

CONTENTS

	Vision	02
	Mission	03
	Core Values	04
	Goal	05
	Corporate Information	06
	Financial Highlights	07
	Ten Years Financial Highlights	08
	Board of Directors	10
	Members of Strategic Policy Committee	13
	Senior Management	14
	Notice of 63 rd Annual General Meeting	15
Statement under section 160 of the Companies Ordinance, 1984		17
	Directors' Report to the Shareholders	29
	Statement of Internal Control	47
	Sharia'h Advisor's Report	48
Statement of Compliance with Code of Corporate Governance		49
Auditors' Review Report to the Members on Statement of Compliance with Code of Corporate Governance		51
	Independent Auditors' Report to the Members	52
	Unconsolidated Financial Statements - 2011	55
	Consolidated Financial Statements of NBP and its Subsidiary Companies - 2011	151
	Categories of Shareholders	255
	Pattern of Shareholding	256
	Form of Proxy	259





VISION

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



MISSION

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

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



CORE VALUES

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



GOAL

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

CORPORATE INFORMATION

Board of Directors*

Qamar Hussain	President / Chairman
Nazrat Bashir	Director
Tariq Kirmani	Director
Haniya Shahid Naseem	Director

Audit Committee*

Tariq Kirmani	Chairman
Nazrat Bashir	Member
Haniya Shahid Naseem	Member

Auditors

Anjum Asim Shahid Rahman
Chartered Accountants
KPMG Taseer Hadi & Co
Chartered Accountants

Legal Advisor

Mandviwala & Zafar
Advocates & Legal Consultants

Registered & Head Office

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

Registrar & Share Registration Office

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

Website

www.nbp.com.pk

* The resignation of Syed Ali Raza, Chairman, Board of Directors and Member Audit Committee was accepted on 05-03-2012 by the Government of Pakistan

FINANCIAL HIGHLIGHTS

(Rupees in million)

2011

Total Assets	1,149,578
Deposits	927,421
Advances	525,046
Investments	319,531
Shareholders' Equity	110,520
Pre-Tax Profit	26,011
After Tax Profit	17,605
* Earnings Per Share (Rs.)	10.47
Number of Branches	1,300
Number of Employees	16,924

2010

Total Assets	1,037,750
Deposits	832,152
Advances	477,507
Investments	301,324
Shareholders' Equity	103,762
Pre-Tax Profit	24,415
After-Tax Profit	17,563
* Earnings Per Share (Rs.)	10.44
Number of Branches	1289
Number of Employees	16457

2009

Total Assets	944,583
Deposits	727,465
Advances	475,243
Investments	217,643
Shareholders' Equity	94,142
Pre-Tax Profit	21,300
After-Tax Profit	17,562
* Earnings Per Share (Rs.)	10.44
Number of Branches	1,287
Number of Employees	16,248

2008

Total Assets	817,758
Deposits	624,939
Advances	412,987
Investments	170,822
Shareholders' Equity	81,367
Pre-Tax Profit	23,001
After-Tax Profit	15,459
* Earnings Per Share (Rs.)	9.19
Number of Branches	1,276
Number of Employees	15,441

2007

Total Assets	762,194
Deposits	591,907
Advances	340,319
Investments	211,146
Shareholders' Equity	69,271
Pre-Tax Profit	28,061
After-Tax Profit	19,034
* Earnings Per Share (Rs.)	11.32
Number of Branches	1,261
Number of Employees	14,079

2006

Total Assets	635,133
Deposits	501,872
Advances	316,110
Investments	139,947
Shareholders' Equity	53,045
Pre-Tax Profit	26,311
After-Tax Profit	17,022
* Earnings Per Share (Rs.)	10.12
Number of Branches	1,250
Number of Employees	14,019

2005

Total Assets	577,719
Deposits	463,427
Advances	268,839
Investments	156,985
Shareholders' Equity	37,636
Pre-Tax Profit	19,056
After-Tax Profit	12,709
* Earnings Per Share (Rs.)	7.56
Number of Branches	1,242
Number of Employees	13,824

2004

Total Assets	533,231
Deposits	465,572
Advances	220,794
Investments	149,350
Shareholders' Equity	24,900
Pre-Tax Profit	11,978
After-Tax Profit	6,195
* Earnings Per Share (Rs.)	3.68
Number of Branches	1,226
Number of Employees	13,745

2003

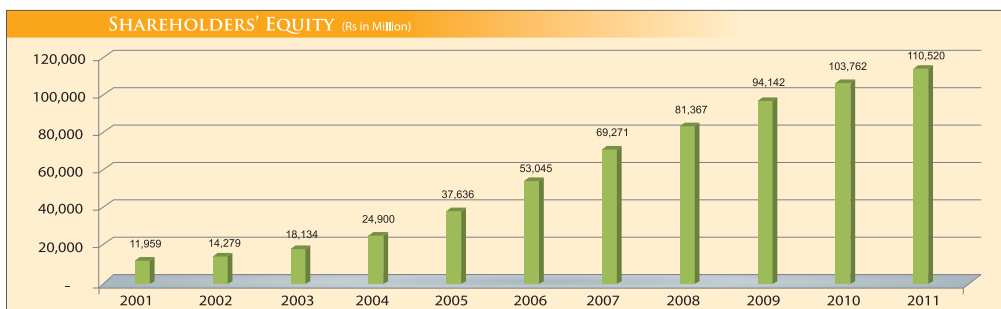
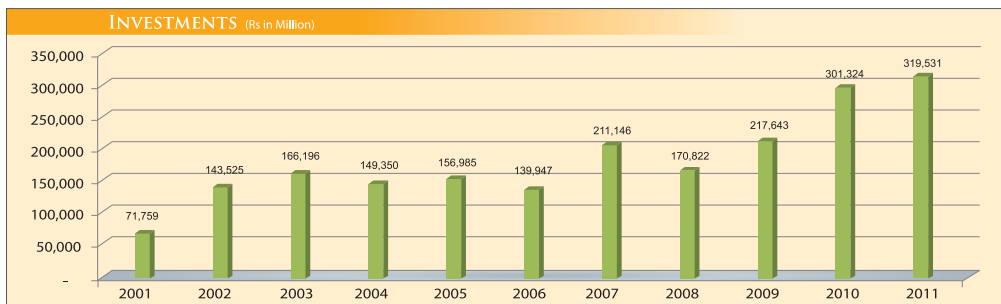
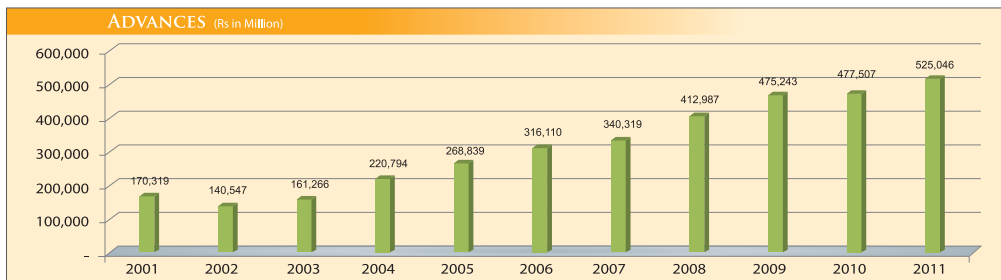
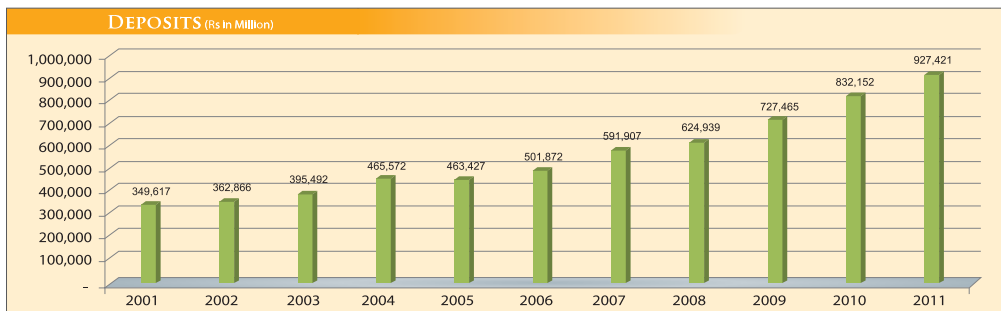
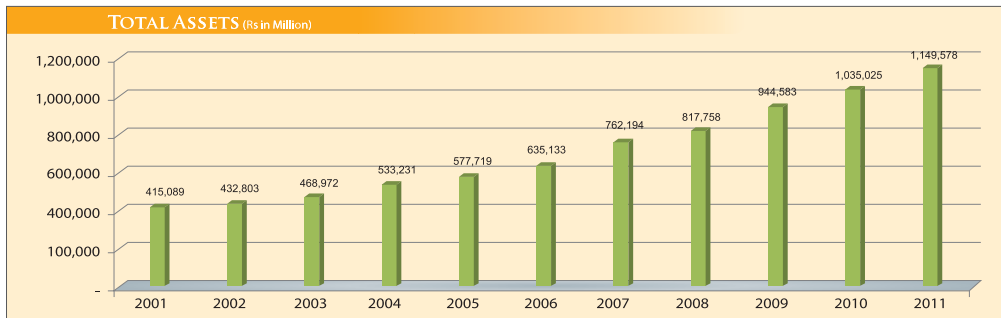
Total Assets	468,972
Deposits	395,492
Advances	161,266
Investments	166,196
Shareholders' Equity	18,134
Pre-Tax Profit	9,009
After-Tax Profit	4,198
* Earnings Per Share (Rs.)	2.50
Number of Branches	1,199
Number of Employees	13,272

2002

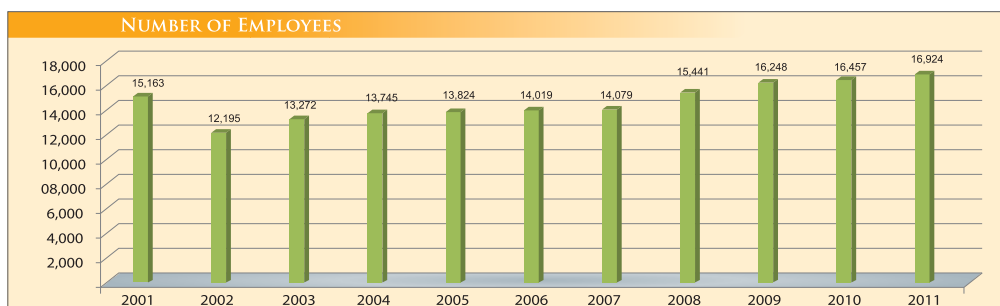
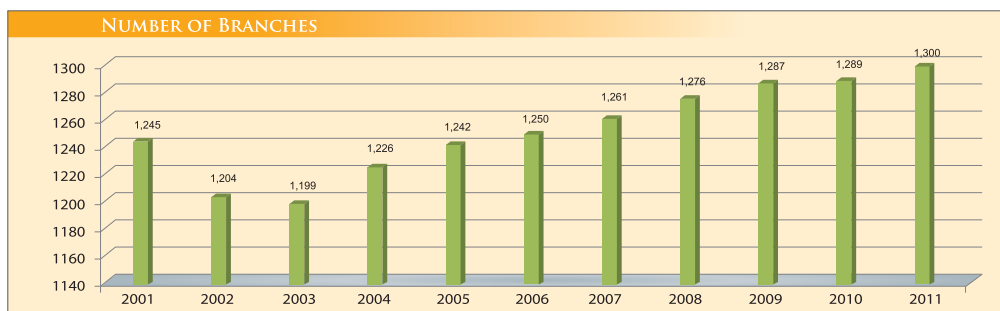
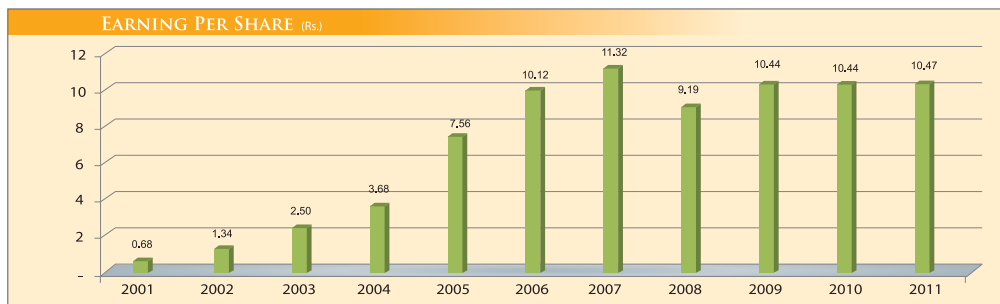
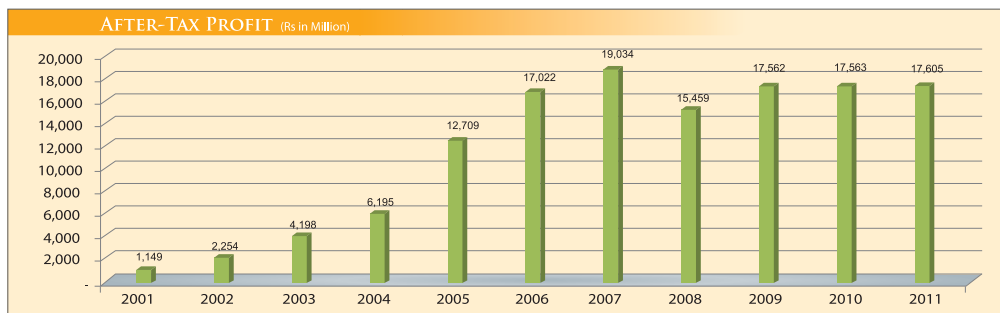
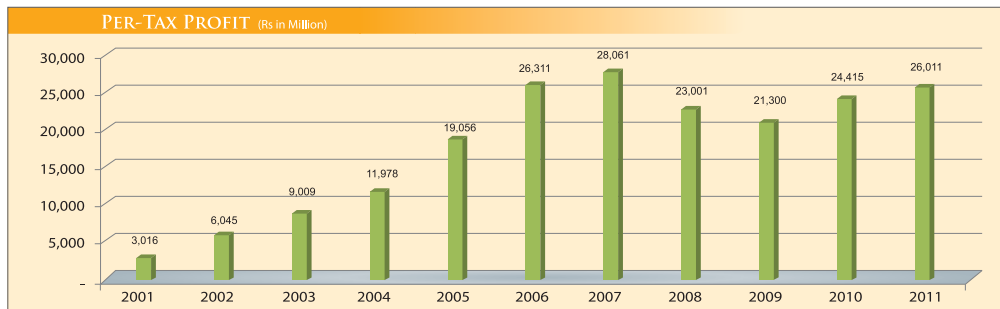
Total Assets	432,803
Deposits	362,866
Advances	140,547
Investments	143,525
Shareholders' Equity	14,279
Pre-Tax Profit	6,045
After-Tax Profit	2,254
* Earnings Per Share (Rs.)	1.34
Number of Branches	1,204
Number of Employees	12,195

* Restated

10 YEARS FINANCIAL HIGHLIGHTS



10 YEARS FINANCIAL HIGHLIGHTS



BOARD OF DIRECTORS



From left to right: Mr. Qamar Hussain, Mrs. Haniya Shahid Naseem, Syed Ali Raza, Ms. Nazrat Bashir, Mr. Tariq Kirmani

Mr. Qamar Hussain

President/Chairman NBP

Mr. Qamar Hussain is the President / Chairman of National Bank of Pakistan (NBP), the largest Commercial Bank of the country. He holds an MBA degree in International Business & Finance from McGill University, Montreal, Canada and has undergone extensive training in business leadership abroad.

Mr. Hussain started his banking career from Bank of America N.T. & S.A., Pakistan in the year 1981. Prior to joining NBP in 2009, he has worked with American Express Bank Limited as Senior Director Global Credit, New York and earlier as Senior Director Country Manager, Bangladesh. He had also been associated with the Chase Manhattan Bank in Pakistan and USA. Mr. Hussain is a distinguished banker and brings with him rich experience in various aspects of banking particularly in Corporate Finance, Credit/Risk Management, and has excelled in strategic planning and business management.

During his tenure with NBP as Chief Operating Officer, he has made significant contribution in reorganizing the field structure throughout the country, strengthened credit and risk function, reorganized Corporate and Investment Banking Group, streamlined performance management processes and as a member of Bank's strategic planning team has initiated business and other changes for further strengthening the organization.

Mr. Hussain has the expertise in the following fields:

Leadership and Management Expertise

- Strategic Planning and Profit/Loss Management.
- People and business management in a matrix organization.
- Corporate Governance and Compliance.

Credit and Corporate Banking Expertise

- Credit and risk assessment/approval of corporate, financial institutions and country risk exposures.
- Developed and implemented successful strategies for corporate banking business in both private and public sector including transactions involving multilateral financial institutions.

Ms. Nazrat Bashir

Director

Ms. Nazrat Bashir belongs to District Management Group of Civil Service of Pakistan. She is Masters in Economics from New York University, New York, USA and Masters in Psychology from Peshawar University, Peshawar. She has extensively traveled abroad and has attended various international seminars and courses including Executive Program from Kennedy School, Harvard, Consolidated Supervision of Banks, Dealing with Banking Crises, Commercialization of Micro Finance, Anti Money Laundering, Instruments of Financial Markets etc. Domestically too she has attended various programs in some of very prestigious institutions of Pakistan.

She possesses 30 years of administrative experience in government service in economic & financial policy and its implementation.

At present, she is working as Additional Finance Secretary in Finance Division, Islamabad. She is a certified Director on the Panel of Pakistan Institute of Corporate Governance (PICG). Besides NBP, she is also on the Board of Directors of National Investment Trust (NIT), Nadra Technologies Limited, Zarai Taraqati Bank Limited and Pak-Libya Holding Investment Company.

Mr. Tariq Kirmani

Director

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

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

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

Mr. Kirmani has served on the Boards of various companies and currently is serving as the Chairman of United Bank Fund Managers and Asia Care Health and Life Insurance Company and as Director on the Board of National Bank of Pakistan, Marie Adelaide Leprosy Centre (MALC), Pakistan Sports Trust, National Academy of Performing Arts, Professional Education Foundation and Green Star Social Marketing.

Mrs. Haniya Shahid Naseem

Director

Mrs. Haniya Shahid Naseem has done her Masters in Business Administration with honors in 1995. She is a certified director from the Pakistan Institute of Corporate Governance and has also done various short courses in management and banking. Mrs. Haniya Shahid has more than 15 years of diversified experience in the education, agriculture and corporate sectors. She is currently looking after her own chain of schools and is also an avid agriculturist who is actively involved in progressive farming, dairy and livestock. Previously she has also worked in her family companies in the textile and energy sector. She is also associated with several charity organizations and is an executive member of SOS Children Village, Multan. She is a good example of women empowerment in the Board Room who has the honor of being the first women director on the Board of NBP.

Mr. S. Ali Raza

Chairman Board (Till 05-03-2012)

Mr. S. Ali Raza has been the Chairman, NBP Board of Directors till March 5, 2012. Mr. Raza is a graduate of the London School of Economics and M.Sc. in Admn. Science from the London Graduate Business Centre, City University, London. Before joining the National Bank of Pakistan in July 2000 as the Bank's President, he held a key management position as Managing Director and Regional Head, Pakistan, Middle East and North Africa at the Bank of America (BOA).

Mr. Raza remained President of NBP from July 2000 to January 2011 and under his leadership, the profit of NBP increased from Rs.1.0 Billion in 2000 to Rs.24 Billion in 2010. NBP has also earned substantial international recognition and has received a number of prestigious awards.

Mr. S. Ali Raza has been the recipient of a number of prestigious awards. He was awarded 'The Asian Banker Leadership Achievement Award 2007' by Asian Banker in its issue of June 2007. He was awarded with a Certificate of Appreciation by the Government of Sindh in October 2007, in recognition of outstanding and meritorious services rendered for the country. He was awarded with a Silver Plaque by the Jinnah Society Karachi, in 2006. In August 2005, Sitara-e-Imtiaz was conferred upon him by the Government of Pakistan for his outstanding contribution in the field of banking. 'Business Week' of the McGraw Hill Companies' in its July, 2005 edition has adjudged him as one of the twenty five leaders of Asia at the Forefront of Change and has identified them as Stars of Asia. Mr. Raza's capabilities were recognized by the Institute of Bankers Pakistan when he was awarded a Gold Medal in 2003. He is holding Directorship of Institute of Business Administration (IBA), Karachi and Pakistan Sports Trust.

Mr. Raza is fellow of The Institute of Bankers Pakistan. He has also held the position of President of The American Business Council of Pakistan, Member of the Managing Committee of the Overseas Investors Chamber of Commerce, Chairman of the Banking & Finance Sub-Committee of the Overseas Chamber and Member of the Rotary Club of Karachi Metropolitan / Jinnah Society / Jinnah Foundation.

The Federal Government accepted the resignation tendered by Mr. S. Ali Raza, vide Notification No. F.1(8)Bkg-III/2000-571 dated 5th March, 2012 with immediate effect.

MEMBERS OF STRATEGIC POLICY COMMITTEE



Mr. Qamar Hussain
President, NBP



Dr. Asif A Brohi
Member



Dr. Mirza Abrar Baig
Secretary & Member



Shahid Anwar Khan
Member



Mr. Nausherwan Adil
Member

SENIOR MANAGEMENT

Shahid Anwar Khan

SEVP & Group Chief
Credit Management Group

Dr. Asif A. Brohi

SEVP & Group Chief
Commercial & Retail Banking Group

Nausherwan Adil

SEVP & Group Chief
Operations Group

Ziaullah Khan

SEVP & Group Chief
Asset Recovery Group
Acting Chief, Islamic Banking Division

Imam Bakhsh Baloch

SEVP & Group Chief
Audit & Inspection Group

Asif Hassan

SEVP & Group Chief
Small & Medium Asset Recovery Group

Dr. Mirza Abrar baig

SEVP & Group Chief
Training and Organizational Development Group

Nadeem Anwar Ilyas

SEVP & Group Chief
Corporate & Investment Banking Group &
PSO to the President

Tariq Jamali

SEVP & Group Chief
Compliance Group

Khalid Bin Shaheen

SEVP & Group Chief
Global Home Remittance Management Group

Muhammed Nusrat Vohra

SEVP & Group Chief
Treasury Management Group

M. Rafiq Bengali

SEVP & Group Chief
Overseas Banking Group

Zubair Ahmed

SEVP & Group Chief
Logistic & Engineering Group

Tahira Raza

SEVP & Chief Risk Officer
Risk Management Group

Aamir Sattar

EVP & Financial Controller
Financial Control Division

Qamar Hussain

EVP & Divisional Head
Human Resources Division

Muhammad Hassan Khaskheli

EVP & Divisional Head
Personnel and Industrial Relations Division

Iqbal Qasim

EVP & Divisional Head
Corporate Social Responsibility Division

Mahmood Siddique

EVP & Chief Information Officer

Raza Mohsin Qizilbash

EVP & Divisional Head
Legal Division

S. M. Ali Zamin

SVP & Secretary Board of Directors
Secretary Board Of Directors

Amir Shezad

SVP & Divisional Head
Capital Markets Division

Aamir Abbasi

SVP & Divisional Head
Corporate Communication Division

NOTICE OF 63RD ANNUAL GENERAL MEETING

Notice is hereby given that the **63rd Annual General Meeting** (“AGM”) of National Bank of Pakistan, (“Bank”) will be held on **Friday, the March 30, 2012 at 10:30 A.M. (PST), at Ball Room, Pearl Continental Hotel, Karachi.**

The following business will be transacted in the meeting:

Ordinary Business:

1. To confirm minutes of Extraordinary General Meetings held on 20th June, 2011 and 8th February, 2012, at Karachi.
2. To receive and adopt the Audited Accounts of the Bank for the year ended 31st December, 2011, together with the Directors’ & Auditors’ Reports thereon.
3. To appoint auditors for the year ending 31st December, 2012 and fix their remuneration. The retiring auditors namely Messrs Anjum Asim Shahid Rehman, Chartered Accountants and Messrs KPMG Taseer Hadi & Company, Chartered Accountants being eligible for appointment have offered themselves for re-appointment.
4. To consider and approve Cash Dividend @ 75% and Bonus Shares @ 10% (thereby increasing the Paid-up Capital of the Bank from Rs. 16,818,284,790/= to Rs. 18,500,113,270/=) as recommended by the Board of Directors for the year ended 31st December, 2011 (subject to Government of Pakistan approval).

Special Business:

5. To approve the salary package, other terms & conditions and contract of appointment of Mr. Qamar Hussain, President of the Bank, as recommended by the Board of Directors.
6. To approve the Salary Adjustment and Performance Bonus for 2011 of Mr. Qamar Hussain, President of the Bank, as recommended by the Board of Directors.
7. For the purpose of meeting the requirements of the Banks (Nationalization) Act, 1974, to approve / ratify i) the salary and other benefits paid to Mr. S. Ali Raza, the former President of the Bank from July 01, 2003 to January 14, 2011, ii) End service benefits of Mr. S. Ali Raza including: a) Gratuity on the basis of one month last drawn gross pay for each completed year of service, b) Contributory Provident Fund as per decision taken by the Board of Directors in its 124th meeting held on 07-08-2004 with effect from 01-01-2004 and Payment of Profit as admissible to regular employees of the Bank, on his own as well as Bank’s Contribution of Provident Fund, c) Sale of Bank’s Vehicles, d) Sale of Dead Stock Items and e) post separation continuation of existing medical facility including payment of premium of International Health Insurance for Mr. S. Ali Raza and his dependent family members.
8. To transact any other business with the permission of the Chairman.

Karachi

Dated: March 09, 2012

By Order of the Board

sd/=

(Qamar Hussain)
President

NOTE:

- i) The Share Transfer Books of the Bank shall remain closed from 22-03-2012 to 30-03-2012 (both days inclusive). Transfers received at Messrs Central Depository Company of Pakistan Limited, CDC House 99-B, Block “B”, SMCHS, Main Shahra-e-Faisal, Karachi – 74400, the Bank’s Registrar and Share Transfer Agent, at the close of the business on 21-03-2012 will be treated in time for purpose of the entitlement of attending the meeting.
- ii) A member eligible to attend and vote at the AGM is entitled to appoint another member as a proxy to attend and vote on his / her behalf. The Government of Pakistan, State Bank of Pakistan and any Corporation(s), being a member of the Bank, may nominate any person as its representative to attend the AGM under authority of a Power of Attorney or a Board of Directors’ Resolution. Proxies or nominations, in order to be effective and valid, must be received at the office of the Bank’s Registrar / Share Transfer Agent, Messrs Central Depository Company of Pakistan Limited, CDC House 99-B, Block “B”, SMCHS, Main Shahra-e-Faisal, Karachi – 74400, not later than 48 hours before the time of holding the AGM.
- iii) CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan:
 - a. For Attending the Meeting:
 - In case of Individuals, the account holder or sub-account holder shall authenticate his / her identity by showing his Original Computerized National Identity Card (“CNIC”) or original Passport at the time of attending the meeting,
 - In case of corporate entity, the Original or duly authenticated Board of Directors’ resolution/ power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.
 - b. For Appointing Proxies:
 - In case of individuals, the account holder or sub-account holder shall submit the proxy form as per the above requirement.
 - The Proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be furnished with the proxy form.
 - The proxy shall produce his /her original CNIC or original passport at the time of the Meeting.
 - In case of corporate entity, the Original or duly authenticated Board of Directors’ resolution/ power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) along with proxy form to Messrs Central Depository Company of Pakistan Limited.
- iv) CDC Account Holders and Sub-account Holders, whose Registration details are available in Share Book Detail Report shall have to produce respective Original Computerized National Identity Cards (CNICs) or Original Passports for the purpose of identification to participate in the Annual General Meeting. Such Account Holders and Sub Account Holders should know the CNIC Numbers and CDC Account Number of the respective partner and should bring the same along with them. In case of Proxy, the person should positively attach the attested copy of the CNIC or Passport. In case of corporate member’s representative, usual documents should be accompanied for the same purpose.
- v) Members are requested to immediately notify any change in their addresses to the Bank’s Registrar and Share Transfer Agent, Messrs Central Depository Company of Pakistan Limited.

STATEMENT UNDER SECTION 160 OF THE COMPANIES ORDINANCE, 1984:

This statement sets out the material facts concerning the Special Business given in agenda item Nos. 5, 6 and 7 of the Notice, to be transacted at the AGM of National Bank of Pakistan's Shareholders.

Item No. 5:

TO APPROVE THE SALARY PACKAGE, OTHER TERMS & CONDITIONS AND CONTRACT OF APPOINTMENT OF MR. QAMAR HUSSAIN, PRESIDENT OF THE BANK, AS RECOMMENDED BY THE BOARD OF DIRECTORS.

Mr. Qamar Hussain has been appointed President of the Bank on regular basis in terms of Section 11 (3) (a) of the Banks (Nationalization) Act, 1974 by the Federal Government for a term of three (3) years w.e.f. April 7, 2011 vide Finance Division (GoP) Notification No. F.I (5) Bkg-III / 2011-1393 dated April 7, 2011. (Copy of Notification attached as Annexure-"A").

The Board of Directors of the Bank in its 199th meeting held on April 18, 2011 has approved the salary package, other terms & conditions and contract of appointment of Mr. Qamar Hussain as President of the Bank for three (3) years w.e.f. April 7, 2011 in accordance with Section 11 (3) (a) of the Banks (Nationalization) Act, 1974 and has recommended the same to the general meeting of shareholders for approval. The salary package including other terms & conditions and contract of appointment of Mr. Qamar Hussain, President of the Bank as approved by the Board are attached as Annexure-"B" and "C" respectively.

For the information of shareholders, the salary package of Mr. Qamar Hussain as the Chief Operating Officer (COO) of the Bank is also attached as Annexure-"D".

In view of the foregoing and in terms of Section 11 (3) (a) of the Banks (Nationalization) Act, 1974, the shareholders are requested to approve the salary package, other terms & conditions and contract of appointment of Mr. Qamar Hussain, president of the bank, as approved by the Board of Directors w.e.f. April 7, 2011.

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

"RESOLVED THAT the salary package, other terms & conditions and contract of appointment of Mr. Qamar Hussain, President of the bank, as approved by the Board of Directors of the Bank in its 199th meeting held on April 18, 2011, with effect from April 07, 2011 attached with the Notice of AGM as Annexure-"B" and "C" as part of the statement under Section 160 of the Companies Ordinance, 1984, be and are hereby approved."

Item No. 6

TO APPROVE THE SALARY ADJUSTMENT AND PERFORMANCE BONUS FOR 2011 OF MR. QAMAR HUSSAIN, PRESIDENT OF THE BANK, AS RECOMMENDED BY THE BOARD OF DIRECTORS.

As per banking practice, the Board of Directors in its 211th meeting held on 06-03-2012 has recommended to the shareholders for approval of Performance Bonus for the year 2011 amounting to Rs.15 million and salary adjustment/increase of Rs. 308,163/= for the year ended 31st December 2011 as given to all employees of the bank. President's Gross Salary will increase to Rs. 2,463,562/- w.e.f. 01-01-2012 including merger of Dearness Allowance into basic. The breakup of revised Gross Salary will be Basic + House Rent (55% of Basic).

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

"RESOLVED THAT the recommendations of Board of Directors made in 211th meeting held on 06-03-2012 for performance bonus for 2011 amounting to Rs.15 million and gross salary (basic + 55% house rent) adjustment / increase of Rs.308,163/- in line with other employees of the Bank w.e.f. 01-01-2012, to be paid to Mr.Qamar Hussain, President of the Bank, be and are hereby approved."

The President being the executive director is interested in the above matter and remaining directors have no personal interest in the matter.

Item No. 7:

FOR THE PURPOSE OF MEETING THE REQUIREMENTS OF THE BANKS (NATIONALIZATION) ACT, 1974, TO APPROVE / RATIFY I) THE SALARY AND OTHER BENEFITS PAID TO MR. S. ALI RAZA, THE FORMER PRESIDENT OF THE BANK FROM JULY 01, 2003 TO JANUARY 14, 2011 (SALARY & BENEFITS PAID FROM JULY, 1 2003 TO DECEMBER 31, 2010 HAVE ALREADY BEEN APPROVED IN PREVIOUS AGMS AS PART OF THE AUDITED ANNUAL ACCOUNTS), II) END SERVICE BENEFITS OF MR. S. ALI RAZA INCLUDING: A) GRATUITY ON THE BASIS OF ONE MONTH LAST DRAWN GROSS PAY FOR EACH COMPLETED YEAR OF SERVICE B) CONTRIBUTORY PROVIDENT FUND AT 10% OF THE BASIC PAY AS PER DECISION TAKEN BY THE BOARD OF DIRECTORS IN ITS 124TH MEETING HELD ON 07-08-2004 WITH EFFECT FROM 01-01-2004 AND PAYMENT OF PROFIT AS ADMISSIBLE TO REGULAR EMPLOYEES OF THE BANK, ON HIS OWN AS WELL AS BANK'S CONTRIBUTION OF PROVIDENT FUND, C) SALE OF BANK'S VEHICLES, D) SALE OF DEAD STOCK ITEMS AND E) POST SEPARATION CONTINUATION OF EXISTING MEDICAL FACILITY INCLUDING PAYMENT OF PREMIUM OF INTERNATIONAL HEALTH INSURANCE FOR MR. S. ALI RAZA AND HIS DEPENDENT FAMILY MEMBERS.

The matter of ratification of salary & benefits paid to Mr. S. Ali Raza, former President of the Bank from July 1, 2003 to December 31, 2010 and payment of Gratuity on the basis of last drawn gross salary was discussed in detail in the 62nd Annual General Meeting of shareholders of the Bank held on March 30, 2011 at P.C. Hotel, Karachi. At the proposal of majority of the shareholders i.e. the State Bank of Pakistan and others, the proposal was deferred for providing further details / clarifications in the next General Meeting.

The clarifications desired by the State Bank of Pakistan in the 62nd AGM were provided to them by the management of the Bank through letter dated April 18, 2011 upon which the State Bank of Pakistan has vide its letter dated May 6, 2011 advised that "the payment of gratuity may be decided by the Board of Directors in accordance with The Banks (Nationalization) Act, 1974" and through a subsequent letter dated May 13, 2011 further advised that "any decision on payment of gratuity to the ex-President of the Bank requires approval of AGM in accordance with The Banks (Nationalization) Act, 1974".

The Board of Directors of the Bank in its 199th meeting held on April 18, 2011 and 201st meeting held on May 13, 2011 directed the management to re-submit the salary & benefits, end service benefits and medical facility including payment of premium of International Health Insurance of Mr. S. Ali Raza, former President of the Bank, before the shareholders for their ratification / approval in the general meeting in terms of Section 11(3)(a) of the Banks (Nationalization) Act, 1974.

Accordingly, the matter is re-submitted before the shareholders alongwith with the item-wise details / clarifications as under:

i) **Salary & benefits for the period from 01-07-2003 to 14-01-2011 paid to Mr. S. Ali Raza as former President of the Bank.**

The salary and benefits of Mr. S. Ali Raza approved by the shareholders in the 52nd AGM of the Bank held on May 30, 2001 were revised / increased by the Board of Directors on an annual basis during 2004 to 2010 and accordingly were paid w.e.f. July 01, 2003 to December 31, 2010. (These payments were disclosed in the audited Annual Accounts of the Bank approved by AGMs each year). Further, after separation of Mr. S. Ali Raza from the Bank on January 14, 2011, he has been paid his due salary & benefits duly approved by the Board of Directors of the Bank in its 197th & 198th meetings held on March 1, 2011 and March 17, 2011 respectively. As the earlier approvals of the Board of Directors of the Bank were inadvertently not presented annually as a separate Agenda item for ratification in the AGMs, now for the purpose of meeting the requirement of the Banks (Nationalization) Act, 1974, shareholders are requested to ratify the emoluments of Mr. S. Ali Raza, former President of the Bank, from July 1, 2003 to January 14, 2011, which were disclosed in the audited Annual Accounts of the Bank approved by AGMs each year.

ii) End Service Benefits
(a) Gratuity:

In the 198th Board Meeting held on March 17, 2011, the issue of payment of gratuity to Mr. S. Ali Raza, the former President of the Bank, was discussed. In this meeting it was noted that Mr. S. Ali Raza is entitled to gratuity as per the salary package approved by the shareholders in the 52nd AGM held on May 30, 2001. In this AGM it was approved that Mr. S. Ali Raza, former President is entitled for one basic salary for each completed year of service.

The Board of Directors of the Bank noted that in its 124th meeting held on August 7, 2004, the Board had approved that Mr. S. Ali Raza's Basic Pay should be notionally treated as Rs. 750,000/= (Rupees Seven Hundred and Fifty Thousand only) per month for the purpose of calculating gratuity on the basis that the basic pay of the President of Habib Bank Limited was Rs. 750,000/= (Rupees Seven Hundred and Fifty Thousand only) and in 52nd AGM of the Bank, shareholders had resolved that the individual heads of allowances and perks payable to the President of the Bank, should be in line with that of the President of Habib Bank Limited.

Subsequently, the Board of Directors of the Bank in its 138th meeting held on December 24, 2005 approved contractual employees' gratuity in terms whereof, contractual employees are entitled to one (1) month last drawn gross pay (basic + house rent allowance + utilities) for each completed year of service.

The Board of Directors of the Bank in its 198th meeting held on March 17, 2011 reviewed the legal opinions provided by two prominent legal advisors, Messrs Orr, Dignam & Co., Advocates and Messrs Kabraji & Talibuddin, Advocates and Legal Counselors and met with their representatives. Based on their advice, the Board of Directors approved the gratuity of the former President of the Bank on the basis of one month last drawn gross pay for each completed year of service (i.e. Basic pay, House Rent Allowance, Senior Post Allowance & Vacation Allowance) and to seek further approval of the shareholders in accordance with Section 11(3)(a) of the Banks (Nationalization) Act, 1974.

The amount of gratuity payable to Mr. S. Ali Raza, former President is given below:

Basic	Rs. 240,000
House Rent	Rs. 600,000
Vacation Allowance	Rs. 950,000
Senior Post Allowance	Rs. 740,000
Last drawn monthly gross salary	Rs.2,530,000
No. of years completed	10
Total amount payable	Rs.25,300,000

The Board of Directors of the Bank have directed HRM&A Group to seek approval of the shareholders in general meeting of the same.

(b) Contributory Provident Fund

The Board of Directors in its 124th meeting held on 07-08-2004 approved Contributory Provident Fund to the former President Mr. S. Ali Raza at 10% of the Basic Pay (treating the basic pay notionally as Rs.750,000/- for the purpose of PF). The Contributory Provident Fund approved by the Board of Directors was inadvertently not placed for shareholders' approval in the General Meeting as required under Section 11(3) of the Banks (Nationalization) Act, 1974, therefore, the benefit could not be paid to him.

Further, the Board of Directors in its 205th meeting held on 27-10-2011 decided that the Contributory Provident Fund program as approved by the Board of Directors of the Bank in its 124th meeting be included in the list of Mr. S. Ali Raza's settlement, for approval of shareholders.

The Board of Directors in its 206th meeting held on 29-11-2011 decided that the matter to pay profit on Provident Fund on own as well as Bank's Contribution as per earlier decision of the Board taken in its 124th meeting held on 7-08-2004, be placed before the shareholders in the next general meeting. It is requested that the Contributory Provident Fund at 10% of the Basic Pay (treating the basic pay notionally as Rs.750,000/- in 2004 for the purpose of PF) and payment of profit as admissible to regular employees of the bank on his own as well as Bank's Contribution as recommended by Board of Directors of the Bank.

In the subsequent years upto the year 2010, in line with Provident Fund Prevalent market practices deductions were made on account of Provident Fund on his gross monthly compensation as approved by the Board of Directors on year to year basis and matching amounts were contributed /credited by the bank in the books.

In addition, over period of time through its resolution the Board approved facilities pertaining to sale of Bank's vehicles, household items provided by the Bank (referred to as dead stock items) and postretirement medical facilities the details are as under:

c. Sale of Bank's Vehicles:

Mr. S. Ali Raza, former President of the Bank was, in terms of the rules of the Bank duly approved by the shareholders in the 52nd AGM of the Bank held on May 30, 2001, entitled to one (1) 1800cc and one (1) 1300cc fully maintained cars and purchase of cars at end of contract period. However, due to non-manufacturing of 1800cc cars until 2006, he was not provided the same till 2007.

In 2007, as a result of enhancement in the transport policy of the Bank, the Board of Directors of the Bank in its 158th meeting held on September 14, 2007, also enhanced the entitlement of Mr. S. Ali Raza, former President of the Bank to two (2) cars, one up to 2500cc and another up to 1800cc and was allowed to purchase any one of these vehicles upon completion of his term. Mr. S. Ali Raza has opted to purchase 2500cc car detail of which is as follows:

Registration No.	Make	Model	Original Cost (Rs.)	Sale Value
GP-9393	Toyota Camry 2400cc	2007	Rs. 2.750 million	Rs.0.827 million

The Bank also acquired an armoured vehicle for Mr. S. Ali Raza, former President of the Bank due to the emergent and unusual circumstances regarding Mr. S. Ali Raza's security and in consideration of the continuing nature of threat to his life, this was duly approved by the Board of Directors of the Bank in its 160th meeting held on November 3, 2007. The Board of Directors of the Bank in its 160th meeting also allowed Mr. S. Ali Raza, former President of the Bank to retain the said vehicle permanently by paying ten percent (10%) of the original purchase price irrespective of the life of the vehicle at the time of his departure from the Bank and after obtaining NOC from Government. The detail of armoured vehicle is as follows:

Registration No.	Make	Model	Original Cost (Rs.)	Sale Value
GP-9696	BMW (armoured vehicle)	2007	Rs.16.115 million	Rs.1.6115 million

The Board of Directors of the Bank directed HRM&A Group to seek approval of the shareholders in general meeting of the same.

(d) Sale of Dead Stock Items:

The Board of Directors of the Bank in its 199th meeting held on April 18, 2011 directed the management of the Bank to adjust the book value of dead stock items in use of Mr. S. Ali Raza, former President of the Bank from the payment of end service benefits amount after obtaining his written consent for the purchase. The total book value of all the dead stock items amounts to Rs 3,185,576/= (Rupees Three Million One Hundred Eighty Five Thousand Five Hundred Seventy Six only).

The Board of Directors of the Bank have directed HRM&A Group to seek approval of the shareholders in general meeting of the same.

e) Post Separation Medical Facility

In consideration of Mr. S. Ali Raza's eight (8) years continuous service with the Bank, the Board of Directors of the Bank in its 177th meeting held on December 24, 2008 allowed him to avail existing medical facility (full coverage for self and dependent family members within Pakistan and reimbursement of all expenses as approved in the 52nd AGM) on separation from the Bank provided he is not in receipt of the same from any other source. The Board of Directors of the Bank in its 199th meeting held on April 18, 2011 advised to seek shareholders' ratification of the said decision of the Board of Directors of the Bank.

The Board of Directors of the Bank in its 201st meeting held on May 13, 2011 approved that the International Health Insurance Plan for Mr. S. Ali Raza, former President of the Bank and his dependent family members which was approved by the Board of Directors of the Bank in its 117th meeting held on January 22, 2004 be recommended to the shareholders for continuation of payment of premium on existing basis after his separation from the Bank provided he is not in receipt of the same from any other source.

The shareholders are requested to approve the above mentioned salary / other benefits, End Service Benefits, Medical facility and premium payment of the International Health Insurance Plan of Mr. S. Ali Raza, former President of the Bank as approved / recommended by the Board of Directors of the Bank be ratified/ approved and in pursuance thereof, the following ordinary resolution may be passed:

“RESOLVED THAT the recommendations of Board of Directors of the Bank as contained in special business agenda item No.6 of the Notice of AGM being held on March 30, 2012, regarding approval/ ratification of i) the salary and other benefits paid to Mr. S. Ali Raza, the former president of the bank from July 01, 2003 to January 14, 2011, ii) End Service Benefits of Mr. S. Ali Raza former President NBP including: a) Gratuity on the basis of one month last drawn gross pay for each completed year of service, b) Contributory Provident Fund at 10% of the Basic Pay (treating the basic pay notionally as Rs.750,000/- for the purpose of PF) as per decision taken by the Board of Directors in its 124th meeting held on 07-08-2004 with effect from 01-01-2004 and Payment of Profit as admissible to regular employees of the Bank, on his own as well as Bank's Contribution of Provident Fund c) sale of bank's vehicles, d) sale of dead stock items and e) post separation continuation of existing medical facility including payment of premium of international health insurance for Mr. S. Ali Raza and his dependent family members, be and are hereby approved”.

The above resolutions were placed in EOGM of Shareholders at Marriott Hotel, Karachi on 20-06-2011 and in view of the petitions pending in Supreme Court, the resolutions were deferred till next general meeting.

The above resolutions were again presented in EOGM held on 08-02-2012, the total agenda of which was deferred to be discussed in the 63rd AGM.

Annexure-A

TO BE PUBLISHED IN THE OFFICIAL GAZETTE OF PAKISTAN PART-III

Government of Pakistan
Finance Division
(Internal Finance Wing)
◊◊◊◊

NOTIFICATION

Islamabad 7th April, 2011

No.F.1(5)Bkg-III/2011-373 The Federal Government, in terms of Section 11(3)(a) of the Banks (Nationalization) Act, 1974 has been pleased to appoint Mr. Qamar Hussain, Acting President, National Bank of Pakistan (NBP), as President, NBP on regular basis with immediate effect for a term of three (03) years.

Sd/-

(Suhbat Ali Talpur)
Deputy Secretary (Bkg)

The Manager,
Printing Corporation of Pakistan Press,
Karachi.

Copy for information to:-

1. The Secretary General to the President, President's Secretariat, Islamabad
2. The Principal Secretary to the Prime Minister, Prime Minister's Secretariat, Islamabad
3. The Governor, State Bank of Pakistan, Karachi
4. Mr. Qamar Hussain, President, National Bank of Pakistan, Karachi.
5. PS to Minister for Finance, Revenue, Economic Affairs, Statistics and Planning & Development, Islamabad
6. PS to Minister of State for Finance and Economic Affairs, Islamabad
7. PS to Finance Secretary, Finance Division, Islamabad
8. PS to Additional Secretary Finance (IF), Finance Division, Islamabad.


(Abdul Hamid Chaudhry)
Section Officer (Bkg-III)

Annexure-B

Salary Package
All amounts in Rs.

Contract period		Three (03) years - w.e.f. 7th, April 2011 (GoP, Finance Division Notification No. F.1(5)Bkg-III/2011 dated 07-04-2011)
1	Basic Pay - per month	1,302,356
2	House Rent Allowance - per month (52.5% of Basic)	683,737
3	Dearness Allowance - per month (13% of Basic)	169,306
Gross Salary per month		2,155,399
4	Transport:	
4.1	Car/Jeep/Engine capacity	One Parado Jeep already provided to him on his appointment as Chief Operating Officer (used one-4000 cc) & One 2500 cc Car - Both vehicles fully maintained by the Bank with an option to purchase any one of them as per the Bank's Policy or at a book value upon separation from the Bank's service whichever is earlier.
4.2	Drivers	Two (02) Drivers or Salary of Two (02) Drivers in lieu thereof @ Rs. 18,000/- p.m. = Rs. 36,000/- p.m. (on reimbursement basis)
4.3	Petrol (for the Bank's provided vehicles)	At actual
5	Utilities (Electricity, Gas, Water, residence telephone(s)/Mobile Phone(s) and any other utilities pertaining to his residence)	At actual
6	Business Entertainment	At actual
7	Domestic Staff	Salary of Five (05) persons @ Rs. 12,500/- p.m. = Rs. 62,500/- p.m (on reimbursement basis)
8	Business Travel	Business class fare - Hotel expenses at actual for domestic & overseas travel. Per diem for overseas with a maximum of \$325 per day.
9	Annual Leave	Annual Leave 30 days - Medical Leave 18 days. Annual leave can be accumulated upto a maximum of 60 days which is encashable on the basis of the last drawn gross salary.
10	Medical	Full coverage of self and dependent family members within Pakistan and reimbursement of all expenses as per Bank's policy. Full fledged dental treatment facilities excluding polishing and supply of denture (artificial teeth). This facility for medical treatment (excluding dental) shall continue after separation from the bank, for self and spouse only, provided he is not in receipt of the same from any other source.
11	Life Insurance	Rs. 27,000,000 (from Pakistan based insurance Co.) yearly premium to be paid 50% by him and 50% by the Bank.
12	Gratuity	One month's last drawn gross salary for each completed year of service

13	Other facilities	House/Garden Maintenance at actual
14	Security	Security arrangements to be provided by the Bank. Deployment of four (04) security guards i.e. two security guards on 12 hours shift basis at residence.
15	Bonus	Performance Bonus to be determined by the Board
16	Club Membership	Admission Fee for Two (02) Clubs (as already availed by him as COO) and Subscription and other Charges for Three (03) Clubs including these two clubs and one club of which he is already a member since prior to joining NBP.
17	House Building Loan	Already availed by him as COO shall continue as per Bank's Policy till the full repayment of the loan.
18	Generator Facility at Residence	Already availed by him as COO shall continue as per Bank's Policy
19	Annual increment and review of salary package & other benefits	To be done by the Board based on Bank's performance
20	Termination Clause	To be governed by Banks (Nationalization) Act 1974 (as amended). This contract may be terminated by Mr. Qamar Hussain on three (03) months prior notice or pay in lieu thereof



Page 2 of 2.

Annexure-"C"


NBP

The Nation's Bank

HR Management & Administration Group

No.HRM&AG/CONT.APPTT/2011

MR. QAMAR HUSSAIN
NATIONAL BANK OF PAKISTAN

Dear Mr. Qamar,

CONTRACT OF APPOINTMENT

The Federal Government in terms of Section 11(3) of the Banks (Nationalization) Act, 1974 has appointed you as President, National Bank of Pakistan (NBP) on regular basis w.e.f. 07th April, 2011 for a term of three (03) years vide Notification No. F1(5)Bkg-III/2011 dated 07-04-2011. The Board of Directors of the Bank in its meetings no. 199th and 201st held on 18-04-2011 and 13-05-2011 approved the following salary package and terms & conditions on your appointment as President, NBP, ratified by the shareholders of the Bank in the extra ordinary General Meeting held on _____ in terms of Section 11(3)(a) of Banks (Nationalization) Act, 1974 as amended.

1. Term of Appointment:

Your appointment with the Bank shall commence from 7th April, 2011 for a term of three years as per above referred Federal Government Notification.

2. Salary Package and other terms & conditions of appointment:

The salary package and other terms & conditions of your appointment will be as follows:

Basic Pay - per month	1,302,356
House Rent Allowance - per month (52.5% of Basic)	683,737
Dearness Allowance - per month (13% of Basic)	169,306
Gross Salary per month	2,155,399
Transport:	
Car/Jeep/Engine capacity	One Parado Jeep already provided to you on your appointment as Chief Operating Officer (used one-4000 cc) & One 2500 cc Car - Both vehicles fully maintained by the Bank with an option to purchase any one of them as per the Bank's Policy or at a book value upon separation from the Bank's service whichever is earlier.
Drivers	Two (02) Drivers or Salary of Two (02) Drivers in lieu thereof @ Rs. 18,000/-p.m. = Rs. 36,000/- p.m. (on reimbursement basis)

Human Resources Management & Administration Group, Head Office, Karachi - Phone: 42743, Fax: 9211219

1 of 3


HR Management & Administration Group

Mr. Qamar Hussain

Petrol (for the Bank's provided vehicles)	At actual
Utilities (Electricity, Gas, Water, residence telephone(s)/Mobile Phone(s) and any other utilities pertaining to his residence)	At actual
Business Entertainment	At actual
Domestic Staff	Salary of Five (05) persons @ Rs. 12,500/- p.m. = Rs. 62,500/- p.m (on reimbursement basis)
Business Travel	Business class fare - Hotel expenses at actual for domestic & overseas travel. Per diem for overseas with a maximum of \$325 per day.
Annual Leave	Annual Leave 30 days - Medical Leave 18 days. Annual leave can be accumulated upto a maximum of 60 days which is encashable on the basis of the last drawn gross salary.
Medical facility:	
Medical	Full coverage of self and dependent family members within Pakistan and reimbursement of all expenses as per Bank's policy. Full fledged dental treatment facilities excluding polishing and supply of denture (artificial teeth). The facility for medical treatment (excluding dental) shall continue after separation from the bank, for self and spouse only, provided you are not in receipt of the same from other source.
Life Insurance	Rs. 27,000,000 (from Pakistan based insurance Co.) yearly premium to be paid 50% by him and 50% by the Bank.
Gratuity	One month's last drawn gross salary for each completed year of service
Other facilities	House/Garden Maintenance at actual
Security	Security arrangements to be provided by the Bank. Deployment of four (04) security guards i.e. two security guards on 12 hours shift basis at residence.
Bonus	Performance Bonus to be determined by the Board
2 of 3	
Human Resources Management & Administration Group, Head Office, Karachi - Phone: 9212743, Fax: 9211219	



HR Management & Administration Group

Mr. Qamar Hussain

Club Membership	Admission Fee for Two (02) Clubs (as already availed by you as COO) and Subscription and other Charges for Three (03) Clubs including these two clubs and one club of which you are already a member since prior to joining NBP.
House Building Loan	Already availed by you as COO shall continue as per Bank's Policy till the full repayment of the loan.
Generator Facility at Residence	Already availed by you as COO shall continue as per Bank's Policy
Annual increment and review of salary package & other benefits	To be done by the Board based on Bank's performance
Termination Clause	To be governed by Banks (Nationalization) Act 1974 (as amended). You may terminate this contract on three (03) months prior notice or pay in lieu thereof

3. Confidentiality:

You undertake not to disclose, to any third party, any financial, marketing, personnel, customer or any other confidential information accessible to you or made available to you during the term of this contract or in your earlier capacity as COO with the Bank. You shall hold all such information in confidence and not discuss, communicate or transmit it to others, or make any unauthorized copy or use of such information in any capacity.

4. Governing Law:

This contract shall be governed by and construed in accordance with the laws of the Islamic Republic of Pakistan including Banks (Nationalization) Act, 1974 as amended. The rules/regulations governing the service of other Bank Employees, including but not limited to, the National Bank of Pakistan (Staff) Service Rules, 1973 and the National Bank of Pakistan (Staff) Service Rules, 1980 shall be inapplicable in this regard.

If the above terms and conditions are acceptable to you, please sign and return the attached copy of this letter addressed to the undersigned. After acceptance of this offer evidenced by your signature below, this contract of appointment shall be effective on the above terms & conditions.

The letter of appointment No.HRM&AG/CONT.APPTT/2008 dated 12-12-2008 appointing Mr. Qamar Hussain as Chief Operating Officer NBP is rescinded.

(S. Ali Raza)
Chairman
Board of Directors
National Bank of Pakistan

I have read this contract and I accept the terms & conditions stipulated above.

Name: Qamar Hussain

Signature: _____

3 of 3

Annexure-"D"

NATIONAL BANK OF PAKISTAN
HRM&A GROUP
Mr. Qamar Hussain, President
Salary Package as COO

All amount in Rs.

Per Month	Existing Package
Basic Pay	1,041,885
House Rent (52.5% of basic)	546,990
Utilities (15% of basic)	156,283
Dearness Allowance (13% of basic)	135,445
Security Guards	28,050
GROSS SALARY	1,908,652
Cost of Fuel (700 Litre @ Rs. 76.81)	53,767
TOTAL MONTHLY COST	1,962,419
<u><i>Additional Benefits:</i></u> Cost of Medicine (Reimbursement) p.a. Lab Test/Cons (Reimbursement) p.a. Car Facility Mobile Telephone Group Insurance Facility for Residential purpose Club Membership Profit/Performance Bonuses House Building Loan Gratuity	Actual Actual Two Maintained Vehicles One Mobile with Ceiling Rs. 10,000,000 One Generator with (400 litres fuel monthly) Two Clubs Entrance Fees (actual) with monthly ceiling @ Rs. 10,000 each As per Bank's policy As per Bank's policy As per Bank's policy





DIRECTORS' REPORT TO THE SHAREHOLDERS

DIRECTORS' REPORT TO THE SHAREHOLDERS



It gives me great pleasure to present to shareholders on behalf of the Board of Directors the 62nd Annual Report of National Bank of Pakistan for the year ended December 31, 2011.

The first half of 2011 showed that Pakistan's economy remained fragile with major threats emanating from rising inflation, shortage of energy & power, deteriorating law & order situation, increasing fiscal deficit and international economic crisis and its resultant fall-out. However, the rising inflationary trend was arrested with better monetary policy management and resultantly inflation was brought down to around 10% in the second half of the year. Devastating floods, especially in the province of Sindh exacerbated the already difficult economic situation in our agriculture based economy. To kick start the economy, the State Bank of Pakistan (SBP) reduced its policy rate by 200 bps from 14.0% p.a. to 12.0% p.a. This exercise was aimed at supporting growth of private credit investment and was also meant to help in reducing the rising non-performing loans. However yield on loans started to decline due to fall in the KIBOR and T-Bills rates which is expected to squeeze banking spreads.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The bank posted pre-tax profit of Rs. 26,011 million which is higher by Rs.1,596 million or 7% as compared to last year. The increase is due to higher core revenues, non interest / mark-up income and lower provision charge. Net interest income increased by 8.3% whereas non interest / mark-up income is higher by 9.7% mainly on account of higher dividend, exchange and tax compensation income. However, after tax profit is at last year's level due to a tax reversal of Rs.939 million in 2010 which reduced the tax charge for 2010.

Earnings per share for the year 2011 comes to Rs.10.47 and has improved slightly from the level of year 2010 which stood at Rs. 10.44 after making adjustments for the bonus shares issued last year.

Pre-tax return on equity stood at 24.3%, pre-tax return on assets at 2.4% while cost to income ratio is at 0.46. Capital adequacy ratio remained strong at 16.1% with core tier 1 capital ratio at 13.8% in 2011.

Operating revenue increased by 8.7% from Rs. 60.9 billion in 2010 to Rs. 66.1 billion in 2011. Net interest income increased by 8.3% or Rs. 3.6 billion from the corresponding period last year due to higher volumes, better rates and re-profiling of liability side. The bank's total deposits increased by Rs. 95 billion or 11.5% despite some large withdrawals. Net advances increased by 10 % despite conversion of certain commodity and corporate loans into Treasury Bills and Pakistan Investment Bonds as part of settlement of loans related to power companies and commodity financing. Increase was noted in all business units with agricultural and consumer loans increasing by 30% and 19% respectively, contributing 35% of increase in loan book in the year.

The core revenue from fee business remained at 2010 level attributable mainly to downward revision of government agency commission offsetting the volume increase in the current year. Income from dealing in foreign currencies increased by 42% on account of higher volumes as well as greater volatility of Pak Rupee in the year under review. Capital gains are lower by 6.7% due to sluggish performance and lower volumes at Karachi Stock Exchange in 2011. Other income is higher by Rs. 349 million due to compensation on tax refunds. Dividend income increased by Rs. 648 million in 2011 due to higher portfolio size.

Administrative expenses increased by Rs. 3.9 billion or 14.9%, staff cost being the major contributor which increased by 16% as a result of annual increments. Other administrative expenses increased mainly due to inflation, tariff hike in utilities, I.T infrastructure up-gradation and branches renovation.

Provision charge against advances declined by 11.6%. Non-performing loans (NPL) reduction remains the main focus for the management and as a result the NPLs in the 4th quarter declined by Rs. 30 billion with net NPL to net advances at 4.0% as against 5.3% in 2010.

Provision against investments increased mainly due to higher impairment charge on shares due to dull stock market performance. Going forward, with rising volumes and increase in the KSE 100 Index, we expect to reverse the provisions recorded against shares.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Performance of the various business and support units during the year 2011 is given below:

Corporate & Investment Banking

During 2011, Corporate and Investment Banking Group continued to maintain its leading domestic force in corporate lending. Despite economic slowdown lending portfolio of C&IBG has increased by 10% in the year 2011, while the exports business has jumped to almost one and a half times of the previous year. One of the significant step toward controlling the non-performing loans (NPL) was the creation of Asset Rehabilitation Wing (ARW) at Corporate & Investment Banking Group to devise measures to reduce NPLs and on the other hand to keep sick units on healthy track.

Another achievement of C&IBG is the financing of hi-tech projects which has motivated the business community in keeping pace with technological innovation. This has also been instrumental in acquiring the concept of technological assimilation and diffusion. Projects in power and manufacturing sector have been funded in hi-tech discipline.

Regarding the organizational strengthening, the Lahore corporate branch is being established to provide better service to the clients and streamlining the lending functions within the bank. While the corporate banking staff is busy in providing service to the corporate borrowers, NBP's investment banking team is fully geared up to maintain its leading role in the domestic market, especially in areas like syndicated lending, project financing and advisory solutions. Projects of innovative nature have also been handled successfully in which NBP played leading role.



DIRECTORS' REPORT TO THE SHAREHOLDERS

Commercial & Retail Banking

With diversified products for depositors and borrowers, the Commercial and Retail Banking remained on the forefront in terms of market penetration. During 2011, the group through concerted efforts managed growth in all spheres especially in low risk consumer finance product (Cash n Gold) and deposits which recorded growth of 91% and 11% respectively. Stood by the nation in time of need, where recent floods wiped out the businesses of some of our clients, the bank rescheduled/restructured their existing liabilities and extended fresh finances. In response to the changing business environment, the requirements of the economy and to capture potential opportunities, number of initiatives have been planned for the year 2012. New cost effective liability products targeting the business community are in the pipeline and are expected to take off during 2012.

SME and agriculture sectors will be given more focus, as these sectors are the main pillars for generating economic activities in the country and offer lucrative opportunities for effective diversification and optimum returns. Going forward, the bank is well positioned to avail positive opportunities in the market and will build new mutually beneficial relationships. Aggressive marketing for consumer finance products, especially NBP Advance Salary and Cash n Gold, is planned with a calculated trade off of risk and return. In case of Saibaan (home mortgage product) a soft-launch has commenced. These efforts are expected to yield substantial growth in the relatively huge untapped market for commercial & retail products.



DIRECTORS' REPORT TO THE SHAREHOLDERS

International Operations

Our branches in emerging markets like Bangladesh, Afghanistan, Middle East & Central Asian Republics have shown tremendous growth over the past few years. The bank has focused attention in emerging markets and has opened two more branches in Kaskelen and Karaghanda in Kazakhstan and its planning to open one more branch in Shymkent (Kazakhstan) by the end of 2012. To enhance franchise in Central Asia, we have started the process of opening a wholly owned subsidiary in Dushanbe, Tajikistan during the year 2012. Necessary formalities have been completed and it is expected that the branch shall be operative during the first half of 2012. In addition to the above, opening of branch in Colombo, Sri Lanka is also in advanced stages.



Special Assets

The energy crisis prevailing in the country and recent devastating floods coupled with deteriorating social conditions resulted in poor economic growth, putting pressure on non-performing loans in the banking sector during 2011. Reduction in non-performing loans portfolio remains the priority area which is being pursued through concerted efforts of restructuring problem loans through equity & debt swaps as well as through negotiations and settlements besides creating further financial room for problematic loans to enable them to recover from circumstantial defaults. Assets Recovery Group, Small & Medium Assets Recovery Group and Legal Division are making coordinated efforts to reduce non-performing loans through negotiated settlements and legal recourse.

DIRECTORS' REPORT TO THE SHAREHOLDERS**Treasury Management**

Treasury is the hub where local currency and foreign exchange books of the bank are managed. NBP treasury plays a vital role to ensure optimum profitable utilization of the bank's funds both in foreign exchange and money markets while managing risks. The bank emerged as a leading performer in the foreign exchange market in terms of profitability. Over the years, NBP has established itself as an efficient and active market maker both in money markets and foreign exchange. For the second consecutive year, NBP has been rated as one of the top three Primary Dealers (PD) by State Bank of Pakistan for the year 2011.

**Islamic Banking**

During the year 2011, the Islamic Banking Division (IBD) earned a profit as against loss in the last year and made progress towards strategic and financial goals. The unit has shown 62% increase in financing and investments compared with last year. IBD intends to establish enhanced reach by opening Islamic windows in selective conventional branches in 2012. Going forward, strategy is to grow Islamic banking by opening new branches and connecting Islamic branches with conventional branches across Pakistan to facilitate customers for their banking needs.



DIRECTORS' REPORT TO THE SHAREHOLDERS

Customer Service

For better customer service a number of initiatives have been undertaken including a 24/7 call centre providing customers information about their account balances, as well as facilitating them record complaints regarding branch service, home remittances and ATM operations. Back end processing unit has been developed to coordinate with the respective department for efficient handling and redressal of grievances received at call center.

Centralized Account Opening Portal (CAOP) was developed and implemented to cater KYC requirements and for better operational control. The Card Management Unit has been revamped and ATM Cards are now being processed and supplied to the account holders directly from Central Management Unit with greater efficiency. Special arrangements have been made with Benazir Income Support Program (BISP) for payments of grants to the "women-lead families" for imparting vocational training through various NBP branches located country wide. A new web based system for payments to EOBI pensioners has been developed and will be operational in first half of next year. The processes of tax collection, transfer & reporting have been automated for effective monitoring.



Home Remittances

NBP continues to lead the government initiative to facilitate overseas Pakistanis in sending their hard earned money to their loved ones quickly and in a hassle free way. We made the highest number of new tie-ups exclusively for home remittances to facilitate remitters to remit their money at no cost and have registered growth of 67% in free of charge remittances.

With over 25 international correspondents worldwide and another 20 in the pipeline, NBP offers an easy way to Pakistani expatriates for sending money to their loved ones in Pakistan using "Foree Cash" & "Foree Transfer". With over 1270 branches across the country remittance services are available to customers even in the remotest areas. A dedicated team of call center agents has been deputed in the NBP's call center to handle all queries and complaints regarding home remittances. We have also started free SMS service, where customers are informed about their remittance status immediately. With 'Foree Cash' customers can get the money sent from their loved ones within minutes. 'Foree Transfer' allows remittances directly credited into the customer accounts without visiting the branch.

DIRECTORS' REPORT TO THE SHAREHOLDERS**Information Technology**

The year 2011 witnessed several achievements in technology and project deployments. Several milestones have been achieved in this regard. One of the biggest achievements in the year 2011 was the online conversion and connectivity of over 1000 branches that was completed in December, 2011. We are working to achieve the target of 100% online branches by March, 2012. The bank's I.T. system is now centralized as compared to the distributed system that was previously spread over 12 regional data centers. Centralization of database has provided easier manageability, speedy operations and better MIS reporting.

NBP is currently availing the services of IBM's Business Continuity and Resiliency Services (BCRS) to keep its operations running smoothly in case of disaster. To improve I.T. related services at the bank and compete with the industry, implementation of Core Banking Applications (CBA) is going on and 250 local branches will be converted to CBA by December 2012. We have plans to launch market competing internet and mobile banking services in 2012 that will provide customers 24 x 7 access, account information and alerts for transactions.

**Human Resource Development**

Training wing was upgraded to Training & Organization Development Group in November 2011 with the objectives of long term development of human resources and revitalizing of executive development center. As a first step to achieve our goal of long term development of human resources, a training calendar for the next three years (2012, 2013, & 2014) has been developed on the basis of Training Need Analysis (TNA). During the year under review over 13,000 employees were trained. Overseas and outside trainers are being engaged and the bank in coordination with leading business schools of the country will conduct specialized workshops for further improvement of modern day banking concepts. Engineering and design consultants have been engaged along with project management consultants to start work on the construction of a World Class Training Center at Karachi with a view to meet the organizational objectives of giving top priority to the human resource development of the bank.

The bank has successfully implemented centralized payroll system for better management of issues related to staff remuneration and benefits.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Credit & Risk Management

Credit and Risk Management has developed comprehensive credit policy & procedures documents which are regularly updated to improve credit related decisions and solutions. To adjust to the changes in the external environment the bank has "Economic Research Wing" for tracking, highlighting and interpreting the national and global events and economic indicators. Besides this "Industry Research Wing" performs SWOT analysis of various industrial sectors for better credit decisions. A separate project monitoring wing has been established to monitor the projects which are financed by the bank.

NBP, being the largest bank of the country is fully aware of its leading role in the sustainable economic growth of Pakistan. Keeping this in mind, we are fully committed to strengthen the risk management structure and practices in NBP. In this regard an Executive Risk Management Committee (ERMC) has been established, the risk management function has been made independent from credit approval and representation of risk management has been made mandatory in Asset Liability Committee (ALCO) & Credit Committee while discussing policies, product plans & portfolio reviews.

NBP has organized various orientation and discussion sessions during the year on risk management. Additionally, an Enterprise Risk Management training session, by a reputed external consultant, was arranged for creating awareness amongst the senior management across all disciplines.



DIRECTORS' REPORT TO THE SHAREHOLDERS**Compliance**

Compliance is an independent function that identifies, assesses, advises, monitors and reports on the bank's compliance risk, i.e. legal or regulatory sanctions, financial loss or reputation loss a bank may suffer as a result of its failure to comply with applicable laws and regulations.

The bank accelerated its efforts to strengthen compliance culture in the bank. Special emphasis has been placed on Anti Money Laundering (AML) and Know Your Customer (KYC) procedures have been further strengthened.

Awards & Recognitions

In June 2011 M/s JCR-VIS Credit Rating Company re-affirmed the bank's stand-alone rating of "AAA", highest by the company for any bank in Pakistan. The bank was also awarded "World's Best emerging market bank from Asia in Pakistan for the year 2011" by the Global Finance Magazine in May 2011. NBP is also ranked as "Top Bank from Pakistan in Top 1000 World Banks 2011" by The Banker Magazine in its July 2011 edition.

**Corporate Social Responsibility & Brand Image**

NBP, being the largest bank, is fully aware of its social obligations and has integrated its social welfare and community development initiatives to achieve sustainable growth in social and economic sectors of Pakistan.

The bank is running a robust CSR program to benefit the community at large by investing in projects related to critical socio-economic developments such as social welfare, healthcare, education and sports. During the year 2011, NBP cricket team won the T-20 corporate cup besides the hockey team winning National Hockey Championship. The bank believes that education is the back bone for development of any nation and took various initiatives for uplifting the educational activities and opening of a library in Layari was a step in this direction.

Rehabilitation work of flood affected degree college at Khairpur Nathan Shah and 25 schools located in D. G. Khan, Nowshera and Usta Mohammad was undertaken. Numerous free medical & eye camps in various parts of the country were also organized.

DIRECTORS' REPORT TO THE SHAREHOLDERS

The bank in association with Social Welfare Department, Government of Sindh conducted one month vocational training of stitching & embroidery for the women of flood affected areas and after completion of training, sewing machines were distributed.

We are focusing on increasing our presence through outdoor advertisements and are promoting our corporate image, products and services through number of print and electronic campaigns. Aggressive advertising campaigns and product branding are on the cards for 2012.



Future Outlook

Going forward the bank will focus on reduction in NPLs and increasing CASA deposits. NBP has undertaken a number of initiatives in the area of I.T. upgradation which include core banking implementation, completion of conversion of remaining branches on online network, ATM expansion, and mobile & internet bank facilities. The bank has formulated quantitative customer service standards for further improvement in our customer services. The bank will continue to invest in HR capacity building through training, workshops and seminars. The bank will further expand its international franchise by opening branches in Dushanbe, Tajikistan and Colombo, Sri Lanka. The bank will leverage its rural branch coverage to increase share of rural deposits.

NBP has four dedicated corporate branches in Karachi, Faisalabad, Islamabad and Multan serving high valued clients and in 2012 we intend to open a corporate branch in Lahore as well. Trade finance and remittances will remain our focus. Efforts will be made to improve expense management and achieve greater operational efficiency.

DIRECTORS' REPORT TO THE SHAREHOLDERS
Profit & Loss Appropriation

The Profit for the year 2011 after carryover of accumulated profit of 2010 is proposed to be appropriated as follows:-

	Rs. in million
Profit before taxation for year 2011	26,011
Taxation	
- Current year	9,193
- Prior year(s)	260
- Deferred	(1,047)
	8,406
After Tax Profit	17,605
Profit Brought Forward	65,857
Transfer from on revaluation of fixed assets	112
Profit available for appropriation	83,574
Transfer to Statutory Reserve (10% of after tax profit)	1,760
Bonus shares issued-2010	3,364
Cash dividend paid-2010	10,091
	15,215
Profit carried forward	68,359

We extend our heartiest appreciation to the bank's staff for their dedication, commitment, loyalty and hard work in achieving these results. We would like to express our sincere reverence to the Board members who have continued their efforts in guiding the management for further improvement. Finally we would like to express our appreciation to our stakeholders, regulators and our valued customers for their support and continued confidence in NBP.

On behalf of the Board of Directors

Qamar Hussain

President

Date: March 06, 2012

CORPORATE AND FINANCIAL REPORTING FRAMEWORK

(Code of Corporate Governance)

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

- (a) The financial statements (Statement of Financial Position, Profit & Loss Account, Statement of comprehensive income, Cash Flow Statement, Statement of Changes in Equity and notes forming part thereof), prepared by the management of the bank give the information in the manner so required and respectively give a true and fair view of the state of the bank's affairs as at December 31, 2011 and of the results of its operations, changes in equity and its cash flows for the year then ended.
- (b) Proper books of accounts have been maintained.
- (c) Appropriate accounting policies have been consistently applied in the preparation of the financial statements and accounting estimates are based on the reasonable and prudent judgment.
- (d) The International Financial Reporting Standards, as applicable in Pakistan have been followed in preparation of the financial statements and departure there from, if any has been adequately disclosed.
- (e) The system of internal control is sound in design and has been effectively implemented and monitored throughout the year. The Board is responsible for establishing and maintaining the system of internal control in the bank and for its ongoing monitoring. However, such a system is designed to manage rather than eliminate the risk of failure to achieve objectives, and provide reasonable but not absolute assurance against material misstatements or loss.

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

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

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

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

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

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

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

Mr. S. Ali Raza (Since 18-4-2011)	Chairman	10
Mr. Qamar Hussain	As Chairman/President	03
	As President	10
Ms. Nazrat Bashir	Director	13
Mr. Tariq Kirmani	Director	11
Mrs. Haniya Shahid Naseem	Director	13

- (i) Value of investments of Employees' Pension Fund and Employees' Provident Fund as at December 31, 2011 (un-audited) were as follows:

	(Rs. in thousand)
Employees' Pension Fund	16,105,856
Employees' Provident Fund	10,224,455

Pattern of Shareholding

The pattern of shareholding as at December 31, 2011 is given in Annual Report.

Earnings per share

The basic and diluted after tax earnings per share for the year 2011 is Rs. 10.47.

Appointment of Auditors

The Board of Directors on the recommendation of the Audit Committee, has recommended M/s. KPMG Taseer Hadi & Co., Chartered Accountants along with M/s. Anjum Asim Shahid Rahman, Chartered Accountants to be the external auditors of the bank for the year ending December 31, 2012 subject to approval by the share holders at the Annual General Meeting. Both the firms, eligible, have offered themselves for re-appointment.

RISK MANAGEMENT FRAMEWORK

Risk Management in any business entity is a critical function which formulates risk policies to keep the exposures within the manageable limits according to its risk taking appetite.

The NBP Risk Management Division in order to play its more effective role and to achieve the above objective has been up-graded to the status of a Group within the Bank. Risk Management Group looks after all aspects of Credit Risk, Market Risk and Operational Risk.

National Bank of Pakistan (NBP) being the largest Bank of the country is fully aware of its critical and leading role in the sustainable economic growth of Pakistan. Keeping this in mind, NBP Board of Directors and Senior Management are fully committed to strengthen the risk management structures and practices in NBP by establishing the following:

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

Under the umbrella of above, several initiatives are taken and planned by the bank which include but not limited to;

- Development of framework for strategic business plan
- Refinement and cleansing of data for Basel-II, portfolio management, analytical reports and MIS for senior management and BoD.
- Designing of Models for PVBP, Market and Liquidity Risk
- Initiation of Credit Risk Review
- Development of over 40 remediation plans with the assistance of external consultant for the implementation of Basel II in the bank
- Improving the rating and scoring of loans in e-CIB
- Revision and continuous improvement in policies and procedures
- Development of Operational Risk Management Framework
- Creating risk awareness culture by conducting workshops/training sessions

To strengthen the risk management practices in the bank, NBP organized various orientation and discussion sessions during the year. In this regard, an orientation/ discussion session with members of the Board Risk Committee and Director- BSD, SBP was held during the year. Additionally, an Enterprise Risk Management training session, by a reputed external consultant, was arranged for refreshing and updating the senior management across all disciplines on latest practices in Risk Management. Risk management has also been conducting country wide training on data collection exercise for credit modeling and for improving the quality of data.

REVIEW OF BOARD OF DIRECTORS' COMMITTEES

At NBP, the Board of Directors' have formed various sub committees in order to have effective oversight of various areas of the bank. The committees have well defined terms of reference and they meet at regular intervals to review and make decisions on matters of importance for their respective area of functioning.

Board Audit Committee

The Board Audit Committee (BAC) is an advisory and assurance committee which assists the Board in fulfilling its oversight responsibilities. In performing its duties, the BAC has maintained effective working relationships with the Board, the bank's management and the internal and external auditors. The BAC extended valuable contribution in reviewing and updation of the charter of BAC, Audit and Inspection Group Charter & Audit Policy. The BAC followed and complied calendar of responsibilities for the year 2011 which was developed in 2010. The committee has adopted a robust self assessment methodology since 2009 which is based on extensive research of the top international firms and through consultation with the external auditors.

The committee in order to reduce fraud & forgeries was instrumental in formulating the Employee Disciplinary Policy 2011. Further the committee recommended various steps for reduction of frauds & forgeries and improving rectification and compliance of the audit findings. Management Audit Committee comprising of various business and support groups was formed in 2011. In order to strengthen compliance functions in the bank, BAC also recommended formation of the Board Compliance Committee and assisted in development of its term of reference (TOR).

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

The committee ascertains the adequacy and effectiveness of the accounting systems and controls that could significantly affect the bank's financial statements. In this connection, the committee reviewed the scope of review of internal audit and external auditors over financial reporting, their significant observations and the management's responses thereto.

Board I.T. Committee

The committee monitored transformation of batch branches onto online branches network. Target of 1000 online branches has been achieved during the year and we intend to offer online facilities across all branches to the customer by March 2012.

The committee reviews the core banking application implementation and took various steps to streamline the process. The committee reviewed on periodical basis progress of various I.T. related projects including IT infrastructure of the bank, expansion of ATM networks, improving ATMs performance, centralization of database and implementing SAP HCM for the bank's payroll.

Board HR Committee

The committee reviews progress on various HR related issues in the bank including training & development, promotions, remuneration and induction into the bank.

The committee through out the year had close interaction with various HR divisions and advised on matters related to training, finalization of revised pay scales for employees as well as reviewed cases of frauds where staff members were found involved. The committee also identified major areas for further training & development.

Board Risk Committee

The committee is responsible for oversight risk related issues at the bank level and took several decisions including Basel-II implementation, approval of Credit Risk Review Policy, bank wide collection of historical data from various business/support units, enhancing risk management unit's role, improvement in portfolio reviews and development of Institutional Risk Management Framework (IRAF). In the coming year, steps are being taken to implement the remediation plans, as developed by the bank with the help of consultants for implementation of Basel II in the bank.

Board Overseas, Subsidiaries & Agriculture Committee

In May 2011, Board Islamic Banking & Subsidiaries Committee was reconstituted as Board Overseas, Subsidiaries & Agriculture Committee. The Committee reviews financial and operational performance of overseas branches and NBP subsidiaries and provides guidance on strategic matters to achieve the objectives of the group. The committee also provides guidance on formulating agriculture policy & strategy.

Board Compliance Committee

The Board Compliance Committee (BCC) is an advisory and assurance committee which assists the Board of Directors in fulfilling its compliance responsibilities.

It oversees the performance of compliance related issues at the bank level and took several decisions to strengthen the compliance set up and development of a robust & independent compliance culture in the bank. BCC also provided guidance for the formation of a cross-functional committee consisting representatives from all business and support units to carry out the implementation of the decisions taken by the Board Compliance Committee.

The committee deliberates on, monitors and reviews various management and regulatory reports. It also monitors performances / progress of the Compliance Group towards the achievements of their targets as per Compliance Policy and Compliance Review Program on periodical basis.

STATEMENT OF INTERNAL CONTROL

Reporting of Internal Control System

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

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

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

Evaluation of Internal Control

The Bank has an independent Internal Audit & Inspection function in the name of Audit & Inspection Group with three Regional Audit & Inspection Offices that conduct audit of branches, Regions and Groups at Head Office on an on-going basis to evaluate the efficiency and effectiveness of Internal Control System. In addition to that Compliance set up is also in place with 142 independent branch compliance officers in category III Branches and 29 Regional Compliance officers with supporting staff to take care of Compliance related issues to strengthen the control environment.

For the year 2011 the Bank has made its best efforts to ensure that an effective internal control system continues to perform in letter and spirit. The observations made by the external / internal auditors and SBP Inspection team in their respective audits / inspections are promptly reviewed and measures are taken by the Board, Board Audit Committee and management for rectification of such observations to safeguard the Bank's interest.

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

Imam Bakhsh Baloch
Audit & Inspection Group

Tariq Jamali
Compliance Group

Karachi

Dated: March 06, 2012

SHARIAH ADVISOR'S REPORT

Shariah Advisor's Report for the Financial Year 2011

Alhamdu Lillah with the grace of Allah Taala, I reviewed/examined on detailed basis, each class of transactions, the relevant documentation and procedures adopted by Islamic Banking Branches/Division (IBB & IBD NBP), and I hereby report that in my opinion;

- I) The business and overall affairs of IBBs-NBP carried out during the year 2011 are in accordance with Shariah principles and also these affairs are in compliance with SBP Shariah Guidelines. I have found the activities/transactions executed in compliance with the guidelines issued by me from time to time during the previous years and current year.
- II) In the first half of the year 2011, Head of Islamic Banking was replaced by Mr. Ziaullah Khan (SEVP). The Islamic banking reported a profit of Rs 72 million as compared to the loss of Rs 311 million last year. Net Financing has increased to Rs 3,050 million from Rs 1,764 million in last year. A few numbers of new Ijarah and Murabaha were executed successfully and majority of increase in financing is due to investment in SUKUK during the year.

The profit and loss sharing scheme (PLS) was got audited by the external auditors to comply the SBP requirement. However, the PLS scheme was managed according to Shariah principles and the Shariah guidelines issued by the State Bank of Pakistan.

During this year, the special pools were also created to match the special profit rates offered to the customers. The special pools were managed properly through proper documentations but manually, as the current IT system does not have the specific module for this type of transaction.

However the efforts were in line to develop a proper IT system to handle the pool management properly.

- III) With grace of Allah Taala there were no earnings pointed out during the year that have been realized from prohibited sources or void transaction (Fasid). IBD received an amount of four hundred twenty five thousand five hundred and two rupees (Rs.425,502) in charity account. This amount was distributed to the approved charity organizations as per the policy of the charity.
- IV) NBP also conducted a Shariah Audit during the year.
- V) The staffs of IBBs were trained during 2011 in Islamic Banking and Finance by a sequence of comprehensive courses conducted by IBD and a number of staff was also nominated to attend outsource courses on Islamic banking and finance within the country.

May Allah Taala bless us with best "*tawfeeq*" to accomplish these cherished tasks, make us successful in this world and in the hereafter, and forgive our mistakes!

Mufti Abdul Sattar Laghari

Shariah Advisor

Karachi

Dated: March 06, 2012

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

For the year ended December 31, 2011

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

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

1. The Board of Directors of the Bank is appointed as per the provisions of the Bank's (Nationalization) Act, 1974. At present all the Directors (Except President /CEO) are independent non-executive Directors, including the director representing minority shareholders as required by the Code.
2. The directors have confirmed that none of them is serving as a director in more than ten listed Companies including the Bank.
3. All the directors of the bank are registered as Tax Payers and none of them has defaulted in payment of any loan to Banking Company, a DFI or an NBFI or being a member of Stock Exchange, has been declared as defaulter by the Stock Exchange.
4. During the year Mr. Qamar Hussain was appointed as President in terms of GOP Notification No. F.1(5) Bkg-III/2011-1393 dated 07-04-2011 in place of Mr. S.Ali Raza President /CEO who relinquished his charge on 14-01-2011 in terms of GOP Notification F.1(8) Bkg-III/2000 dated 22-01-2011. Earlier, Mr. Qamar Hussain was appointed as President on acting charge basis in terms of GOP Notification F.1(8) Bkg-III/2000 dated 15-01-2011. The Federal Government in terms of Section 11 (2) and 3(a) of The Banks Nationalization Act, 1974 appointed Mr. S. Ali Raza as Chairman of NBP Board of Directors with immediate effect vide Notification No.F.1(8) Bkg-III/2000 dated 08-04-2011
5. The directors have confirmed that neither they nor their spouses are engaged in the business of stock brokerage.
6. The bank has prepared "Statement of Ethics and Business Practice" which is already approved by the Board of Directors.
7. The Board has approved the Vision, Mission, Core Values, Objectives and NBP Strategic Plan.
8. The bank has comprehensive frame work of written policies and procedures on all major areas of Operations such as Credit, Treasury Operations, Finance, Risk, Internal Audit and Compliance etc. Many of these policies have been approved by the Board and are being constantly reviewed.
9. There exists in the bank a framework defining the limit of the authority of various management levels. All the powers were exercised by the relevant authorities within the materiality thresholds.
10. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board.

11. The meetings of the Board of Directors were presided over by the Chairman. The Board met 13 times during the year. Written notices of the Board meetings were sent 14 days before the meeting and Agenda / working papers were circulated at-least seven days before the meetings. The minutes of the meetings were appropriately recorded.
12. The bank held orientation session for the directors in the year 2008 and one director completed her PICG Training course in the year 2011.
13. The appointment of Financial Controller, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment are duly approved by the Board.
14. The Director's Report for the year has been prepared in compliance with the Code of Corporate Governance and fully describes the salient matters enumerated in the Annual Report.
15. The Financial Statements of the Bank were duly endorsed by CEO and Financial Controller before approval of the Board.
16. The Directors, CEO and Executives have confirmed that they do not hold any interest in the shares of the Bank except as mentioned in the report.
17. The Bank has complied with all the Corporate and Financial Reporting requirements of the Code. In accordance with the requirement of clause (xiii a) of the listing regulations, all related party transactions have been reviewed and approved by the Board of Directors.
18. The Board has formed a Board Audit Committee comprising of four Non Executive Directors.
19. The Board Audit Committee held 16 meetings as well as meetings held prior to the approval of Interim and Final Results as required by the Code. The Charter of the Board Audit Committee has been duly approved by the Board of Directors and has been advised to the Committee for Compliance.
20. The Board has setup an effective Internal Audit Function. All the Internal Audit Reports are accessible to the Board Audit Committee and important points arising out of audit are reviewed by the Board Audit Committee and important points requiring Board's attention are brought into their notice.
21. The Statutory Auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review Program (QCRP) of the Institute of Chartered Accountants of Pakistan, that they or any partners of the firms, their spouses and minor children do not hold shares of the Bank and that the firms and all of their partners are in compliance with International Federation of Accountants (IFA) on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
22. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the Auditors have confirmed that they observed IFA guidelines in this regard.
23. We confirm that all other material principles contained in the code have been complied.

On behalf of the Board of Directors

Chairman & President

Karachi

Dated: March 06, 2012

AUDITOR'S REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

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

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi 75350, Pakistan

We have reviewed the Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of National Bank of Pakistan (the Bank) to comply with the Regulation G-1 of the Prudential Regulations for the Corporate / Commercial Banking issued by the State Bank of Pakistan, Listing Regulation No. 35 of the Karachi Stock Exchange, Chapter XI of the Lahore Stock Exchange and Chapter XI of the Islamabad Stock Exchange, where the Bank is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Bank. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Bank's compliance with the provisions of the Code and report if it does not. 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 Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all control and the effectiveness of such internal controls.

Further, Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges require the Bank to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Code as applicable to the Bank, for the year ended December 31, 2011.

Anjum Asim Shahid Rahman
Chartered Accountants

Karachi

Date: March 06, 2012

KPMG Taseer Hadi & Co.
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS

Anjum Asim Shahid Rahman

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

KPMG Taseer Hadi & Co.

Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi 75350, Pakistan

We have audited the annexed unconsolidated statement of financial position of **National Bank of Pakistan** (the Bank) as at December 31, 2011 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'the financial statements') for the year then ended, in which are incorporated the unaudited certified returns from the branches except for 80 branches which have been audited by us and 17 branches audited by the auditor abroad and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of accounts have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;

- (b) in our opinion:
- (i) the statement of financial position and profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- (c) in our opinion and to the best of our information and according to the explanations given to us the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at the December 31, 2011, and its true balance of profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The financial statements of the Bank for the year ended December 31, 2010 were audited by Anjum Asim Shahid Rahman, Chartered Accountants and M. Yousuf Adil Saleem & Co., Chartered Accountants who through their report dated March 01, 2011 expressed an unqualified opinion thereon.

Anjum Asim Shahid Rahman
Chartered accountants

KPMG Taseer Hadi & Co.
Chartered Accountants

Engagement Partner
Muhammad Shaukat Naseeb

Engagement Partner
Syed Iftikhar Anjum

Karachi

Date: March 06, 2012



NBP HOME REMITTANCES

Home Remittance Services

- Free of charge remittance service
- NBP posted a growth of 67% in free of charge remittances which reflects customer's confidence in the Nation's Bank
- One of the largest overseas correspondent network catering to the needs of Pakistani expats across the globe
- Unmatched outreach with 1277 branches across Pakistan
- Cash payments up to PKR 500,000/- to beneficiaries in minutes through NBP Foree Cash
- Instant credit to beneficiary accounts in over 1100 NBP online branches through NBP Foree transfer
- Free SMS alert to beneficiaries
- Prompt complaint resolution through dedicated staff
- NBP Home Remittances Helpline UAN: 111-627-627 or email us on hrc@nbp.com.pk



NBP Foree Transfer



NBP Foree Cash



NBP

National Bank of Pakistan

