,831**	656,831
Sugar	**766,719**	785,469	**766,719**	785,469	**766,719**	572,385
Textile	**1,151,054**	1,151,768	**651,054**	651,768	**651,054**	651,768
Transport	**-**	2,803,718	**-**	-	**-**	-
Financial	**9,658,543**	9,344,916	**210,020**	90,886	**141,691**	82,126
Electronics and electrical appliances	**1,308,738**	1,308,738	**1,308,738**	1,308,738	**1,308,738**	1,308,738
Glass and Ceramics	**11,361**	11,361	**11,361**	11,361	**11,361**	11,361
Miscellaneous	**891,092**	787,524	**25,992**	25,992	**25,991**	25,992
Leather and Tenneries	**5,288**	5,288	**5,288**	5,288	**5,288**	5,288
Food and Personal Care Products	**11,184**	11,184	**11,184**	11,184	**11,184**	11,184
Pharmaceuticals	**2,413**	2,413	**2,413**	2,413	**2,413**	2,413
Technology and Communication	**11,072**	11,072	**11,072**	11,072	**11,072**	11,072
Vanaspati and Allied Industries	**4,238**	4,238	**4,238**	4,238	**4,238**	4,238
Oil and Gas Marketing	**687**	95,986	**687**	686	**687**	686
Cable and Electrical Goods	**4,509**	4,509	**4,509**	4,509	**4,509**	4,509
Automobile Parts and Accessories	**1,185**	1,185	**1,185**	1,185	**1,185**	1,185
Power (electricity), Gas, Water, Sanitary	**37,953,635**	35,464,521	**-**	-	**-**	-
Tobacco	**144**	144	**144**	144	**144**	144
Paper and Board	**10,794**	10,794	**10,794**	10,794	**10,794**	10,794
Jute	**7,081**	7,081	**7,081**	7,081	**7,081**	7,081
Metal Products	**500,000**	500,000	**-**	-	**-**	-
Services	**890,258**	950,000	**-**	-	**-**	-
	60,665,266	60,670,593	**5,671,871**	5,571,484	**5,603,540**	5,349,640
Credit risk by public / private sector						
Public / Government	**31,849,560**	32,463,359	**7,620**	7,620	**7,620**	7,620
Private	**28,815,706**	28,207,234	**5,664,251**	5,563,864	**5,595,920**	5,342,020
	60,665,266	60,670,593	**5,671,871**	5,571,484	**5,603,540**	5,349,640

48.2.1.3 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2020	2019	2020	2019	2020	2019
	(R upees in '000)					
Agriculture, Forestry, Hunting and Fishing	**63,054,332**	59,016,306	**6,204,022**	5,565,495	**4,514,299**	4,133,877
Mining and Quarrying	**282,368**	2,079,833	**117,449**	870,598	**117,449**	465,220
Textile	**132,990,923**	130,890,548	**37,711,391**	35,442,889	**35,889,959**	34,127,452
Chemical and Pharmaceuticals	**4,033,024**	3,698,135	**2,645,492**	2,789,583	**2,634,249**	2,781,935
Cement	**33,124,120**	28,285,797	**6,311,377**	4,177,487	**4,093,767**	2,466,565
Sugar	**35,278,586**	34,415,033	**15,374,152**	14,441,205	**14,335,087**	12,666,718
Footwear and Leather garments	**2,461,054**	2,095,757	**840,449**	847,135	**840,114**	846,235
Automobile and Transportation Equipment	**6,607,421**	8,711,039	**971,267**	959,014	**966,887**	959,014
Electronics and Electrical Appliances	**10,036,223**	7,204,298	**2,232,278**	2,234,231	**2,223,278**	2,222,981
Construction	**12,266,442**	12,243,093	**4,484,629**	5,323,770	**4,481,950**	5,304,434
Power (electricity), Gas, Water, Sanitary	**283,229,240**	289,464,374	**13,202,534**	5,434,940	**11,271,966**	4,448,807
Wholesale and Retail Trade	**36,642,933**	36,292,574	**13,514,848**	10,806,629	**12,083,484**	10,533,434
Exports / Imports	**1,687,703**	1,486,667	**-**	68,583	**-**	68,583
Transport, Storage and Communication	**55,190,848**	56,141,359	**11,263,369**	10,106,198	**9,184,015**	7,940,445
Financial	**6,358,191**	40,447,197	**91,312**	77,317	**91,312**	77,317
Services	**32,929,861**	14,209,909	**4,543,558**	2,060,883	**2,697,680**	1,619,394
Individuals	**184,106,685**	170,918,493	**5,962,662**	6,154,918	**4,123,937**	4,218,970
Flour Mills	**2,809,954**	3,467,902	**735,193**	708,232	**720,207**	662,512
Rice processing and Trading	**30,685,877**	26,950,629	**4,665,312**	4,575,187	**4,537,360**	4,494,866
Food and Tobacco	**14,023,712**	12,026,044	**5,251,343**	3,884,056	**5,226,208**	3,358,342
Fertilizer	**15,733,123**	20,813,179	**2,947,639**	2,885,878	**2,888,738**	2,860,734
Metal Products	**67,320,902**	67,474,262	**25,111,134**	23,353,861	**24,557,341**	22,345,884
Telecommunication	**17,064,247**	16,307,814	**1,159,350**	1,135,662	**1,159,350**	1,135,662
Public Sector Commodity Operations	**62,413,440**	66,638,547	**74,198**	73,785	**74,198**	73,785
General traders	**-**	-	**2,993**	-	**2,244**	-
Engineering	**33,444,437**	24,966,577	**1,416,959**	1,423,696	**1,410,274**	1,421,196
Glass and Ceramics	**6,859,290**	5,043,655	**396,911**	423,641	**396,911**	423,641
Media	**2,189,495**	2,222,899	**718,124**	151,457	**293,124**	151,457
Paper and Board	**1,601,970**	1,820,422	**1,187,897**	953,829	**1,187,897**	655,672
Plastic products	**2,627,648**	2,751,131	**651,199**	666,403	**648,950**	488,349
Sports goods	**978,994**	727,511	**93,818**	93,818	**93,818**	87,818
Surgical equipments	**827,764**	802,049	**64,674**	-	**64,674**	-
Others	**2,072,130**	2,480,493	**1,865,079**	1,686,673	**1,777,042**	1,647,667
	1,160,932,938	1,152,093,529	**171,812,612**	149,377,054	**154,587,769**	134,688,966

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2020	2019	2020	2019	2020	2019
	(R upees in '000)					
Public/ Government	**337,572,330**	377,158,182	**2,672,432**	2,522,432	**2,522,432**	2,522,432
Private	**823,360,608**	774,935,347	**169,140,180**	146,854,622	**152,065,337**	132,166,534
	1,160,932,938	1,152,093,529	**171,812,612**	149,377,054	**154,587,769**	134,688,966

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	2020	2019
	(Rupees in '000)	

48.2.1.4 Contingencies and Commitments

Credit risk by industry sector

Agriculture, Forestry, Hunting and Fishing	**170,777**	235,536
Mining and Quarrying	**2,504,361**	3,000
Textile	**15,458,896**	9,792,996
Chemical and Pharmaceuticals	**9,627,728**	14,507,473
Cement	**4,233,715**	10,121,549
Sugar	**303,809**	742,270
Footwear and Leather garments	**102**	10,928
Automobile and Transportation Equipment	**8,508,034**	1,979,186
Electronics and Electrical Appliances	**2,959,697**	2,154,502
Construction	**9,036,263**	9,697,086
Power (electricity), Gas, Water, Sanitary	**112,020,726**	159,559,087
Wholesale and Retail Trade	**1,625,599**	1,555,095
Exports / Imports	**317,066**	27,996
Transport, Storage and Communication	**24,687,098**	17,513,951
Financial	**611,642,230**	901,993,463
Services	**785,767,094**	746,058,170
Individuals	**394,092**	264,219
Fertilizer	**1,395,322**	3,853,225
Metal Products	**9,763,519**	2,365,866
Telecommunication	**15,036,956**	15,745,882
Public Sector Commodity Operations	**12,565,661**	1,095,352
Rice processing and Trading	**39,174**	44,951
Food and Tobacco	**404,142**	687,387
Glass and Ceramics	**1,007,344**	1,553,100
Paper and Board	**551,970**	551,120
Engineering	**42,650,307**	48,284,197
Plastic Products	**268,729**	142,657
Flour Mills	**5,993**	19,352
Surgical equipments	**750**	750
Others	**2,306,954**	3,335,814
	1,675,254,109	1,953,896,161

* Contingent liabilities for the purpose of this note are presented at cost and includes direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities.

	2020	2019
	(Rupees in '000)	

Credit risk by public / private sector

Public / Government	**948,334,918**	876,232,352
Private	**726,919,191**	1,077,663,809
	1,675,254,109	1,953,896,161

48.2.1.5 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded expsoures) aggregated to Rs. 1,093,518 million (2019: Rs. 1,036,638 million) are as follows:

	2020	2019
	(Rupees in '000)	
Funded	**250,314,704**	238,481,635
Non Funded	**843,203,477**	798,156,427
Total Exposure	**1,093,518,181**	1,036,638,062

The sanctioned limits against these top 10 expsoures aggregated to Rs. 1,280,786 million (2019: Rs. 1,073,636 million)

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Total funded classified therein	2020		2019	
	Amount	Provision held	Amount	Provision held
	(Rupees in '000)			
Loss	2,522,432	2,522,432	2,522,432	2,522,432
Total	2,522,432	2,522,432	2,522,432	2,522,432

48.2.1.6 Advances - Province / Region-wise Disbursement and Utilization

Province/Region	2020						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	(Rupees in '000)						
Punjab	210,145,408	207,931,532	1,625,942	-	-	-	587,934
Sindh	390,658,220	4,704,206	377,454,014	-	-	8,500,000	-
KPK including FATA	6,176,977	-	-	6,176,977	-	-	-
Balochistan	3,855,924	-	-	-	3,332,924	-	523,000
Islamabad	49,991,187	8,853,922	12,271,029	1,712,540	-	27,153,696	-
AJK including Gilgit-Baltistan	2,798,820	-	-	-	-	-	2,798,820
Total	663,626,536	221,489,660	391,350,985	7,889,517	3,332,924	35,653,696	3,909,754

Province/Region	2019						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	(Rupees in '000)						
Punjab	228,866,286	228,147,162	303,200	-	-	125,043	299,671
Sindh	364,638,630	10,707,703	262,168,186	549,899	27,482,303	63,721,751	-
KPK including FATA	9,492,232	-	-	9,492,232	-	-	-
Balochistan	4,979	-	-	-	4,979	-	-
Islamabad	42,498,179	12,015,495	10,717,298	2,764,372	-	17,001,014	-
AJK including Gilgit-Baltistan	4,921,666	3,882	-	-	-	-	4,917,784
Total	650,421,972	250,874,242	273,188,684	12,806,503	27,487,282	80,847,808	5,217,455

48.2.2 Market Risk

Market Risk is the potential for losses to arise from trading activities undertaken by the Group as a result of movements in market rates or prices such as interest rates, foreign exchange rates, and equity prices.

The Group's market risk is managed through Market Risk Management (MRM) Framework approved by the Board which is comprised of related policies / procedures with the objective to mitigate market risk through the engagement of various strategies in relation with prices, rates, earning assets, liabilities and trading activities. Group has also worked on devising improved criteria for various market risk limits. Under the developed Value-at-Risk (VaR) models and policy framework, VaR limits are being monitored through pilot run with an objective to be used for capital charge calculation under IMA approach in future.

Standardized Approach is used to calculate capital charge for market risk as per Basel regulatory framework. Whereas, stress testing for interest rate, equity prices, and exchange rates risks activities is carried out regularly to estimate the impact on the capital of the Group.

In addition to the regulatory requirements, Group has devised proprietary market risk stress testing scenarios which are performed on periodic basis to assess the impact on capital of the Group for Internal Capital Adequacy and Assessment Process (ICAAP). Limits / zones and Management Action Triggers and Management Action Plans corresponding to Liquidity Ratio, Balance Sheet Duration Gap, Government Securities PVBP and Duration have also been developed. These triggers are used for proposing / recommending actions to ALCO for deliberation and necessary action.

48.2.2.1 Statement of Financial Position split by trading and banking books

	2020			2019		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	(Rupees in '000)					
Investments	1,368,195,288	98,210,085	1,466,405,373	1,415,094,952	37,704,240	1,452,799,192
	1,368,195,288	98,210,085	1,466,405,373	1,415,094,952	37,704,240	1,452,799,192

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48.2.2.2 Foreign Exchange Risk

Foreign exchange and translation risk arises from the impact of currency movements on the value of the Group's cash flows, profits and losses, and assets and liabilities as a result of participation in global financial markets and international operations.

In order to manage currency risk exposure the Group enters into ready, spot, forward and swaps transactions with the SBP and in the interBank market, financial institutions and corporate. The Group's foreign exchange exposure comprises forward contracts, purchases of foreign bills, foreign currencies cash in hand, balances with Banks abroad, foreign placements with the SBP and foreign currencies assets and liabilities. Foreign Exchange exposure is managed within the statutory limits, as fixed by the SBP. Appropriate segregation of duties exists between the front, middle and back office functions.

	2020				2019			
	Foreign Currency Assets	**Foreign Currency Liabilities**	**Off-balance sheet items**	**Net foreign currency exposure**	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in 000')							
United States Dollar	**158,975,693**	**250,386,427**	**115,299,103**	**23,888,369**	155,613,306	282,671,076	141,330,602	14,272,832
Great Britain Pound	**4,253,451**	**5,613,790**	**3,235,840**	**1,875,502**	4,386,930	6,303,626	6,257,773	4,341,077
Japanese Yen	**4,080,732**	**1,123,760**	**168,624**	**3,125,596**	5,142,262	1,304,374	(1,973,457)	1,864,432
Euro	**8,625,157**	**10,298,009**	**3,462,911**	**1,790,059**	8,582,016	9,514,725	6,608,767	5,676,058
Other currencies	**68,372,930**	**20,716,084**	**2,996,887**	**50,653,733**	76,936,212	27,595,177	4,171,279	53,512,313
	244,307,963	**288,138,070**	**125,163,365**	**81,333,259**	250,660,726	327,388,978	156,394,964	79,666,712

	2020		2019	
	Banking book	**Trading book**	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates				
- Profit and loss account	**-**	**-**	-	-
- Other comprehensive income	**-**	**2,917**	5,612	-

48.2.2.3 Equity position Risk

The trading activities also raise risk which occurs resulting in negative fluctuations of daily stock prices specifically in those stocks which are held by the Group, hence, deplete capital. The Group's equity position is managed through limits imposed by regulator for both, overall investment and exposure in single scrip. Moreover, internal limits are set to possibly manage overall earnings in the form of placing of stop loss limits and/ or through diversification within the structure of overall equity position portfolio.

	2020		2019	
	Banking book	**Trading book**	Banking book	Trading book
	(Rupees in '000)			
Impact of 5% change in equity prices				
- Profit and loss account	**-**	**-**	-	2,816
- Other comprehensive income	**3,065,915**	**-**	2,560,070	-

48.2.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

Interest rate risk specifically arises due to adverse movements in yield curve of underlying asset which is being monitored by ALCO with an objective to possibly limiting the potential impact over the profitability of the Group which may result in instability of market based interest rates and mismatching or gaps in the amount of financial assets and financial liabilities in different maturity time bands. Group assumes that the sources of IRR are based on following sub-risks.

- Re-pricing risk; arising from changes to the overall level of interest rates and inherent mismatches in the re-pricing term of banking book items.
- Yield curve risk; arising from a change in the relative level of interest rates for different tenors and changes in the slope or shape of the yield curve.
- Basis risk; arising from differences between the actual and expected interest margins on Banking book items over the implied cost of funds of those items.

The above mentioned risks are not only measured, monitored, and managed from the regulatory purpose, but from the perspective of internal management.

	2020		2019	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in interest rates on				
- Profit and loss account	-	131,186	-	175,771
- Other comprehensive income	12,965,285	-	14,259,122	-

48.2.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

	2020											
	Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk									Non-interest bearing financial instruments
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
On-balance sheet financial instruments		(Rupees in '000)										
Assets												
Cash and balances with treasury banks	0.0%	249,969,566	24,564,578	-	-	3,574,948	-	-	-	-	-	221,830,039
Balances with other banks	8.3%	15,015,366	5,167,970	364,979	455,390	690,430	-	-	-	-	-	8,336,597
Lending to financial institutions	6.6%	126,804,675	126,804,675	-	-	-	-	-	-	-	-	-
Investments	11.3%	1,466,405,373	167,155,470	466,849,352	45,910,297	105,037,751	93,635,069	139,693,515	124,152,455	237,876,476	10,399,389	75,695,600
Advances	9.0%	983,871,421	228,603,203	354,991,745	140,752,581	66,108,285	16,909,414	48,488,652	72,419,084	28,992,848	25,391,406	1,214,202
Other assets	0.0%	59,589,279	411,322	-	5,775	133,351	-	246	8,341	-	-	59,030,243
		2,901,655,680	552,707,218	822,206,076	187,124,043	175,544,765	110,544,483	188,182,413	196,579,880	266,869,324	35,790,795	366,106,681
Liabilities												
Bills payable	0.0%	16,795,186	-	-	-	-	-	-	-	-	-	16,795,186
Borrowings	6.6%	138,539,005	10,688,517	10,993,746	56,908,784	42,516,430	2,392,766	3,509,557	6,420,414	5,108,790	-	-
Deposits and other accounts	5.2%	2,418,928,469	1,295,603,069	88,051,369	32,233,664	52,812,308	12,050,442	3,913,846	13,040,142	652,508	-	920,571,121
Liabilities against assets subject to finance lease	9.1%	197,224	-	-	-	73,481	-	123,743	-	-	-	-
Lease liability against right of use assets	10.0%	7,869,355	41	21,491	58,035	212,985	812,047	816,618	1,820,743	2,838,255	1,289,140	-
Other liabilities	0.0%	154,209,188	280,806	-	9,487	-	-	-	-	-	-	153,918,895
		2,736,538,427	1,306,572,433	99,066,606	89,209,970	95,615,204	15,255,255	8,363,764	21,281,299	8,599,553	1,289,140	1,091,285,202
On-balance sheet gap		165,117,253	(753,865,215)	723,139,470	97,914,073	79,929,561	95,289,228	179,818,649	175,298,581	258,269,771	34,501,655	(725,178,521)
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions		986,016,071	-	-	-	-	-	-	-	-	-	986,016,071
Commitments in respect of:												
- forward foreign exchange contracts		125,163,364	30,923,782	86,543,418	6,097,820	1,598,344	-	-	-	-	-	-
- forward government securities transactions		(26,632,678)	(26,632,678)	-	-	-	-	-	-	-	-	-
Commitments for acquisition of:												
- operating fixed assets		632,618	414,640	92,492	32,492	92,994	-					
- Other commitments		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		1,085,179,375	4,705,744	86,635,910	6,130,312	1,691,338	-	-	-	-	-	986,016,071
Total Yield/Interest Risk Sensitivity Gap			(749,159,471)	809,775,380	104,044,385	81,620,899	95,289,228	179,818,649	175,298,581	258,269,771	34,501,655	260,837,550
Cumulative Yield/Interest Risk Sensitivity Gap			(749,159,471)	60,615,909	164,660,294	246,281,194	341,570,422	521,389,071	696,687,652	954,957,424	989,459,078	1,250,296,629

		2019 (Restated)										
	Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk									Non-interest bearing financial instruments
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.0%	293,198,090	32,909,138	599,716	796,971	569,701	-	-	-	-	-	258,322,564
Balances with other banks	12.2%	13,598,325	4,811,370	1,212,496	435,643	662,730	-	-	-	-	-	6,476,086
Lending to financial institutions	13.2%	134,780,010	132,680,048	2,099,962	-	-	-	-	-	-	-	-
Investments	10.9%	1,452,799,192	7,869,810	53,453,774	14,695,312	738,447,962	185,955,357	85,224,162	97,554,750	186,426,924	13,494,958	69,676,184
Advances	10.3%	1,008,398,612	258,881,767	353,421,852	178,068,742	48,727,183	24,407,101	31,587,097	65,068,887	29,993,575	17,065,764	1,176,645
Other assets	0.0%	85,021,268	459,555	-	-	163,947	-	31,302	9,205	-	-	84,357,259
		2,987,795,497	437,611,688	410,787,799	193,996,668	788,571,523	210,362,458	116,842,561	162,632,842	216,420,499	30,560,722	420,008,738
Liabilities												
Bills payable	0.0%	19,867,424	-	-	-	-	-	-	-	-	-	19,867,424
Borrowings	13.3%	471,757,352	379,837,482	37,713,498	22,070,344	23,324,881	863,588	2,927,955	2,908,254	2,111,350	-	-
Deposits and other accounts	6.3%	2,197,984,573	1,138,962,420	72,567,558	28,086,713	41,302,402	7,002,425	5,387,496	10,129,768	180,000	-	894,365,790
Liabilities against assets subject to finance lease	7.6%	194,403	-	-	-	56,266	-	138,137	-	-	-	-
Lease liability against right of use assets	10.0%	7,831,350	78	14,849	39,013	175,714	355,554	853,555	1,692,291	3,424,044	1,276,252	-
Other liabilities	0.0%	180,344,593	286,293	-	-	-	-	-	-	-	-	180,058,300
		2,877,979,695	1,519,086,273	110,295,905	50,196,070	64,859,263	8,221,567	9,307,143	14,730,313	5,715,394	1,276,252	1,094,291,514
On-balance sheet gap		109,815,802	(1,081,474,585)	300,491,894	143,800,598	723,712,260	202,140,891	107,535,418	147,902,529	210,705,105	29,284,470	(674,282,776)
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions		937,616,635	-	-	-	-	-	-	-	-	-	937,616,635
Commitments in respect of:												
- forward foreign exchange contracts		156,394,965	49,843,489	66,860,830	29,004,137	10,686,509	-	-	-	-	-	-
- forward government securities transactions		(21,650,953)	(21,650,953)	-	-	-	-	-	-	-	-	-
Commitments for acquisition of:												
- operating fixed assets		566,855	554,779	8,228	-	3,848	-	-	-	-	-	-
Other commitments		13,500	-	6,750	-	6,750	-	-	-	-	-	-
Off-balance sheet gap		1,072,941,002	28,747,315	66,875,808	29,004,137	10,697,107	-	-	-	-	-	937,616,635
Total Yield / Interest Risk Sensitivity Gap			(1,052,727,270)	367,367,702	172,804,735	734,409,366	202,140,891	107,535,418	147,902,529	210,705,105	29,284,470	263,333,859
Cumulative Yield / Interest Risk Sensitivity Gap			(1,052,727,270)	(685,359,568)	(512,554,833)	221,854,534	423,995,424	531,530,843	679,433,372	890,138,477	919,422,947	1,182,756,806

48.2.2.6 Reconciliation of Financial Assets and Liabilities with Total Assets and Liabilities

	2020	2019
	(Rupees in '000)	
Total Financial Assets as per note 48.2.2.5	**2,901,655,680**	2,987,795,497
Add: Non-Financial Assets		
Fixed assets	**55,086,809**	54,919,564
Intangible assets	**1,022,143**	1,070,766
Right of Use Assets	**7,017,020**	7,447,414
Other assets	**52,428,340**	81,127,027
	115,554,312	144,564,771
Total assets as per statement of financial position	**3,017,209,992**	3,132,360,268
Total Financial Liabilities as per note 48.2.2.5	**2,736,538,427**	2,877,979,695
Add: Non-Financial Liabilities		
Deferred tax liabilities	**2,933,124**	10,869,353
Other liabilities	**3,336,159**	4,288,665
	6,269,283	15,158,018
Total liabilities as per statement of financial position	**2,742,807,710**	2,893,137,713

Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

48.2.3 Operational Risk

The Group may suffer losses due to its exposure to Operational Risk. To mitigate, a comprehensive Operational Risk Management (ORM) Framework has been developed to align the Group's operations with sound practices of operational risk by Basel framework. ORM Framework provides guidance for setting the operational risk strategy of the Group, selection and adoption of risk and loss measurement tools, reporting, and establishment of operational risk management processes.

Operational risks are a core component of doing business arising from the day-to-day operational activities of the Group including launching of new products and services by the Group. Group realizes that operational risks cannot be fully mitigated, it therefore determines an appropriate balance between accepting potential losses and incurring costs of mitigation.

Further, the Group has adopted a comprehensive Operational Risk Management Strategy and Operational Risk Tolerance limits approved by the Board in-line with Basel framework. Furthermore, the Group has rolled-out Operational Loss Data Collection Mechanism whereby field functionaries are responsible to report operational losses under their jurisdictions on a certain frequency. Operational loss events are reviewed and appropriate corrective measures are taken on an ongoing basis.

The Group has also conducted analysis of major Operational Risk Incidents covering key control lapses and accordingly suggested recommendations & mitigations. As per regulatory framework, the Group calculates capital charge for its operational risk using Basic Indicator Approach.

Moreover, the Group closely monitored the situation and undertaken required actions to ensure the safety and security of Group staff and maintenance of service to its customers. The Senior Management of the Group including the Covid Crises Management Team closely monitored the situation, and took timely decisions to resolve any concerns.

The Group has a duly tested Business Continuity Plan (BCP). The Group has communicated the plan with its customers on how they can connect with the Group through its digital and online channels. The Group continued to take measures to ensure the maintainence of their service levels, customer complaints were resolved, in order for the Group to meet the expectations of its stakeholders.

The Group's operations stayed highly resilient, almost more than 95% branches remained open to facilitate its customers. Further, the Group deployed all necessary measures for the health and safety of its employees to prevent them from the pandemic situation.

48.2.4 Information Security Risk

We rank cyber security as one of our top priority risks. Our extensive customer base and increasing focus on information technology growth, mean that our data is protected and our systems are safe. Further, due to COVID-19, the Group has taken appropriate actions to monitor and respond to ever evolving cybersecurity risks and adopted a heightened state of cybersecurity. We are living in the highly technology dependent environment, where most of the business functions are performed with information technology for storing, processing and sharing information; the information "assets" that are being used to store, process and transmit the information, face various types of threats. If threats get materialized and are able to exploit the vulnerabilities (weaknesses) present in these information assets, the confidentiality, integrity and availability of information get compromised. In order to mitigate the risks, certain controls and countermeasures need to be assessed and implemented. We have governance mechanisms in place to develop, deploy and monitor information security policies, internal controls and cyber security framework across our businesses.

Our staff is first line of defense against any cyber attacks therefore we regularly assess the information security controls and undertake employees' awareness and trainings. We work with our key technology partners to ensure that potential vulnerable systems are identified and appropriate controls, updates and patches are implemented to secure the systems. The Group is actively communicating with its customers on interacting with the Group in a secure manner through its full suite of channels including online and digital.

Notes to the Consolidated Financial Statements
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48.2.5 Enterprise-wide Risk

In addition to the above mentioned risks, the Group has a structure to identify residual material risks through generation of various MIS reports on periodic basis. The source of these reports includes, but not limited to, the Board approved Internal Capital Adequacy and Assessment Process (ICAAP), which commensurate risks over and above those which directly occurs as a result of daily business and operations of the Group. These risks include Concentration Risk, Interest Rate Risk in Grouping Book (IRRBB), Increase in NPL Categories, Reputational Risk, Strategic Risk, etc.

Moreover, all those brewing risks that are material and arise within the Group or due to inherent behavior of country's market and economic conditions, whether in isolation or in combinations are covered under the Group-wide Recovery Plan. These risks are monitored on certain frequency and corrective actions are taken as and when deemed necessary.

The Group has also prepared various scenarios and accordingly quantified losses against different types of risks based on sophisticated statistical models, such as, macro-stress testing - a regression based methodology. This is developed and implemented by the Group assuming deterioration in macro-economic factors that measures any negative impact on the capital of the Group.

48.2.6 Liquidity Risk

Liquidity risk is the risk that the Group may be unable to meet short term financial demands. This usually occurs due to the inability to convert a security or hard asset to cash without a loss of capital and/or income in the process. Groups are often evaluated on their liquidity, or their ability to meet cash and collateral obligations without incurring substantial losses.

To mitigate this risk, Group has arranged diversified funding sources, manages specific assets with liquidity in mind and monitors liquidity on daily basis. In addition, the Group maintains statutory deposits with central Groups inside and outside Pakistan. The purpose of liquidity management is to ensure that there are sufficient cash flows to meet all of the Group's liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking sustained damage to the Group's reputation, as well as to capitalize on opportunities for business expansion and profitability. This includes the Group's ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature and to make new loans and investments as opportunities arise.

Asset and Liability Company ALCO is responsible for ensuring that the Group has adequate liquidity and monitors liquidity gaps, to execute this responsibility. Regulatory stress as well as proprietary stress testing and ratio based liquidity assessments are performed to probatively identify and manage liquidity position, needs /requirements. Group has various limits / ratios, triggers and management actions in place to monitor and mitigate liquidity risk. The Group calculates and monitors, on regular basis, Basel-III Liquidity standards (includes LCR, NSFR and LMTs), liquidity ratios as per SBP parameters [(LA/ D&B), Gross ADR (net of refinancing from SBP)] besides other internal liquidity measures like total approved securities to deposit, etc. Moreover, the recent fall in interest rate has resulted in substantial MTM gain in Government Securities portfolio, which can be realised in case of any adverse liquidity situation.

48.2.6.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Group

	2020														
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
Assets														
Cash and balances with treasury banks	249,969,566	245,059,070	845,550	-	489,997	-	-	-	-	3,574,948	-	-	-	-
Balances with other banks	15,015,366	9,199,199	2,659,756	-	1,645,612	205,127	159,852	455,390	308,490	381,940	-	-	-	-
Lendings to financial institutions	126,804,675	-	122,804,675	2,300,000	1,700,000	-	-	-	-	-	-	-	-	-
Investments	1,466,405,373	7,505,285	983,775	128,486,813	30,179,598	230,232,181	236,617,171	45,910,297	113,118,951	39,062,131	97,899,248	157,346,293	125,301,464	253,762,168
Advances	983,871,421	334,403,880	1,854,530	3,454,238	32,164,790	59,734,019	16,613,801	60,217,771	30,309,223	30,140,836	41,668,685	78,281,159	157,296,409	137,732,080
Fixed assets	55,086,809	-	-	-	53,118	22,765	40,105	2,135	-	893,464	2,879,531	734,166	1,617,909	48,843,616
Intangible assets	1,022,143	91	546	637	1,455	2,728	2,728	8,877	8,184	109,455	131,741	127,175	65,974	562,553
Right of use assets	7,017,020	-	-	-	201	14,649	5,276	51,391	29,405	201,414	683,219	736,833	1,528,327	3,766,306
Other assets	112,017,619	17,062,228	255,641	-	941,238	17,934,892	18,136,013	10,892,766	1,206,337	1,204,129	38,266,979	3,351,081	2,762,030	4,284
	3,017,209,992	613,229,753	129,404,473	134,241,688	67,176,009	308,146,361	271,574,946	117,538,627	144,980,590	75,568,317	181,529,403	240,576,707	288,572,113	444,671,007
Liabilities														
Bills payable	16,795,186	16,795,186	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	138,539,005	1,966,540	-	5,266,007	3,455,970	4,727,114	6,266,632	56,908,784	41,474,224	1,042,206	2,392,766	3,509,557	6,420,414	5,108,790
Deposits and other accounts	2,418,928,469	2,067,874,191	23,713,202	11,128,935	102,766,802	51,070,288	13,467,529	66,056,859	20,877,326	18,483,105	12,454,175	8,477,921	21,086,963	1,471,175
Liabilities against assets subject to finance lease	197,224	-	-	-	-	-	-	-	-	73,480	-	-	123,744	-
Lease liability against right of use assets	7,869,355	-	-	-	41	15,141	6,349	58,035	25,319	194,773	870,055	674,695	1,897,552	4,127,395
Deferred tax liabilities	2,933,124	-	-	-	-	-	-	-	-	2,275	-	-	2,930,849	-
Other liabilities	157,545,347	61,524,307	731,652	280,904	1,092,932	9,347,200	24,852,920	15,236,144	1,210,882	1,141,620	15,947,785	5,339,632	10,747,569	10,091,800
	2,742,807,710	2,148,160,224	24,444,854	16,675,846	107,315,745	65,159,743	44,593,430	138,259,822	63,587,751	20,937,459	31,664,781	18,001,805	43,207,091	20,799,160
Net assets	274,402,282	(1,534,930,471)	104,959,619	117,565,842	(40,139,734)	242,986,618	226,981,516	(20,721,195)	81,392,839	54,630,858	149,864,622	222,574,902	245,365,022	423,871,847
Share capital	21,275,131													
Reserves	57,591,417													
Unappropriated profit	120,631,784													
Surplus on revaluation of assets	73,987,802													
Non-controlling interest	916,148													
	274,402,282													

	2019 (Restated)													
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
	(Rupees in '000)													
Assets														
Cash and balances with treasury banks	293,198,090	291,148,722	81,595	-	-	601,101	-	796,971	-	569,701	-	-	-	-
Balances with other banks	13,598,325	6,676,578	1,584,006	2,152,912	867,922	470,900	747,632	435,643	281,610	381,123	-	-	-	-
Lendings to financial institutions	134,780,010	-	131,180,048	-	1,500,000	2,099,962	-	-	-	-	-	-	-	-
Investments	1,452,799,192	4,947,640	63,689	1,476,531	1,318,622	5,711,294	47,929,607	14,695,312	523,958,573	254,853,386	189,531,577	104,055,918	98,526,197	205,730,845
Advances	1,008,398,612	314,485,555	3,448,494	1,604,893	48,123,224	47,540,751	33,979,136	76,113,053	58,168,112	27,636,798	36,974,683	53,753,611	177,837,223	128,733,080
Fixed assets	54,919,564	-	-	-	57,759	79	87,144	16,585	-	817,231	2,857,355	754,858	1,681,390	48,647,162
Intangible assets	1,070,766	-	-	-	-	-	21,689	-	-	126,077	124,983	183,241	52,222	562,553
Right of use assets	7,447,414	20	-	-	57	12,813	1,094	39,062	18,712	152,551	333,520	815,155	1,611,699	4,462,730
Other assets	166,148,295	25,173,268	229,109	1,719	716,570	28,301,015	28,511,989	13,949,831	1,910,103	1,922,206	53,547,444	9,266,233	2,596,438	22,369
	3,132,360,268	642,431,783	136,586,941	5,236,055	52,584,155	84,737,914	111,278,290	106,046,457	584,337,111	286,459,073	283,369,564	168,829,017	282,305,170	388,158,739
Liabilities														
Bills payable	19,867,424	19,867,424	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	471,757,352	3,468,570	314,697,849	5,715,707	55,955,355	13,787,296	23,926,202	22,070,344	22,981,161	343,720	863,588	2,927,955	2,908,254	2,111,350
Deposits and other accounts	2,197,984,573	1,834,856,695	16,489,427	9,565,683	114,411,441	56,248,507	12,464,141	37,582,592	35,590,618	27,718,422	11,749,879	14,177,962	25,542,734	1,586,472
Liabilities against assets subject to finance lease	194,403	-	-	-	-	-	-	-	-	56,266	-	138,137	-	-
Lease liability against right of use assets	7,831,350	-	-	-	78	13,695	1,155	39,013	20,309	155,405	355,554	853,555	1,692,291	4,700,296
Deferred tax liabilities	10,869,353	-	-	-	-	-	-	-	-	-	-	-	6,382,513	4,486,840
Other liabilities	184,633,258	79,135,146	730,486	406,431	985,613	15,212,576	29,705,804	15,991,287	1,056,906	956,693	18,253,862	4,527,368	9,142,946	8,528,141
	2,893,137,713	1,937,327,836	331,917,762	15,687,821	171,352,486	85,262,073	66,097,301	75,683,236	59,648,994	29,230,506	31,222,883	22,624,976	45,668,738	21,413,099
Net assets	239,222,555	(1,294,896,053)	(195,330,821)	(10,451,767)	(118,768,331)	(524,159)	45,180,989	30,363,221	524,688,117	257,228,567	252,146,681	146,204,041	236,636,432	366,745,639
Share capital	21,275,131													
Reserves	53,260,789													
Unappropriated profit	93,465,516													
Surplus/(Deficit) on revaluation of assets	70,358,587													
Non-controlling interest	862,532													
	239,222,555													

48.2.6.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Group

	2020										
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	249,969,566	150,576,268	1,763,659	45,629,218	49,204,166	2,796,253	-	-	-	-
Balances with other banks	15,015,366	13,504,566	364,979	455,390	690,430	-	-	-	-	-
Lendings to financial institutions	126,804,675	126,804,675	-	-	-	-	-	-	-	-
Investments	1,466,405,373	167,155,470	466,849,352	45,910,297	153,236,466	97,899,248	157,346,293	125,301,464	237,876,475	14,830,308
Advances	983,871,421	303,935,213	149,736,917	56,019,840	59,209,071	41,668,685	78,281,159	157,288,456	86,006,957	51,725,124
Fixed assets	55,086,809	53,118	62,870	2,135	893,464	2,879,531	734,166	1,617,909	69,073	48,774,543
Intangible assets	1,022,143	91	-	1,239	133,371	131,741	127,175	65,974	562,553	-
Right of use assets	7,017,020	201	19,924	51,391	230,818	683,219	736,834	1,528,327	2,628,348	1,137,958
Other assets	112,017,619	38,346,832	17,560,952	9,314,994	2,410,468	38,266,979	3,351,081	2,766,313	-	-
	3,017,209,992	800,376,434	636,358,653	157,384,504	266,008,254	184,325,656	240,576,708	288,568,443	327,143,406	116,467,933
Liabilities										
Bills payable	16,795,186	8,784,880	499,727	6,439,082	194,485	877,012	-	-	-	-
Borrowings	138,539,005	10,688,517	10,993,746	56,908,784	42,516,430	2,392,766	3,509,557	6,420,414	5,108,790	-
Deposits and other accounts	2,418,928,469	691,637,237	118,540,644	338,032,867	336,495,938	309,364,692	305,388,438	317,997,480	1,471,174	-
Liabilities against assets subject to finance lease	197,224	-	-	-	73,480	-	-	123,744	-	-
Lease liability against right of use assets	7,869,355	14,255	21,491	58,035	233,248	848,036	669,345	1,897,552	2,838,255	1,289,138
Deferred tax liabilities	2,933,124	-	-	-	2,278	-	-	2,930,846	-	-
Other liabilities	157,545,347	61,524,307	38,344,563	15,612,721	3,279,386	15,947,785	5,339,632	10,747,569	5,053,492	5,038,308
	2,742,807,710	2,148,160,224	168,400,171	417,051,488	382,795,245	329,430,291	314,906,972	340,117,605	14,471,711	6,327,446
Net assets	274,402,282	(1,534,930,471)	467,958,483	(259,666,984)	(116,786,991)	(145,104,635)	(74,330,264)	(51,549,162)	312,671,695	110,140,486
Share capital	21,275,131									
Reserves	57,591,417									
Unappropriated profit	120,631,784									
Surplus/(Deficit) on revaluation of assets	73,987,802									
Non-controlling interest	916,148									
	274,402,282									

	2019 (Restated)									
	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	293,198,090	165,580,920	3,238,348	58,620,388	58,393,118	7,365,317	-	-	-	-
Balances with other banks	13,598,325	11,287,456	1,212,496	435,643	662,730	-	-	-	-	-
Lendings to financial institutions	134,780,010	132,680,048	2,099,962	-	-	-	-	-	-	-
Investments	1,452,799,192	7,993,610	53,453,774	14,935,084	779,950,229	189,531,577	104,055,918	98,526,197	186,426,924	17,925,879
Advances	1,008,398,612	301,052,085	167,020,539	58,704,756	84,415,381	36,874,683	53,761,740	177,837,223	87,170,265	41,561,943
Fixed assets	54,919,564	60,385	87,223	16,585	820,869	2,854,733	751,216	1,692,577	-	48,635,974
Intangible assets	1,070,766	52,222	-	-	147,765	124,984	183,241	-	562,553	-
Right of use assets	7,447,414	77	13,907	39,062	171,263	333,520	691,665	1,735,189	3,270,264	1,192,466
Other assets	166,148,295	51,386,712	32,930,769	11,865,589	4,532,745	53,547,444	9,266,233	2,596,438	-	22,369
	3,132,360,268	670,093,515	260,057,018	144,617,107	929,094,101	290,632,260	168,710,015	282,387,625	277,430,007	109,338,631
Liabilities										
Bills payable	19,867,424	9,433,021	570,011	204,891	8,241,485	1,418,016	-	-	-	-
Borrowings	471,757,352	379,837,482	37,713,498	22,070,344	23,324,881	863,588	2,927,955	2,908,254	2,111,350	-
Deposits and other accounts	2,197,984,573	666,411,562	109,958,653	270,008,867	321,735,872	270,687,403	273,115,486	284,480,259	1,586,471	-
Liabilities against assets subject to finance lease	194,403	-	-	-	56,266	-	138,137	-	-	-
Lease liability against right of use assets	7,831,350	78	14,849	39,013	175,714	355,554	853,555	1,692,291	3,424,044	1,276,252
Deferred tax liabilities	10,869,353	-	-	-	-	-	-	6,382,513	4,486,840	-
Other liabilities	184,633,258	68,624,279	53,683,032	19,033,656	2,839,973	18,253,864	4,527,367	9,142,946	4,264,070	4,264,070
	2,893,137,713	1,124,306,421	201,940,043	311,356,772	356,374,192	291,578,424	281,562,500	304,606,262	15,872,776	5,540,323
Net assets	239,222,555	(454,212,906)	58,116,975	(166,739,665)	572,719,909	(946,164)	(112,852,485)	(22,218,637)	261,557,231	103,798,308
Share capital	21,275,131									
Reserves	53,260,789									
Unappropriated profit	93,465,516									
Surplus/(Deficit) on revaluation of assets	70,358,587									
Non-controlling interest	862,532									
	239,222,555									

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48.2.7 Derivative Risk

A derivative is a contract that derives its value from the performance of an underlying asset which can be an index, interest rate, commodity price, security price, FX rate etc. Derivatives include forwards, futures, foreign currency and interest rate swaps, options etc. In Pakistan, futures and forwards are most commonly traded derivatives.

Currently, the Group is not an active participant in the Pakistan derivatives market as it does not hold an Authorized Derivative Dealer (ADD) licence to perform derivate contracts. Once acquired, the Bank will carry out the transactions which are permitted under the Financial Derivatives Business Regulations issued by the SBP, which may include Interest rate swaps, forward rate agreements, foreign currency options etc.

Moreover, the Group may also offer other derivative products to satisfy customer requirements, specific approval of which will be sought from the SBP on a transaction by transaction basis.

49. EVENTS AFTER THE REPORTING DATE

The Board of Directors has proposed a cash dividend of Rs. Nil per share (2019: Rs. Nil per share) amounting to Rs. Nil (2019: Rs. Nil) at its meeting held on February 24, 2021 for approval of the members at the annual general meeting to be held on March 29, 2021. These consolidated financial statements do not reflect this appropriation as explained in note 5.22.

50. CORRESPONDING FIGURES

Certain corresponding figures have been reclassified wherever necessary to confirm to the presentation adopted in the current year.

51. GENERAL

51.1 Figures have been rounded off to the nearest thousand rupees.

52. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on February 24, 2021 by the Board of Directors of the Bank.

Zubyr Soomro	**Arif Usmani**	**Abdul Wahid Sethi**	**Imam Bakhsh Baloch**	**Asif Jooma**
Chairman	President & CEO	Chief Financial Officer	Director	Director

Annexure - I

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2020

Rs. in 000

Sr. No.	Name & Address of the borrower	Name of Individuals/Partners/ Directors with NIC No.	Fathers/Husband's name.	Outstanding liabilities at beginning of year				Principal written-Off	Interest/ Mark-up written off.	Other financial relief/waiver provided.	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1	Altaf Hussain Mohallah Raj Ghaat Suraj Miani Multan	Altaf Hussain 36302-6946741-1	Wahid Bukhsh	1,154	85	-	1,239	1,154	-	-	1,154
2	Khalid Mehmood Mohri Pur, P.O, Khas, Kabirwala	Khalid Mehmood 36102-1203646-7	Malik Khadim Hussain	593	226	-	819	593	-	-	593
3	Syed Mutee Ullah Shah Near Railway Phatak Chah Bakhi wala, Mirali wahan, shujaabad	Syed Mutee Ullah Shah 36304-1352078-9	Ghulam Nabi Shah	737	-	-	737	737	-	-	737
4	Muhammad Akhtar S/O Muhammad Shafi, Mohallah Saddiq Pura Marowal	Muhammad Akhtar 34501-2010714-9	Muhammad Shafi	513	-	-	513	513	-	-	513
5	Late Hafiz Nazar Ali Latif Colony Rahmatpur Muhalla Dist Larkana	Late Hafiz Nazar Ali 43203-7490491-1	Ali Murad Mastoi	1,600	-	-	1,600	1,600	-	-	1,600
6	Late Deedar Ali S/O Muhammad Khan Village meer Khan P.O Qubo Saeed Khan Dist Kamber Shahdadkot	Late Deedar Ali 43206-2090547-9	Muhammad Khan	1,272	-	-	1,272	1,273	-	-	1,273
7	Late Sultan Ahmed S/O Bahram Khan Muhalla Misri Shah P.O Shahdadkot Dist:Kamver Shahdadkot	Late Sultan Ahmed 43406-0364231-5	Bahram Khan	1,054	-	-	1,054	1,054	-	-	1,054
8	Late Muhammad Akbar S/O Mirza Khan Jagirani Village Haut Dahoot taluka Kamber Dist: Kamber Shahdaddkot	Late Muhammad Akbar 43203-9191745-9	Mirza Khan Jagirani	701	-	-	701	702	-	-	702
9	Late Qamaruddin S/O Moor Khan Jiho Village Wasand Jeho P.O Khan Waha Wasand Jeho Ratodero Dist Larkana	Late Qamaruddin 43205-4474253-7	Moor Khan Jiho	612	-	-	612	612	-	-	612
10	Late Ghulam Hyder S/O Nabi Bux Solangi Shaki Sulman Shah Colony Bhanseedabad Taluka Sehwan Dist Jamshoro	Late Ghulam Hyder 41206-5183938-7	Nabi Bux Solangi	779	-	-	779	779	-	-	779
11	Late Shabir Ahmed S/O Mehar Khan Mashori Village Mehrani Taluk Dokri Dist Larkana	Late Shabir Ahmed 43201-6119252-1	Mehar Khan Mashori	600	-	-	600	600	-	-	600
12	Late Muhammad Bux S/O Gul Hassan Shaikh Allah Abad Muhalla Bakrani Road Larkana	Late Muhammad Bux 43203-6881404-5	Gul Hassan Shaikh	612	-	-	612	612	-	-	612
13	Late Khalid Akber S/O Ghulam Akber Near Petrol Pump Lahori Muhalla Larkana	Late Khalid Akber 43203-4663692-5	Ghulam Akber	752	-	-	752	752	-	-	752
14	Late Muhammad Sharif S/O Qurban Ali Qureshi R/O Shahbaz Colony Khairpur Nathan Shah	Late Muhammad Sharif 41203-1684038-7	Qurban Ali Qureshi	649	-	-	649	649	-	-	649
15	Late Muhammad Uris S/O Ali Bux Khoso Mir Pur Muhalla K.N Shah	Late Muhammad Uris 41203-8342097-7	Ali Bux Khoso	944	-	-	944	944	-	-	944
16	Late Muhammad Sadique S/O Nek Muhammad Village Nek Muhammad Khaskheli, Taluka Dokri	Late Muhammad Sadique 43201-5697388-9	Nek Muhammad	578	-	-	578	578	-	-	578
17	Late Rehmutullah S/O Khuda Bux Village Abdul Haq Khan Khoso P.O Behram Sistt Kamber Shahdadkot	Late Rehmutullah 43204-6997069-9	Khuda Bux	650	-	-	650	650	-	-	650
18	Late Qurban Ali S/O Haji Ali Sher Village Ghulam Panhwar P.O Phulji Station Distt Dadu	Late Qurban Ali 41201-1761586-7	Haji Ali Sher	757	-	-	757	757	-	-	757
19	Late Ali Akbar Attar Village Muhammad Yousif Aataar Khasa Chandia Dadu	Late Ali Akbar Attar 41409-7424261-9	Muhammad Essa Attar	708	-	-	708	709	-	-	709
20	Late Najeebullah S/O Abdul Latif Abro Village Agham No.02 Banguldero Taluka Ratodero Dist Larkana	Late Najeebullah 43205-0746683-5	Abdul Latif Abro	905	-	-	905	905	-	-	905

Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

Rs. in 000

Sr. No.	Name & Address of the borrower	Name of Individuals/Partners/ Directors with NIC No.	Fathers/Husband's name.	Outstanding liabilities at beginning of year				Principal written-Off	Interest/ Mark-up written off.	Other financial relief/waiver provided.	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
21	Late Abdul Qayoom S/O Muhammad Bux Khan Village Jan Beg Khan Kanrani Taluka Thull Distt Jacobabad	Late Abdul Qayoom 43105-9171427-1	Muhammad Bux Khan	828	-	-	828	828	-	-	828
22	Late Wali Muhammad S/O Shafi Muhammad Soomro Village Mirpur Buriro Taluka Thull Distt Jacobabad	Late Wali Muhammad 43105-0611960-5	Shafi Muhammad Soomro	777	-	-	777	777	-	-	777
23	Late Muhammad Ibrahim S/O Muhammad Paryal Dayo New Doctor Colony Ratoderao	Late Muhammad Ibrahim 43205-4020282-7	Muhammad Paryal Dayo	926	-	-	926	926	-	-	926
24	Late Shah Nawaz S/O Ghulam Murtaza Village Fatahpur K.N.Shah	Late Shah Nawaz 41203-7142814-7	Ghulam Murtaza	741	-	-	741	742	-	-	742
25	Late Mumtaz Ali S/O Wali Muhammad CNIC NO.43404-0370901-3 Village Gul Muhammad Chandio, P.O Miro Khan	Late Mumtaz Ali 43404-0370901-3	Wali Muhammad	805	-	-	805	805	-	-	805
26	Late Haji Amir Ali S/O Haji Allah Rakhio Near Hydri Plice Station, Muhalla Chandia Larkana Distt: Larkana	Late Haji Amir Ali 43203-6180269-5	Haji Allah Rakhio	511	-	-	511	511	-	-	511
27	Late Saeed Khan S/O Khair Muhammad Jakhar Tharo Dero Bughti Baloch Taluka Larkana	Late Saeed Khan 43203-7505426-3	Khair Muhammad Jakhar	832	-	-	832	832	-	-	832
28	Late Maqbool Ahmed S/O Abdul Razak Sejawal Junejo /Village Kot Lal Bux	Late Maqbool Ahmed 43204-9627749-3	Abdul Razak	751	-	-	751	752	-	-	752
29	Late Fareed Ahmed S/O Nizamuddin Peoples Colony, Muhalla Lahori Larkana	Late Fareed Ahmed 43203-1354620-3	Nizamuddin	614	-	-	614	614	-	-	614
30	Late Lal Bux S/O Allah Wadhayo Abro Muhall Galib Nagar Larkana	Late Lal Bux 43203-0687077-5	Allah Wadhayo Abro	703	-	-	703	703	-	-	703
31	Late Shafi Muhammad S/O Gul Hassan Village & P.O Hamayoon Taluka & Dist Shikarpur	Late Shafi Muhammad 43304-8743973-1	Gul Hassan	913	-	-	913	913	-	-	913
32	Late Kala Alyas Wazir Ali S/O Bashir Ahmed Near Qubo Road H. No.2665/82 Drib Muhammad P.O ShahdadkotDist Kamber Shahdadkot	Late Kala Alyas Wazir 43406-0357163-7	Bashir Ahmed	540	-	-	540	540	-	-	540
33	Late Ghulam Sarwar S/O Hidayatullah Village Phillri Taluka Sijawal Junejo Distt: Kamber Shahdadkot	Late Ghulam Sarwar 43204-1149630-9	Hidayatullah	599	-	-	599	599	-	-	599
34	Late Zahid Hussain S/O Muhammad Roshan Samo R/O Kori Muhalla Khairpur Nathan Shaha	Late Zahid Hussain 41203-0458636-1	Muhammad Roshan Samo	516	-	-	516	516	-	-	516
35	Late Allah Dino S/O Mazhar Hussain Solangi Ward No.05 Solangi Muhalla Sita Road Taluka K.N Shah Dist Dadu	Late Allah Dino 41203-7373911-1	Mazhar Hussain Solangi	501	-	-	501	502	-	-	502
36	Late Ahmed Ali S/O Amanullah Joyo CNIC NO.43207-0849012-9	Late Ahmed Ali 43207-0849012-9	Amanullah Joyo	520	-	-	520	520	-	-	520
37	Late Muhammad Fareed S/O Muhammad Mureed CNIC NO.43203-7753014-3 Near Dargah Sharif Makan No.601 Muhalla Rahmatpur	Late Muhammad Fareed 43203-7753014-3	Muhammad Mureed	522	-	-	522	522	-	-	522
38	Late Ghulam Hyder S/O Mehmood Mirbhar Muhalla Per Jo Goth Taluka Naudero Distt Larkana	Late Ghulam Hyder 43205-4232086-9	Mehmood Mirbhar	592	-	-	592	592	-	-	592
39	Late Aga Abdul Sattar Khan Muhalla Khair Muhammad Khan Shikarpur	Late Aga Abdul Sattar Khan 43304-1870923-5	Aga Abdul Fatah	539	-	-	539	539	-	-	539
40	Late Abdul Razaq S/O Bagan Banglani Village Bilawal Banglani Taluka Thull Dist Larkana	Late Abdul Razaq 43105-7856760-5	Bagan Banglani	601	-	-	601	601	-	-	601
41	Late Ramdas S/O Mangha Ram Muhalla Harefan Ratodero	Late Ramdas 43205-0110482-7	Mangha Ram	539	-	-	539	539	-	-	539
42	Late Muhammad Mako Village Ghulam Qadir Dakhan Ratodero	Late Muhammad Mako 43301-4080311-9	Muhammad Hashim	586	-	-	586	587	-	-	587
43	Late Ali Sher S/O Mubarak Chandio Village Din Muhammad Chandio Larkana	Late Ali Sher 43203-6704535-7	Mubarak Chandio	581	-	-	581	581	-	-	581
44	Late Irshad Ahmed S/O Muhammad Usman Massan Road Muhalla Muhammad Pur Larkana	Late Irshad Ahmed 43203-7737131-9	Muhammad Usman	513	-	-	513	513	-	-	513

Rs. in 000

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				Principal	Interest/ mark-up	Others	Total				
45	Late Ghulam Akber S/O Ali Nawaz Shaikh Near Mustafa Masjid Muhalla New Shaikh Zed Colony Larkana	Late Ghulam Akber 43204-3518049-7	Ali Nawaz Shaikh	988	-	-	988	988	-	-	988
46	Manzoor Ahmad, Momin Pura Syedan Chak Ramdas Disttrict Gujranwala	Manzoor Ahmad 34102-1894803-3	Muhammad Abdullah	741	99	-	840	741	-	-	741
47	Mr.Malik Muhammad Afzal S/o Malik Hussain Bukhsh Basti samja wahgan,P/O zahirpir,tehsil,Khanpur.	Mr.Malik Muhammad Afzal 36301-9459345-5	Malik Hussain Bukhsh	528	-	-	528	528	-	-	528
48	Syed Sikandar Jalal H.No. 128, Street No. 5 Shiekh Maltoon Town Mardan	Syed Sikandar Jalal Qasim 16101-5375266-9	Syed Muhammad Saleem	602	71	-	673	602	-	-	602
49	Raja Muhammad Aslam, Village Cheleyana Jageer, Tehsil Athmuqam, Distt Neelum, AK	Raja Muhammad Aslam 82201-1887006-7	Hadaytullah Janjuya	720	-	-	720	720	-	-	720
50	Syed Zameer Hussain Shah, Village Neelum, P/O Karin, Tehsil Athmuqam, Distt Neelum, AK	Syed Zameer Hussain Shah 82201-9867009-1	Syed Jehangir Shah	694	-	-	694	694	-	-	694
51	Kashif Mehmood Awan Near Ara Machine Mohalla Uper Chatter Mzd	Kashif Mehmood Awan 82203-4515133-7	Muhammad Shaukat	710	-	-	710	710	-	-	710
52	Muhammad Waris VPO Chanjjana Kotli Sattian, Rawalpindi	Muhammad Waris 37403-7827627-3	Qaim Din	519	-	-	519	519	-	-	519
53	Mr.Muhammad Akram S/o Muhammad Ashraf Chak Bala Arain, Bahawalpur	Mr.Muhammad Akram 31101-8414687-7	Muhammad Ashraf	914	-	-	914	914	-	-	914
54	Mr.Muhammad Siddique S/oDin Muhammad H# 21, muslim town, renala khurd , dist. Okara	Mr.Muhammad Siddique 35303-2100954-9	Din Muhammad	545	-	-	545	546	-	-	546
55	Muhammad Bashir (Layyah)	Muhammad Bashir 32203-2026317-1	Ahmad Bakhsh	866	-	-	866	866	-	-	866
56	Sahibzada Wajih ur Rasool Rasool Mohallah Khair Shah, Pind Dadan Khan, T&D, Jhelum	Sahibzada Wajih ur Rasool 37302-1043762-1	Sahibzada Maqsood ur Rasool	705	-	72	777	705	-	-	705
57	M/S Abbas Khakhi & Company situated at Mouza Rajghat Suraj Miani Multan	Mr. Safdar Abbas Khakhi 36303-0897990-1	Malik Bilal Khakhi	198	2,103	150	2,451	-	-	1,362	1,362
58	Mr. Dewan Syed Muhammad Taqi, near sunny bakers siddiqia road new gulgasht colony multan.	Mr. Dewan Syed Muhammad Taqi 36302-8994032-9	Dewan Syed Khurshid Ahmad	-	2,172	-	2,172	-	-	1,629	1,629
59	Muhammad Khursheed S/o Muhammad Sharif Bhero Waal, Post Office Khanewal Tehsil and District Khanewal	Muhammad Khursheed 36103-6550070-5	Muhammad Sharif	-	1,797	-	1,797	-	-	1,438	1,438
60	Mst.Suraya Begum House no 493, Mohallah Qazi Jalal, Inside Pak Gate Multan	Mst. Suraya Begum 36302-2486354-2	Malik Falak Sher	470	2,108	30	2,608	-	-	993	993
61	Muhammad Afzal Tahir Jamal Naghar Kotli Junaid Tehsil Mailsi District Vehari	Muhammad Afzal Tahir 36602-7023083-3	Mian Ahmad Bux	5,530	3,818	79	9,427	-	-	1,342	1,342
62	M/S Dress Valley Sharif Plaza LMQ Road, Multan	Kh. Anees ur Rehman 42000-7480710-1	Kh. Mujeeb ur Rehman	405	881	50	1,336	-	-	577	577
63	Muhammad Iqbal Bhatti Galli No. 6 , Mahallah Haji Noor Pura , Daska Muncipal Town Committee , Tehsil Daska ,	Mr.Muhammad Iqbal Bhatti 34601-9185407-9	Nathay Khan Bhatti Baig	-	-	3,569	3,569	-	-	2,192	2,192
64	M/s.Ahmed Brothers Ginners (Pvt.) Ltd. Address Chak # 112 Multan Road Jehanian Distt Khanewal	Aman Ullah 36101-1235934-5 Fozia Aman 36303-1861958-6 Nasreen Akhtar 36101-6838097-8	Nazeer Hussain Muhammad Ayyub Aman Ullah	-	2,413	30	2,443	-	-	1,981	1,981
65	M/s Farmer Cotton Ginners Address Bypass Road Jehanian Distt Khanewal	Muhammad Iftikhar 36303-0986831-3 Sajid Ali 36302-3438348-9 Samina Sajid 36302-8562640-0	Rehmat Ali Muhammad Ibrahim Sajid Ali	2,910	2,645	30	5,585	-	-	1,595	1,595

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Rs. in 000

Sr. No.	Name & Address of the borrower	Name of Individuals/Partners/ Directors with NIC No.	Fathers/Husband's name.	Outstanding liabilities at beginning of year				Principal written-Off	Interest/ Mark-up written off.	Other financial relief/waiver provided.	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
66	Firdous Arshad Mouza Rango Khan, tehsil Kehrore Pecca, Distt Lodhran	Firdous Arshad 36602-4385686-4	Muhammad Arshad Khan	2,885	1,522	17	4,424	-	-	543	543
67	M/S.Shikrani Model Industries, Cotton Ginning Pressing and Oil Mills, KLP Road, UchSharif	1.Mr. Muhammad Sharif, 31201-4834670-3 2. Mr. Muhammad Asghar Badar, 31202-2785705-7 3. Mr. Muhammad Ajmal Khan 31201-6511835-7	1. Khuda Bukhsh. 2. Khuda Bukhsh 3. Khuda Bukhsh.	1,868	1,280	55	3,203	-	-	1,656	1,656
68	M/S.Shikrani Zari Service . Near Old Larry Adda Mohallah Shams Colony,Uchsharif Teh Ahmadpur East Distt Bahawalpur	1. Mr. Muhammad Sharif 31201-4834670-3 2. Muhammad Iqbal Khan 31202-3147441-3	1. Khuda Bukhsh 2. Muhammad Sharif	1,299	-	35	1,334	-	-	776	776
69	M/S. Shikrani Traders. Main Bazar, Uch Sharif	Mr. Muhammad Asghar Badar, 31202-2785705-7	Khuda Bukhsh	900	-	32	932	-		554	554
70	M/s.H.W.Dairies Pvt Ltd. Hujra Chunian Road, Mirajabad, District Okara	(1) Muhammad Ilyas Miraj 35202-7301494-9 (2) Haseeb Ilyas 35202-7459668-5, (3) Mian Waqas Riaz 35202-2562237-9	(1) S/o Mian Miraj Din (2) S/o Mian Muhammad Ilyas Miraj (3) S/o Mian Muhammad Riaz Miraj	34,779	15,664	205	50,648	-	-	605	605
				91,496	**36,884**	**4,354**	**132,734**	**40,260**	**-**	**17,243**	**57,503**

Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

Annexure - II

ISLAMIC BANKING BUSINESS

The bank is operating 191 (2019: 190) Islamic banking branches and no Islamic banking windows at the year ended December 31, 2020.

	Note	2020	2019
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		**5,713,009**	4,405,856
Balances with other banks		**11,948**	5,841
Due from financial institutions	1	**-**	2,059,162
Investments	2	**42,109,641**	29,811,515
Islamic financing and related assets - net	3	**37,546,704**	33,880,482
Fixed assets		**148,884**	174,862
Right of use assets (ROUA)		**755,116**	861,049
Other assets		**2,676,118**	4,853,963
Total Assets		**88,961,420**	76,052,730
LIABILITIES			
Bills payable		**339,103**	256,804
Due to financial institutions		**-**	-
Deposits and other accounts	4	**75,268,262**	63,285,896
Due to head office		**4,124,758**	2,784,801
Lease liability against right of use assets		**903,196**	943,375
Other liabilities		**2,198,144**	3,767,018
		82,833,463	71,037,894
NET ASSETS		**6,127,957**	5,014,836
REPRESENTED BY			
Islamic banking fund		**3,360,000**	2,200,000
Surplus on revaluation of assets		**659,569**	775,696
Unappropriated / unremitted profit	6	**2,108,388**	2,039,140
		6,127,957	5,014,836

The profit and loss account of the Bank's Islamic banking branches for the year ended December 31, 2020 is as follows:

	Note	2020	2019
		(Rupees in '000)	
Profit / return earned	7	**7,994,894**	7,144,877
Profit / return expensed	8	**(3,456,533)**	(3,284,831)
Net profit / return		**4,538,361**	3,860,046
Other income			
Fee and commission income		**367,852**	436,935
Foreign exchange income		**56,745**	105,951
Other income		**1,344**	1,006
Total other income		**425,941**	543,892
Total income		**4,964,302**	4,403,938
Other expenses			
Operating expenses		**(2,453,894)**	(2,439,232)
Other charges		**(2,512)**	(1,280)
Total other expenses		**(2,456,406)**	(2,440,512)
Profit before provisions		**2,507,896**	1,963,426
Provisions and write offs - net		**(399,508)**	75,714
Profit before taxation		**2,108,388**	2,039,140
Taxation		**-**	-
Profit after taxation		**2,108,388**	2,039,140

Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

	2020			2019		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
	(Rupees in '000)					
1 Due from Financial Institutions						
Unsecured						
Bai Muajjal Receiveable from State Bank of Pakistan	-	-	-	2,059,162	-	2,059,162
	-	-	-	2,059,162	-	2,059,162

This represent Bai Muajjal agreement with State Bank of Pakistan which carries profit rate of Nil (2019: 10.39%) per annum.

	2020				2019			
	Cost / Amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
2 Investments by segments:	(Rupees in '000)							
Federal Government Securities:								
- Ijarah Sukuks	6,000,000	-	15,600	6,015,600	2,000,000	-	(21,200)	1,978,800
- Others (Bai Muajjal with GOP @ 13.30%)	11,641,133	-	-	11,641,133	10,395,235	-	-	10,395,235
	17,641,133	-	15,600	17,656,733	12,395,235	-	(21,200)	12,374,035
Non Government Debt Securities								
- Listed	8,400,000	-	311,741	8,711,741	4,400,000	-	602,100	5,002,100
- Unlisted	15,539,747	(130,807)	332,228	15,741,168	12,371,391	(130,807)	194,796	12,435,380
	23,939,747	(130,807)	643,969	24,452,909	16,771,391	(130,807)	796,896	17,437,480
Total Investments	41,580,879	(130,807)	659,569	42,109,641	29,166,626	(130,807)	775,696	29,811,515

	Note	2020	2019
3 Islamic financing and related assets		(Rupees in '000)	
Ijarah	3.1	168,788	255,639
Murabaha	3.2	3,464,401	1,716,542
Musawama		-	22,243
Diminishing Musharaka		17,614,309	15,869,641
Istisna		50,000	-
Other Islamic Modes (Wakala tul Istismar)		8,500,000	8,500,000
Advances against Islamic assets (Ijarah, Murbaha, DM, Istisna)		8,076,678	7,180,631
Inventory related to Islamic financing (Istisna)		275,600	539,349
Gross Islamic financing and related assets		38,149,776	34,084,045
Less: provision against Islamic financings			
- Specific		(602,913)	(203,324)
- General		(159)	(239)
		(603,072)	(203,563)
Islamic financing and related assets - net of provision		37,546,704	33,880,482

Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

	2020						
	Cost			Accumulated Depreciation			Book Value as at December 31, 2020
	At January 1, 2020	Additions / (deletions)	As at December 31, 2020	At January 1, 2020	Charge/ Adjustment for the year	As at December 31, 2020	
	(Rupees in '000)						
Plant & Machinery	255,075	- (5,952)	249,123	137,966	42,760 (5,676)	175,050	74,073
Vehicles	277,812	- (38,593)	239,219	139,282	42,832 (37,610)	144,504	94,715
Total	532,887	- (44,545)	488,342	277,248	85,592 (43,286)	319,554	168,788

	2019						
	Cost			Accumulated depreciation			Book Value as at December 31, 2019
	At January 01, 2019	Additions / (deletions)	As at December 31, 2019	At January 01, 2019	Charge/ Adjustment for the year	As at December 31, 2019	
	(Rupees in '000)						
Plant & Machinery	573,290	- (318,215)	255,075	350,797	75,826 (288,657)	137,966	117,109
Vehicles	319,205	28,958 (70,351)	277,812	105,629	85,305 (51,652)	139,282	138,530
Total	892,495	28,958 (388,566)	532,887	456,426	161,131 (340,309)	277,248	255,639

Future Ijarah payments receivable

	2020				2019			
	Not later than 1 year	Later than 1 year & less than 5 years	Over five years	Total	Not later than 1 year	Later than 1 year & less than 5 years	Over five years	Total
	(Rupees in '000)							
Ijarah rental receivables	85,318	91,290	-	176,608	86,070	217,069	-	303,139

3.2 Murabaha	Note	2020	2019
		(Rupees in '000)	
Murabaha financing	3.2.1	3,464,401	1,716,542
Advances for Murabaha		1,199,500	2,000,000
		4,663,901	3,716,542

Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

		Note	2020	2019
			(Rupees in '000)	
3.2.1	Murabaha receivable - gross	3.2.2	**3,629,825**	1,835,295
	Less: Deferred murabaha income	3.2.4	**47,306**	71,105
	Less: Profit receivable shown in other assets		**118,118**	47,648
	Murabaha financings		**3,464,401**	1,716,542
3.2.2	The movement in Murabaha financing during the year is as follows:			
	Opening balance		**1,835,295**	2,112,680
	Sales during the year		**10,600,101**	9,329,239
	Adjusted during the year		**8,805,571**	9,606,624
	Closing balance		**3,629,825**	1,835,295
3.2.3	Murabaha sale price		**10,600,101**	9,329,239
	Murabaha purchase price		**9,901,022**	8,842,127
			699,079	487,112
3.2.4	Deferred murabaha income			
	Opening balance		**71,105**	25,372
	Arising during the year		**287,727**	487,847
	Less: Recognised during the year		**311,526**	442,114
	Closing balance		**47,306**	71,105

4	**Deposits**	**2020**			2019		
		In local currency	**In Foreign currencies**	**Total**	In local currency	In foreign currencies	Total
		(Rupees in '000)					
	Customers						
	Current deposits	**26,363,269**	**111,710**	**26,474,979**	20,455,905	94,851	20,550,756
	Savings deposits	**33,051,442**	**-**	**33,051,442**	22,671,179	-	22,671,179
	Term deposits	**10,129,005**	**-**	**10,129,005**	12,720,085	-	12,720,085
		69,543,716	**111,710**	**69,655,426**	55,847,169	94,851	55,942,020
	Financial Institutions						
	Current deposits	**778,039**	**-**	**778,039**	815,386	-	815,386
	Savings deposits	**3,633,797**	**-**	**3,633,797**	3,028,490	-	3,028,490
	Term deposits	**1,201,000**	**-**	**1,201,000**	3,500,000	-	3,500,000
		5,612,836	**-**	**5,612,836**	7,343,876	-	7,343,876
		75,156,552	**111,710**	**75,268,262**	63,191,045	94,851	63,285,896

Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

		2020	2019
		---------- (Rupees in '000) ----------	
4.1	**Composition of deposits**		
	- Individuals	**36,485,509**	28,456,381
	- Government / Public Sector Entities	**23,406,681**	17,564,494
	- Banking Companies	**2,698,853**	7,339,558
	- Non-Banking Financial Institutions	**2,913,983**	4,318
	- Private Sector	**9,763,236**	9,921,145
		75,268,262	63,285,896

4.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 39,137 million (2019: Rs. 31,851 million).

5 Charity Fund

Opening Balance	**10,911**	1,059
Additions during the period		
Received from customers on account of delayed payment	**710**	11,852
	11,621	12,911
Payments / utilization during the period		
Education	**1,500**	-
Health	**9,500**	2,000
	11,000	2,000
Closing Balance	**621**	10,911
Charity amount exceeding Rs. 0.5 million paid to the following organizations.		
The Indus Hospital	**3,000**	1,000
Sindh Institute of Urology and Transplantation (SIUT)	**-**	1,000
The Prime Minister's Covid-19 Pandemic Relief Fund -2020	**5,000**	-
Shaukat Khanum Memorial Trust	**1,000**	-
Institute of Business Administration (IBA)	**1,500**	-
	10,500	2,000

6 Islamic Banking Business Unappropriated/ Unremitted Profit / (loss)

Opening Balance	**2,039,140**	(57,150)
Add: Islamic Banking profit for the year	**2,108,388**	2,039,140
Less: Transferred / remitted to Head Office	**(2,039,140)**	57,150
Closing Balance	**2,108,388**	2,039,140

7 Profit / Return Earned on Financing, Investments and Placement

Profit earned on:		
Financing	**3,991,541**	3,385,613
Investments	**2,714,544**	2,325,785
Placements	**30,245**	206,344
Others (Bai Muajjal)	**1,258,564**	1,227,135
	7,994,894	7,144,877

Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

	2020	2019
	---------- (Rupees in '000) ----------	

8 Profit on Deposits and other Dues Expensed

Deposits and other accounts	**2,956,946**	2,817,622
Amortisation of lease liability against - ROUA	**89,738**	91,487
Others (General Account)	**409,849**	375,722
	3,456,533	3,284,831

9 Pool Management

NBP-AIBG has managed following pools for profit and loss distribution.

a) General depositor pool

The General pool consists of all other remunerative deposits. NBP Aitemaad (the Mudarib) accept deposits on the basis of Mudaraba from depositors (Rab ul Maal). The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. The entire net return after paying equity share to Mudarib is considered as distributable profit of the pool.

b) Special depositor pools (Total 140 during the year and 43 as at December 31, 2020)

Special pool(s) are created where the customers desire to invest in high yield assets. These pool(s) rates are higher than the general pool depending on the assets. In case of loss in special pool, the loss will be borne by the special pool members. The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. From the net return, and after allocation of share of profit to commingled equity, profit is paid to the Mudarib in the ratio of the Mudarib's equity in the pool to the total pool. The balance represents the distributable profit.

c) Equity pool

Equity pools include AIBG's fund and current account deposits. The equity pool may have constructive liquidation every month and risk associated with assets of pool includes operational, market, equity, return and Shariah.

Key features and risk & reward characteristics

Deposits are accepted from customers on the basis of Qard (current accounts) and Mudarabah (Saving and term deposits). No profit or loss is passed on to current account depositors.

For deposits accepted on Mudarabah basis from depositors (Rab ul Maal) the Bank acts as Manager (Mudarib) and invests the funds in the Shariah Compliant modes of financings. Rab ul Maal share is distributed among depositors according to weightages declared for a month before start of the period.

In case of loss in a pool during the profit calculation period, the loss is distributed among the depositors (remunerative) according to their ratio of investment.

For all pools, the Mudarib's share is deducted from the distributable profit to calculate the profit to be allocated to depositors. The allocation of the profit to various deposit categories is determined by the amount invested in that category relative to the total pool, as well as by the weightage assigned to the various deposit categories.

The assets, liabilities, equities, income and expenses are segregated for each of the pool. No pool investment is intermingled with each other. The risk associated with each pool is thus equally distributed among the pools.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2020

Avenues/sectors of economy/business where Modaraba based deposits have been deployed.

Sector	2020	2019
	Percentage	
Fertilizer	**1.54%**	2.16%
Textile	**3.21%**	4.94%
Fuel & energy	**48.01%**	41.72%
Leasing/Modarbas	**0.21%**	0.29%
Sugar	**6.51%**	5.88%
Cement	**9.00%**	10.54%
Gas	**1.58%**	2.57%
Financial	**2.00%**	4.87%
Federal Government	**19.68%**	17.43%
Real Estate	**2.20%**	2.80%
Others	**6.06%**	6.81%
Total	**100%**	100%

Parameters for profit allocation and charging expenses

Profit of the pools has been distributed between Mudarib and Rab-ul-Mall by using preagreed profit sharing ratios. The share of Rab-ul-Mall's profit has been distributed among different customers using the various weightages assigned to the different categories of the pool.

No provision against any non performing asset of the pool is passed on to the pool except on the actual loss / write off of such non performing asset. Administrative expense are borne by mudarib and not charged to Mudaraba pool.

Mudarib Share	**31-Dec-20** **(Rupees in '000)**
Gross Distributable Income	**4,871,556**
Mudarib (Bank) share of profit before Hiba	**1,814,707**
Mudarib Share in percentage	**37%**
Hiba from Mudarib Share	
Mudarib (Bank) share of profit before Hiba	**1,814,707**
Hiba from bank's share to depositors	**284,690**
Hiba from bank's share to depositors in percentage	**16%**

Profit rates

During the year the average profit rate earned by NBP Islamic Banking Group is 11.52% and the profit rate distributed to the depositors is 6.69%.

Notes

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Navigating Through This Report

The key objective of this Annual Report is to provide comprehensive information about our Bank, driven through a robust business model that illustrates our strategies to create value for the stakeholders in the long run while managing key risks and capitalizing on opportunities.

Navigating through this Report will assist the readers in the following key areas:

Key Area	Where to Look for	Page No.
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National Bank of Pakistan
نیشنل بینک آف پاکستان

Investing in Opportunities



6 Others

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Pattern of Shareholding Report

As of December 31, 2020

Description	No of shareholders	No of Shares	per %
Government			
M/S. FEDERAL GOVERNMENT OF PAKISTAN	1	6,238,919	0.29
M/S. PAKISTAN ATOMIC ENERGY COMMISSION	1	679,424	0.03
PRIVATISATION COMMISSION OF PAK MINISTRY OF PRVT. & INVEST.	1	1,656,788	0.08
Associated Companies, Undertakings and related parties			
FIRST CREDIT & INVESTMENT BANK LIMITED	1	70,000	0.00
STATE BANK OF PAKISTAN	1	1,599,845,728	75.20
Mutual Funds	19	10,620,999	0.50
Director, Chief Executive, and their spouse and minor children			
FARID MALIK	1	1,000	0.00
SAADIA SOHAIL RAJPUT	1	3,000	0.00
Executives	1	949	0.00
Public Sector Companies and Corporations	9	128,784,732	6.05
Banks, Development finance institutions, non-banking finance companies, insurance companies, takaful companies, and modarabas	26	36,454,746	1.71
General Public			
Local	11,154	139,512,942	6.56
Foreign	64	1,192,490	0.06
Foreign Companies	56	125,850,420	5.92
Others	177	76,600,889	3.60
TOTALS	**11,513**	**2,127,513,026**	**100.00**

Shareholders holding five percent or more voting rights in the public sector company.

STATE BANK OF PAKISTAN	1,599,845,728	75.20

Glossary of Financial and Banking Terms

Acceptances
Promise to pay created when the drawee of a time draft stamps or writes the word 'accepted' above his signature and a designated payment date.

Accounting Policies
The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

Accrual Basis
Recognition of the effects of transactions and other events when they occur without waiting for receipt or payment of cash or cash equivalent.

Actuarial Gain/Loss
Gain or loss arising from the difference between estimates and actual experience in an entity's pension plan.

Amortisation
The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Amortised Cost
Amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and minus any reduction for impairment or un-collectability.

Associate
An entity over which the Bank has significant influence.
Available-for-Sale (AFS) Financial Investments All non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, financial investments – Held to maturity and financial investments at fair value through profit or loss.

Basel III
The Basel Committee on Banking Supervision (BCBS) issued the Basel III rules text, which presents the details of strengthened global regulatory standards on bank capital adequacy and liquidity.

Basis Point (BP)
One hundredth of a percentage point (0.01 per cent); 100 basis points is 1 percentage point. Used in quoting movements in interest rates or yields on securities.

Capital Adequacy Ratio
The percentage of risk-adjusted assets supported by capital as defined under the framework of risk-based capital standards developed by the Bank for International Settlements (BIS) and as modified by the CBSL to suit local requirements.

Cash Equivalents
Short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

General Loan Impairment Provisions
Impairment assessment on a collective basis for homogeneous groups of loans that are not considered individually significant and to cover losses that have been incurred but have not yet been identified at the reporting date.

Commitments
Credit facilities approved but not yet availed by the clients as at the reporting date.

Contingencies
A condition or situation, the ultimate outcome of which will be confirmed only on the occurrence or non-occurrence of one or more uncertain future events.

Corporate Governance
The process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to shareholders and others.

Correspondent Bank
A bank in a foreign country that offers banking facilities to the customers of a bank in another country.

Cost/Income Ratio
Operating expenses as a percentage of total operating income.

Credit Rating
An evaluation of a corporate's ability to repay its obligations or the likelihood of not defaulting, carried out by an independent rating agency.

Credit Risk
Risk of financial loss to the Bank, if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the loans and advances to customers and other banks and investment in debt securities.

Currency SWAPs
The simultaneous purchase of an amount of a currency for spot settlement and the sale of the same amount of the same currency for forward settlement.

Deferred Taxation
Sum set aside in the Financial Statements for taxation that may become payable/ receivable in a financial year other than the current financial year. It arises because of temporary differences between tax rules and accounting conventions.

Delinquency
A debt or other financial obligation is considered to be in a state of delinquency when payments are overdue. Loans and advances are considered to be delinquent when consecutive payments are missed. Also known as "Arrears".

Derivatives
A derivative is a financial instrument or other contract, the value of which changes in response to some underlying variable (e.g. interest rate) that has an initial net investment smaller than would be required for other instruments that have a similar response to the variable, and that will be settled at a future date.

Dividend Yield
Dividend earned per share as a percentage of its market value.

Letters of Credit (LCs)
Written undertaking by a bank on behalf of its customers, authorising a third party to draw on the Bank up to a stipulated amount under specific terms and conditions. Such undertakings are established for the purpose of facilitating international trade.

Domestic Systemically Important Banks (D-SIBs)
Systemically Important Banks (SIBs) are perceived as banks that are "Too Big To Fail". D-SIBs are critical for the uninterrupted availability of essential banking services to the country's real economy even during crisis.

Earnings per Share (EPS)
The profit attributable to ordinary shareholders divided by the number of ordinary shares in issue.

Effective Interest Rate (EIR)
Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Effective Tax Rate (ETR)
Provision for taxation excluding deferred tax expressed as a percentage of the profit before taxation.

Equity Method
This is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition changes in the investor's share of net assets of the investee. The profit or loss and other comprehensive income of the investor include the investor's share of the profit or loss and other comprehensive income of the investee.

ESOP (Employee Share Ownership Plan)
A method of giving employees shares in the business for which they work.

Exposure at Default (EAD)
EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal & interest and expected drawdowns of committed facilities.

Expected Credit Losses (ECLs)
ECL approach is the loan loss impairment method under SLFRS 9 on "Financial Instruments". ECLs are the discounted product of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD). ECL measurements are unbiased and are determined by evaluating a range of possible outcomes.

Fair Value
The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Finance Lease
A lease in which the lessee acquires all financial benefits and risks attaching to ownership of the asset under lease.

Financial Instrument
A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in another entity.

Financial Assets Measured at Amortised Cost
A financial asset is measured at amortised cost if the asset is held within a business model whose objective is to hold assets to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial Assets Measured at Fair Value through Other Comprehensive Income (FVOCI)
FVOCI include debt and equity instruments measured at fair value through other comprehensive income. A debt instrument is measured at FVOCI, if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Equity investments may be irrevocably classified as FVOCI when they meet the definition of Equity under LKAS 32 Financial Instruments: Presentation, and are not held for trading.

Financial Assets Measured at Fair Value through Profit or Loss (FVTPL)
All financial assets other than those classified at Amortised Cost or FVOCI are classified as measured at FVTPL. These are held for trading or managed and their performance is evaluated on a fair value basis as they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Forward Exchange Contract
Agreement between two parties to exchange one currency for another at a future date at a rate agreed upon today.

Global Reporting Initiatives (GRI)
The GRI is an international independent standards organisation that helps businesses, governments and other organisations to understand and communicate their impacts on issues such as climate change, human rights and corruption. GRI promotes sustainability reporting as a way for organisations to become more sustainable and contribute to sustainable development.

Group
A parent comany and all its subsidiaries.

Guarantees
Three party agreement involving a promise by one party (the guarantor) to fulfil the obligations of a person owing a debt if that person fails to perform.

Hedging
A strategy under which transactions are effected with the aim of providing cover against the risk of unfavourable price movements (interest rate, foreign exchange rate, commodity prices, etc.).

Held-to-Maturity (HTM) Investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

High Quality Liquid Assets (HQLA)
Assets that are unencumbered, liquid in markets during a time of stress and, ideally, be central bank eligible. These include, for example, cash and claims on central governments and central banks.

Impaired Loans
Loans where the Group does not expect to collect all the contractual cash flows or expects to collect them later than they are contractually due.

Impairment
This occurs when recoverable amount of an asset is less than its carrying amount.

Impairment Charge
Impairment allowances are provisions held on the Statement of Financial Position as a result of the raising of a charge against profit for the incurred loss. An impairment allowance may either be identified or unidentified and individual (specific) or collective (portfolio).
Intangible Asset
An intangible asset is an identifiable non-monetary asset without physical substance.

Interest Rate SWAP
An agreement between two parties (known as counterparties) where one stream of future interest payments is exchanged for another stream of future interest payments based on a specified principal amount.

Interest Spread
Represents the difference between the average interest rate earned on interest earning assets and the average interest rate paid on interest-bearing liabilities.

Key Management Personnel (KMP)
Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity.

Liquid Assets
Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, Bills of Exchange and Treasury Bills and Bonds.

Loans and Receivables
Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those intended to sell immediately or in the near term and designated as fair value through profit or loss or available for sale on initial recognition.

Lifetime Expected Credit Losses (LTECL)
Lifetime ECL are the expected credit losses that result from all possible default events over the expected life of the financial instrument. According to SLFRS 9 on "Financial instruments", the ECL allowance should be based on LTECL unless there has been no significant increase in credit risk since origination.

Liquidity Coverage Ratio - LCR
Refers to highly liquid assets held by Banks to meet short-term obligations. The ratio represents a generic stress scenario that aims to anticipate market-wide shocks.

Loan-to-value ratio (LTV)
The LTV ratio is a mathematical expression which expresses the amount of a first mortgage lien as a percentage of the total appraised value of real property. The LTV ratio is used in determining the appropriate level of risk for the loan and therefore the correct price of the loan to the borrower.

Loss given default (LGD)
LGD is the percentage of an exposure that a lender expects to lose in the event of obligor default.

Market Capitalisation
The value of an entity obtained by multiplying the number of ordinary shares in issue by its market value as at a date.

Market Risk
This refers to the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates, credit spreads and other asset prices.

Materiality
The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

Net Interest Income (NII)
The difference between the amount a bank earns on assets such as loans and securities and the amount it pays on liabilities such as deposits, refinance funds and inter-bank borrowings.

Net Interest Margin (NIM)
The margin is expressed as net interest income divided by average interest earning assets.

Non-Controlling Interest (NCI)
Equity in a Subsidiary not attributable, directly or indirectly, to a parent.

Nostro Account
A bank account held in a foreign country by a domestic bank, denominated in the currency of that country. Nostro accounts are used to facilitate the settlement of foreign exchange trade transactions.

Net Stable Funding Ratio (NSFR)
Measures the amount of longer-term, stable sources of funding employed by a bank relative to the liquidity profiles of the assets funded and the potential for contingent calls on funding liquidity arising from off-balance sheet commitments and obligations.

Open Credit Exposure Ratio
Total net non-performing loans and advances expressed as a percentage of regulatory capital base.

Operational Risk
This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Parent
An entity that controls one or more entities.

Price Earnings Ratio (P/E Ratio)
Market price of a share divided by the earnings per share.

Price to Book Value
Market price of a share divided by the net assets value of a share.

Probability of Default (PD)
PD is an internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation.

Provision Cover
Total provisions for loan losses expressed as a percentage of net non-performing loans and advances before discounting for provisions on non-performing loans and advances.

Related Parties
One party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions, directly or indirectly.

Related Party Transaction (RPT)
RPT is a transfer of resources, services or obligations between a reporting entity and a related party, regardless whether a price is charged.

Repurchase Agreement
Contract to sell and subsequently repurchase securities at a specified date and price.

Return on Average Assets (ROA)
Profit after tax expressed as a percentage of the average assets.

Return on Average Equity (ROE)
Net profit attributable to owners expressed as a percentage of average ordinary shareholders' equity.

Reverse Repurchase Agreement
Transaction involving the purchase of securities by a bank or a dealer and resale back to the seller at a future date at a specified price.

Subsidiary
An entity that is controlled by another entity.
Substance over Form
The consideration that the accounting treatment and presentation of Financial Statements of transactions and events should be governed by their substance and financial reality and not merely by legal form.

Tier I Capital
(Common Equity Tier 1 – CET 1)
Common Equity Tier 1 (CET1) is a component of Tier 1 capital that consists mostly of Stated Capital. It is a capital measure that was introduced as a precautionary measure to protect the economy from a financial crisis.

Tier I Capital
(Additional Tier 1 Capital – AT 1)
Additional Tier 1 Capital (AT1) is a component of Tier 1 capital that comprises securities that are subordinated to most subordinated debt, which have no maturity, and their dividend can be cancelled at any time.

Tier II Capital
Capital representing revaluation reserves, general provisions and other capital instruments, which combine certain characteristics of equity and debt such as hybrid capital instruments and subordinated term debts.

Yield to Maturity (YTM)
Discount rate at which the present value of future cash flows would equal the security's current price.

Notes

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72nd ANNUAL GENERAL MEETING OF NATIONAL BANK OF PAKISTAN

Form of Proxy

Folio No. _____ or CDC participant identity no. _____

CDC A/C No. _____

I/We _____

of _____

being a member(s) of the National Bank of Pakistan, holding shares no. _____

hereby appoint _____ of _____

also a member of the National Bank of Pakistan (Folio No. _____) or failing him/her _____

of _____ also a member of National Bank of Pakistan (Folio No. _____) as my/our Proxy to attend the 72nd Annual General Meeting of National Bank of Pakistan, to be held at 10:30 a.m. (PST) on Monday, March 29, 2021, through electronic means and at any adjournment thereof.

Proxy's email address(for attending meeting through electronic means): _____

and mobile number: _____

Signed this _____ day of _____ 2021

Witnesses:

1. Name: _____

Address: _____

CNIC No. _____

Affix Revenue Stamp of Five Rupees

2. Name: _____

Address: _____

CNIC No. _____

Signature _____

(Signature should agree with the specimen signature registered with the Bank)

NOTE:

A. General:

1. A member entitled to attend and vote at a General Meeting is entitled to appoint a Proxy to attend and vote instead of him/her. No person shall act as a Proxy, who is not a member of the bank except that the Government of Pakistan/State Bank of Pakistan/Corporation may appoint a person who is not a member.
2. The instrument appointing a Proxy should be signed by the member or his/her attorney duly authorized in writing. If the member is a corporation (other than the Government of Pakistan and State Bank of Pakistan), its common seal should be affixed on the instrument.
3. The instrument appointing a Proxy, together with the power of Attorney, if any, under which it is signed or a notarially certified copy thereof, should be deposited with our Registrar/Transfer Agents, Messrs CDC Share Registrar Services Limited, CDC House, 99-B, Block "B", SMCHS, Main Shahrah-e-Faisal, Karachi, not less than 48 hours before the time of holding the meeting.
4. If a member appoints more than one Proxy, and more than one instruments of Proxy are deposited by a member with the Bank, all such instruments of Proxy shall be rendered invalid.

B. For CDC Account Holder:

1. The Proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
2. Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the Proxy Form.
3. The Proxy shall produce his/her original CNIC or original passport at the time of the meeting.
4. In case of Government of Pakistan/State Bank of Pakistan/corporate entity, the Board of Directors' resolution/power of attorney with specimen signature shall be submitted along with Proxy Form to the Bank.

نیشنل بینک آف پاکستان کا 72 واں سالانہ اجلاسِ عام

نمائندے کا فارم (پروکسی فارم)

فولیو نمبر..... یا سی ڈی سی پارٹیسپینٹ آئیڈینٹیٹی نمبر.....

سی ڈی سی اکاؤنٹ نمبر.....

میں/ہم.....

جن کا تعلق.....،

سے ہے نیشنل بینک آف پاکستان ہولڈنگ شیئرز نمبر..... کا/کے رکن ہوتے ہوئے بذریعہ ہٰذا..... کے..... کو جو کہ نیشنل بینک آف پاکستان (فولیو نمبر..... کا رکن بھی ہے یا..... کے..... کی ناکامی کی صورت میں جو کہ نیشنل بینک آف پاکستان (فولیو نمبر..... کا رکن بھی ہے کو میرے/ ہمارے نمائندے کے طور پر نامزد کرتا ہوں/کرتے ہیں تاکہ وہ نیشنل بینک آف پاکستان کے 72 ویں سالانہ اجلاس عام میں میری/ ہماری طرف سے اور میرے/ ہمارے لیے ووٹ کرے۔ یہ اجلاسِ عام 29 مارچ 2021، بروز پیر بوقت صبح 10:30 بجے آن لائن یا کراچی میں اور اس کے کسی التواء پر منعقد ہوگا۔

اسے 2021ء کے..... کو دستخط کیا گیا:

گواہان:

1- نام:.....

پتہ:.....

سی این آئی سی نمبر.....

پانچ روپے کی ریونیو اسٹیمپ

2- نام:.....

پتہ:.....

سی این آئی سی نمبر.....

دستخط.....

(دستخط بینک کے ساتھ درج نمونے کے دستخط سے لازماً ہم آہنگ ہونے چاہئیں)

نوٹ:

(الف) عمومی:

1- رکن جو اجلاس میں شریک ہونے اور ووٹ ڈالنے کا اہل ہے وہ اپنا نمائندہ مقرر کرنے کا بھی اہل ہے تاکہ وہ نمائندہ اس کی جگہ شریک ہو اور ووٹ ڈالے۔ کوئی بھی شخص جو بینک کا رکن نہیں ہے اس کو نمائندہ کے طور پر مقرر نہیں کیا جاسکتا (حکومتِ پاکستان یا بینک دولت پاکستان/ کارپوریشن اس سے مستثنیٰ ہیں)۔

2- نمائندے کی تقرّری کا معاہدہ/ وثیقہ تحریری طور پر اختیار دیے گئے رکن یا اس کے کسی مختیار کار/ وکیل کی جانب سے دستخط ہونا چاہیئے۔ اگر رکن کوئی کارپوریشن ہے (حکومتِ پاکستان اور بینک دولت پاکستان کے علاوہ) تو اس کی عمومی مہر معاہدے/ وثیقہ پر چسپاں ہونی چاہیئے۔

3- نمائندے کی تقرّری کا معاہدہ، مختار نامہ کے ساتھ، اگر کوئی ہے، جس کے تحت اُسے دستخط کیا گیا ہے یا اُس کی کوئی توثیقی طور پر سند یافتہ نقل، اجلاس کے انعقاد سے کم از کم 48 گھنٹے قبل ہمارے رجسٹرار/ ٹرانسفر ایجنٹس، میسرز سینٹرل ڈپازٹری کمپنی آف پاکستان لمیٹڈ، سی ڈی سی ہاؤس، 99-بی، بلاک 'بی'، ایس ایم سی ایچ ایس، مین شاہراہِ فیصل، کراچی میں لازماً جمع کروائی جائے۔

4- اگر ممبر ایک سے زیادہ نمائندے مقرّر کرتا ہے اور بینک کے ساتھ رکن کی جانب سے ایک سے زیادہ نمائندے کا معاہدہ۔ وثیقہ جمع کروایا گیا ہے تو ایسے تمام نمائندے کے معاہدات ناجائز ٹھہرا دیے جائیں گے۔

(ب) سی ڈی سی اکاؤنٹ ہولڈر کے لیے:

(i) پروکسی فارم دو افراد کی جانب سے گواہی فراہم کیے گئے ہوں گے جن کے نام، پتے اور سی این آئی سی نمبرز فارم پُر درج ہوں گے۔

(ii) پروکسی فارم کے ساتھ سی این آئی سی کی تصدیق شدہ نقول یا مستفید ہونے والے مالکان کے پاسپورٹ کی تصدیق شدہ نقول پیش کیے جائیں گے۔

(iii) اجلاس کے وقت پروکسی اپنا اصل سی این آئی سی یا اصل پاسپورٹ پیش کرے گا/گی۔

(iv) حکومتِ پاکستان/ بینک دولت پاکستان/ کاروباری ادارے کی صورت میں، بورڈ آف ڈائریکٹرز کی قرارداد/ مختار نامہ یا وکالت نامہ مع نمونے کے دستخط پروکسی فارم کے ساتھ بینک کی طرف لازماً کروانے ہوں گے۔



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