




The Banker Awards 2015
Bank of the Year Pakistan
National Bank of Pakistan

AWARD WINNING BANKING

ANNUAL REPORT 2015

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CORPORATE

INFORMATION



We

are a leading commercial bank, established on November 8, 1949 under the National Bank of Pakistan Ordinance 1949. While we have been entrusted to act as the trustee of public funds and as the agent to the State Bank of Pakistan*; over the years, we have redefined our role into a modern growth-oriented commercial bank by expanding our business network across continents and by capturing large market share in the debt equity market, corporate investment banking, retail and consumer banking, agricultural financing and treasury services in Pakistan. We have an international presence through our branches and subsidiaries in the Far East, Middle East, South Asia, Central Asia, Europe and North America.

Together, with our local and international subsidiaries, we provide commercial banking services including corporate loans, investment advisory, forex, global remittances, underwriting, asset management, agency services, brokerage, leasing, modarba and such other banking & financial services. We strive in promoting financial inclusion of the unbanked masses in the country, creating equal employment opportunities, identifying & delivering our responsibilities as a good corporate citizen.

20

Countries

1403

Domestic Online Branches

79

Islamic Branches

21

Foreign Branches

8

Local & International Subsidiaries

AAA

Rated 'AAA' by both PACRA and JCR-VIS

** in places where SBP does not have presence.*

CORPORATE INFORMATION

Board of Directors

Muneer Kamal

Chairman

Syed Ahmed Iqbal Ashraf

President

Tariq Kirmani

Director

Farrakh Qayyum

Director

Muhammad Naeem

Director

A. Akbar Sharifzada

Director

Mir Balakh Sher Marri

Director

Iftikhar A. Allawala

Director

Board Committees

Director	Board Risk Committee	Board Audit Committee	Board HR Committee	Board IT Committee
Farrakh Qayyum	Member	Member	Member & Chairman	
Syed Ahmed Iqbal Ashraf	Member		Member	Member
Tariq Kirmani		Member	Member	Member & Chairman
Muhammad Naeem	Member	Member & Chairman	Member	
Iftikhar A. Allawala	Member & Chairman	Member		Member
A. Akbar Sharifzada		Member	Member	
Mir Balakh Sher Marri	Member	Member	Member	Member

Company Secretary

S. M. Ali Zamin

Executive Vice President

Registered & Head Office

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

Auditors

Ernst & Young Ford Rhodes Sidat Hyder

Chartered Accountants

KPMG Taseer Hadi & Co.

Chartered Accountants

Registrar & Share Registration Office

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

Legal Advisor

Mandviwalla & Zafar

Advocates & Legal Consultants

Website

www.nbp.com.pk



Think Green!

Our shareholders can help us improve the environment by consenting to receive the Financial Statements through email only. If you haven't already, please fill in the consent form given at the end of this report. Financial Statements are now also accessible online.

Please visit our website for online access to the Annual Report.

Through the Year 2015

Account Opening

We simplified the account opening process with reduction in the minimum initial deposit to as low as Rs. 100.

Recovery of NPLs

Rs. 4,986 Mn. provision write-back during the year.

Advance Salary

We have facilitated more than 350 thousand Government employees through our Advance Salary product.

Financial Inclusion

We have extended Rs. 6,600 Mn of soft loans to more than 7,000 Youth under the PMYBL Scheme. We extended Agri-Loans to our 270 thousand agri-farmers.

Network & Customer Facilitation

We opened 49 more branches. Installed 500+ Biometric-enabled ATMs. Installation of another 500 is expected during 2016. We issued 118,000 new ATM Cards, taking the total to 1.48 Mn.

Going Electronic

NBP Paigham: SMS Alert Service and E-statement. Automation of pension payment through biometric ATMs to be enabled by June 2016.

With the Society

We identified and acknowledged our social responsibilities through generous contributions and donations.

Winning the World Over

We achieved the 'Bank of the Year Award - 2015', awarded by The Banker - UK.

G2P Services

Collection of taxes/government fees through ATM and telcos. Footprint increased from 605 authorised branches to over 100,000+ agents of telcos.

Shareholders' Value

Shareholders' value enhanced through dividend payout of Rs. 15.96 Bn.

Infrastructural

The Core Banking Application has now been deployed at our entire domestic branch network of 1403 branches.

Islamic Banking

Our Islamic Branches' Network now stands increased from 22 branches to 79 branches with total deposits of Rs. 12.7 Bn.

Our Drivers for the Year 2016

Further market penetration for greater financial inclusion.

Improved alternative delivery channels & customer services.

Reduction in NPLs through recoveries and rehabilitation of infected portfolio.

Image building through face lift of branches.

Investing in our people through training & capacity building.

Strengthening compliance and controls.

Improving customer service quality.

Lending growth and improving asset quality.

Partnering for economic development in the country.



Mr. Tariq Kirmani
Director

Mr. Muhammad Naem
Director

Mr. Balakh Sher Marri
Director

Mr. Muneer Kamal
Chairman

Syed Ahmed Iqbal Ashraf
President

Mr. Iftikhar A. Allawala
Director

Mr. A. Akbar Sharifzada
Director

Mr. Farrakh Qayyum
Director

MR. MUNEEB KAMAL

CHAIRMAN National Bank of Pakistan and Chairman of Pakistan Stock Exchange (Formerly: Karachi Stock Exchange) ["PSX"], has over 35 years of extensive experience in banking and financial sector. With an MBA degree from University of Karachi, his career started with Citibank where, between November 1979 and July 1994, he served locally and internationally on various senior positions including his term as Director, Head of Country Public Sector and Financial Institutions. During this association, he also attended a number of training courses / programs in Far East, Middle East and Africa.

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

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

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

Other Directorships & Offices:

- Chairman, Pakistan Stock Exchange;
- Director, United National Bank Limited (UK);
- Director, Engro Corporation Limited;
- Director, Karachi Education Initiative.



SYED AHMED IQBAL ASHRAF

PRESIDENT Syed Ahmed Iqbal Ashraf has rich experience of over 35 years in domestic and international banking. Mr. Ashraf is a Fellow of the Association of Chartered Certified Accountants (FACCA) from the UK, from where he not only acquired his education but also started his career. His work experience spans over three continents as he worked in the UK, USA and UAE for 19 years before he decided to return to Pakistan.

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

Mr. Ashraf is the Vice Chairman of Pakistan Banks' Association for the past 2 years. He is also director of four companies and a council member / trustee of three organisations.





Mr. Farrakh Qayyum | Director

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

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

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

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

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



Mr. Tariq Kirmani | Director

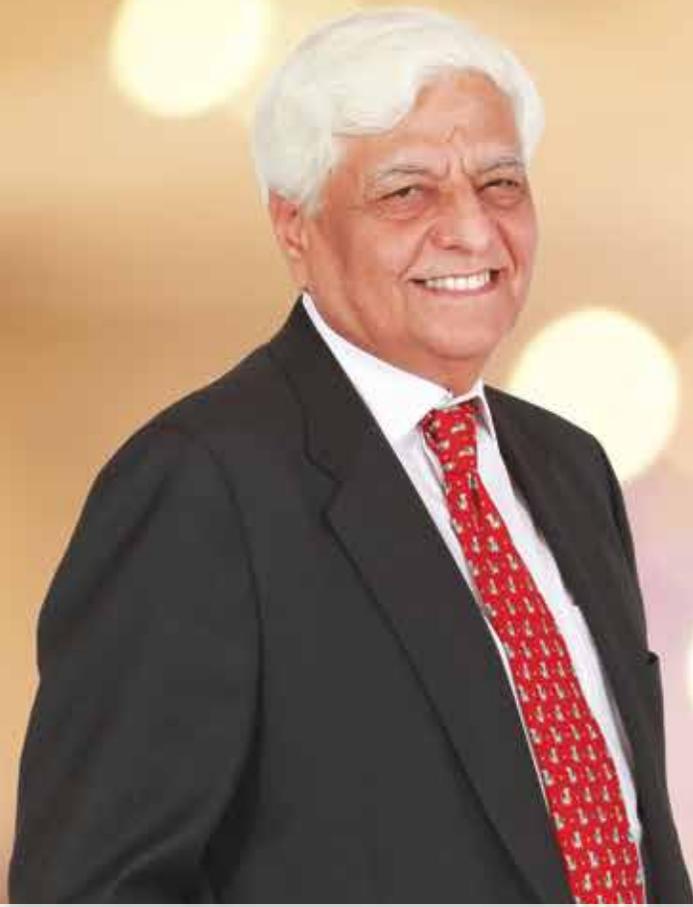
Soon after completing his Master's in Business Administration, Mr. Tariq Kirmani started his career with a multinational oil company (Caltex - later Chevron Pakistan) in 1969 and worked for 7 years in the United States (US), United Arab Emirates (UAE) and Australia in different senior management positions in marketing, operations and finance. In 1991, Mr. Tariq Kirmani became the first Pakistani to be elected as a Director of the Company.

In April 1999, he joined Pakistan State Oil 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, by giving it a new brand image and making it profitable, while aggressively competing with multinational companies like Shell, Chevron and TOTAL.

With PSO's successful turnaround and his 36 years of multifaceted experience in the corporate sector, both domestic and international, the Government of Pakistan appointed Mr. Tariq Kirmani as Chairman & CEO, Pakistan International Airlines (PIA) in April 2005. He served PIA for 2 years, during which he introduced customer focus, identified and initiated implementation of programs in three key areas for improvement; (a) Aircraft Fleet Renewal, (b) Employee Rationalization, (c) Systems and Processes through implementation of IT and Enterprise Resource Planning.

Mr. Tariq Kirmani has previously served on a number of Boards of multinational and public sector companies which includes Pakistan Refinery Limited, Pakistan Telecommunications Limited, Pakistan Private Infrastructure Board and Board of Governors at LUMS, Lahore.

Currently, he is also serving as the Chairman of UBL Fund Managers, National Academy of Performing Arts and Greenstar Social Marketing. He is also serving as Director on the Board of Professional Education Foundation and Family Education Services Foundation. Due to his personal efforts, PSO and PIA became members of the World Economic Forum, Davos, Switzerland and the World Business Council for Sustainable Development, Geneva, Switzerland.



Mr. Iftikhar A. Allawala | Director

Mr. Iftikhar A. Allawala has over 40 years' experience in Management & Finance. After qualifying for an MBA (Master's of Business Administration) from IBA Karachi, he joined Citibank Pakistan. Within less than three years' of association with Citibank, he was promoted to Country Manager (Operations).

Later, he joined Speciality Printers Pvt. Ltd. Karachi (manufacturers of specialized flexible packaging materials) as a Director. Mr. Allawala has also served as Non-Executive Director on the Boards of various entities including:

Director, United Bank Ltd.

Chairman, Audit Committee - UBL.

Member, Board of Governors - IBA.

Member, Audit & Finance Committee - IBA.

Chairman, The Sri Lanka - Pakistan Business Council.

Director, State Bank of Pakistan (SBP).

Member, Monetary Policy Committee - SBP.



Mr. Muhammad Naeem | Director

Mr. Muhammad Naeem is a Chartered Accountant by profession. He got his college education from F.C. College and Hailey College of Commerce in Lahore. He did his MBA from IBA, Karachi in 1964. He became a Chartered Accountant in 1967 after serving his Articleship with A.F. Ferguson & Co. in Karachi.

He qualified as a CPA from the State of California (USA).

He has been an Executive Committee member and President of the Lahore Tax Bar Association.

He has been a Council member and Vice President of the Institute of Chartered Accountants of Pakistan.

He has served as Executive Committee member and Vice President of Lahore Chamber of Commerce & Industry.

He has also served as Honorary Treasurer of the Pakistan Cricket Board.



Mr. A. Akbar Sharifzada | Director

Mr. A. Akbar Sharifzada was nominated as Director on the Board of National Bank of Pakistan by the Government of Pakistan on November 17, 2015. He has a 26 year Civil Service career in the Government of Pakistan and has remained posted in different ministries, gaining wide-ranging policy making and administrative experience. Presently he is an Additional Finance Secretary in the Ministry of Finance, Islamabad. He holds Master's degrees in English Literature and Economics. He also attended a number of courses / workshops / seminars within the country and abroad.

Mr. Sharifzada has been Director on the Board of Pakistan Security Printing Corporation, PAIR Investment Company Limited, House Building Finance Corporation and Allied Bank Limited.



Mr. Mir Balakh Sher Marri | Director

Mir Balakh Sher Marri comes from the noble Marri family of District Kohlu, Balochistan. The brave family is well known for their meritorious services rendered for the uplift and well-being of the downtrodden masses in the locality, as well as the overall good of the country in general and the Balochistan province in particular. Mr. Balakh Sher belongs to the prestigious Marri tribe of Pakistan and is the Chief of the renowned Pawdi Marri tribe.

Mir Balakh Sher Marri is presently Financial Advisor to M/s Bolan Security (Pvt.) Ltd., M/s Surveillance Security Solutions and M/s Index Pakistan (Pvt.) Ltd. He is also Technical Advisor to M/s SFM Hasni Traders & Industries (Pvt.) Ltd. Pakistan.

Mr. Marri's schooling was from Aitchison College, Lahore. He is a law graduate and also holds a Master's Degree from University of Balochistan. He was a Minister and held the portfolio of Local Government, Rural Development and Women Development, Government of Balochistan from 1996-1997.



Sitting: Left to Right

SULTANA NAHEED
SEVP / Group Chief
Risk Management Group

MASOOD KARIM SHAIKH
SEVP / Group Chief
International Banking Group

MUHAMMAD NUSRAT VOHRA
SEVP / Group Chief
Treasury Management Group

NAUSHERWAN ADIL
SEVP / Group Chief
Operations Group

SYED AHMED IQBAL ASHRAF
President

ASIF HASSAN
SEVP / Group Chief
Audit & Inspection Group

TARIQ JAMALI
SEVP / Group Chief
Logistic Support Group

KAUSAR IQBAL MALIK
SEVP / Group Chief
Compliance Group

MUDASSIR H. KHAN
SEVP / Group Chief
Commercial Retail Banking Group

Standing: Left to Right

MIRZA BABUR BAIG
EVP / PSO to the President

MUFTI EHSAN WAQUAR AHMAD
Shariah Advisor

AKBAR HASAN KHAN
EVP / Head
Corporate Investment Banking Group

MAHMOOD SIDDIQUE
EVP, Divisional Head / CIO
IT Division

AAMIR SATTAR
SEVP / Chief Financial Officer
Financial Control Division

S. M. ALI ZAMIN
EVP, Secretary Board of
Directors

WAJAHAT A. BAQAI
SEVP / Head
Credit Management Group

OVAIS ASAD KHAN
EVP / Head
Strategic Marketing Division

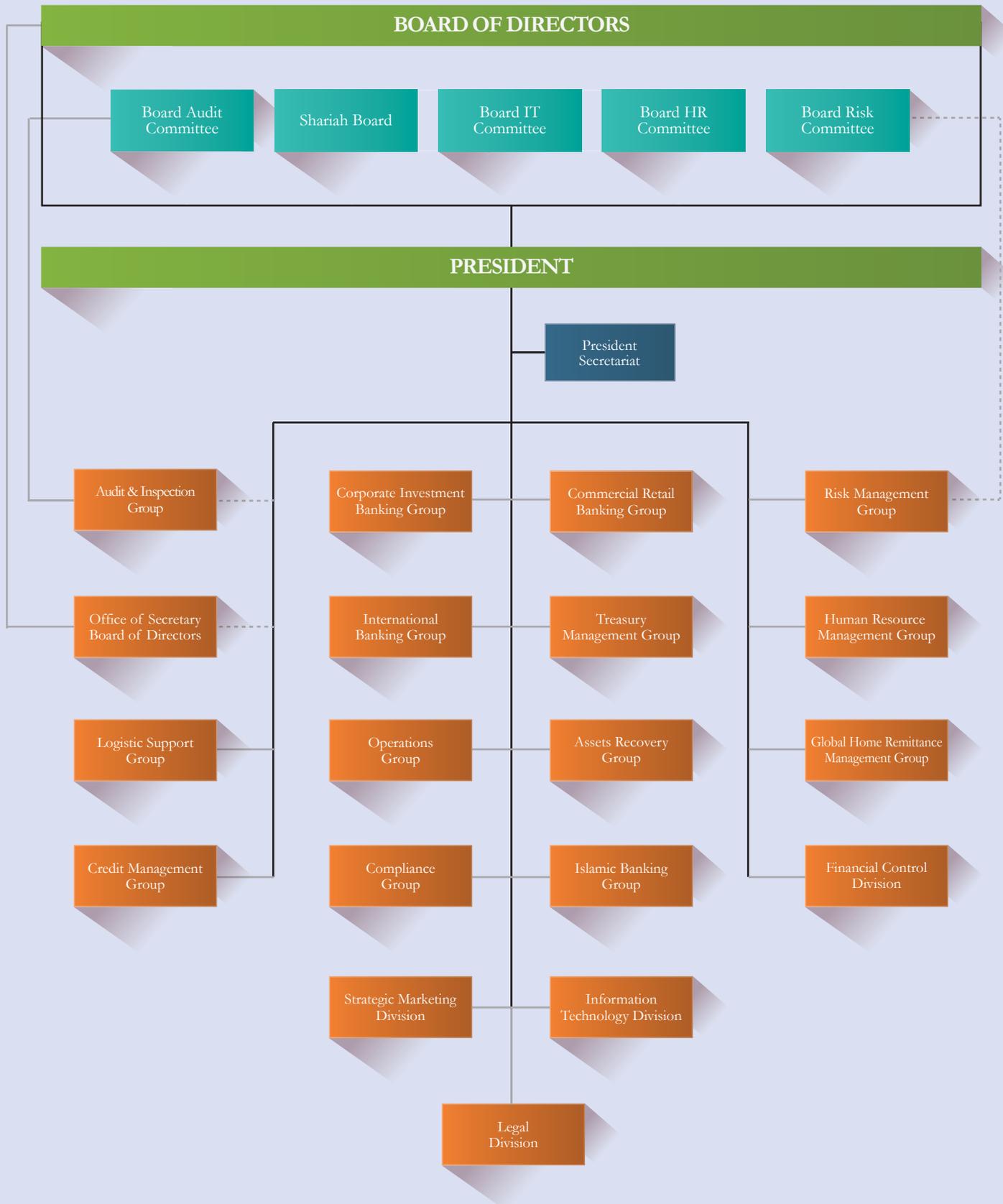
SAHIBZADA RAFAT RAOOF ALI KHAN
EVP / Head
Assets Recovery Group

ZAHID MEHMOOD CHAUDHRY
SEVP / Group Chief
Human Resource Management Group

KHAWAJA M. AMIN-UL-AZAM
EVP / Head
Islamic Banking Group

RIFFAT SULTANA MUGHAL
SVP / Head (A)
Legal Division

ORGANOGRAM



OUR BUSINESS, OBJECTIVES AND STRATEGY

Our Business

Together, with our local and foreign subsidiaries, we provide commercial banking services including commercial loans, investment advisory, asset management, global remittances, agency services, forex, leasing, modarba, underwriting, brokerage, and such other services.

Key stream of our income includes net mark-up/interest income generated through loans & investments under both conventional and Islamic modes of financing. This is the residue from the mark-up income generated through lending to our individual, commercial and corporate borrowers, and investments, the cost we bear on the deposits placed by customers, borrowings and other debt obligations. We earn non mark-up income by way of fees for financial services and other products, and the income generated through investments, dividend income, gains on equity investments, income through dealing in foreign exchange, government securities, etc. We also earn through strategic investments in other entities as well as investments in subsidiaries and associates.

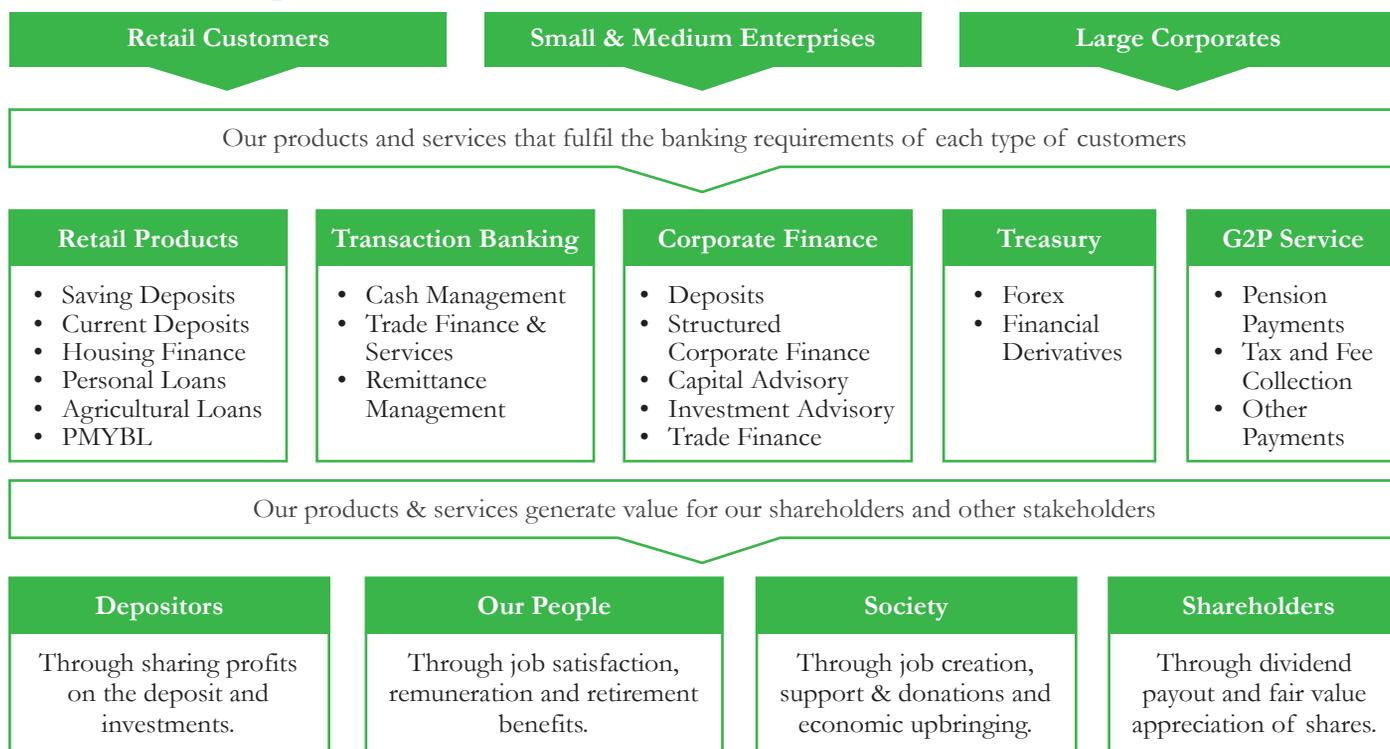
We function in a market environment which is highly competitive and regulated, but offers huge opportunities for generating value for our stakeholders. By virtue of our strong branding, capital adequacy and other strengths, our aim is to capitalise the market opportunities for sustainable maximisation of shareholders' value.

Our Business Model

We proactively identify our customers and their banking requirements. Our business operations are based on a geographically diversified, composite, integrated & cohesive structure, whereby the banking and other financial & related services are typically provided by the Bank through our branches.

Geographical Presence	Non-Banking Financial Services
<ul style="list-style-type: none"> - Pakistan - South Asia & Far East - Middle East - Central Asia - Europe - North America 	<ul style="list-style-type: none"> - Leasing - Modarba - Foreign Exchange - Asset Management

Products Landscape and Value Generation



Our Operating Structure

We have 5 customer-facing business functions, focused on catering to the banking requirements of each type of customers.



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

Control and Support Functions

These groups define the functional strategy to support the business groups in achieving their business strategy. The

control functions extend their expertise in developing the policy framework that sets the route for the business groups.

Our Ambition and Strategic Priorities

As the Bank is now moving forward through restoring its fundamental strengths, we have defined interconnected and mutually composite strategies for the years ahead. Our priorities are weighted equally, and set a clear path for us to deliver our strategy towards capitalising value generation opportunities offered by the market.

Our Goals	Our Methodology Towards Achieving Our Goals.
Maintain Leadership Position	We will increase our market share through organic as well as strategic expansion, locally and internationally. We will introduce new products to capitalize on our strengths and to compete with the industry.
Customer Service	We will add alternate delivery channels by moving towards branchless banking. We will also invest in making our business places more innovative, customer service oriented and pleasant.
Adopting to the Best Practices	We will bring strategic realignment of various functions, business process reengineering and change management. Our business will be technologically-advanced and well-equipped.
Improving Asset Quality	We will improve our asset quality through efficient lending framework, collateral management and effective post-disbursement credit monitoring mechanism.
Greater Financial Inclusion	We will capitalize on our rural coverage by bringing banking home to the unbanked masses, and through developing products for low income groups, particularly women.
Strengthening Compliance and Controls	We will ensure 100% compliance to our recently formulated zero tolerance policy for fraud and forgeries. We will improve technological infrastructure to improve the monitoring mechanism to ensure compliance of policies.
Maximising Shareholders Values	We will create value through maximising income and gains to maintain a healthy and sustainable payout ratio. We will further improve our Cost to Income ratio and retain the profits as much as necessary for achieving organisational growth.
Partnering for Economic Development in the Country	We will continue our support for financing large infrastructure projects in the country. While CPEC remains on our radar as a key project to create opportunities for growth, we will also cash on our function to represent central bank for treasury business.
Investing in Our People	We will invest further in our people through training & development by promoting a transparent culture based on our principle of 'reward for performance'. We will add more to our human capital pool and devise a well thought succession planning.

Business Continuity Plan

We are determined to have effective and robust business continuity measures in place for the protection of our employees and information assets. As a financial institution, we ensure an effective business continuity plan is implemented bank-wide for smooth recovery and continuity of our critical businesses and functions during and after any disastrous interruption. The aim is to continue business operations in case of any unforeseen event to protect our corporate image, mitigate associated risks, safeguard our revenues and sustain our relations with all stakeholders, including customers, business counterparts and regulators.

To deliver on our business commitments and to remain compliant with regulatory requirements when confronted with significant business disruptions, our infrastructural architecture includes a Business Continuity Plan for resumption of operations and constitutes as an integral part thereof.

Our business continuity strategies encompass disaster recovery, business recovery, crisis management, incident management, emergency management and contingency planning. As a measure to ensure uninterrupted business operations, we have our business continuity and resilience services arrangements with IBM for our DR Site. Disaster Recovery Planning for business operations and services is also implemented bank-wide to adequately address the potential risks and provide measures to be adopted in case of natural disasters, accidents, sabotage, power breakdowns, communications discontinuation/disruption, etc.

Customer Service Quality

Our market share, financial results and the acclaim we receive at local and international forums is reminiscent of the continuous resolve & success towards transformation. However, in the fiercely competitive market, we are striving to develop a customer-oriented Sales & Service Culture. Our Board is also keen in observing a visible change in Service Quality Standards at NBP. A separate function of Service Quality at NBP has been introduced with the sole aim & objective to reinvigorate the sales & service culture and changeover from customer satisfaction to Customer Delight. Our team, with its vast experience of Service Quality in the financial services industry, has strategized various initiatives to be implemented at NBP in phases to ensure smooth transition towards Customer Delight. Our plans to achieve Customer Delight include employee training, improving business processes and work place environment, and placement of service quality officers.

Investor Relations

Maximising shareholders' value is on top of our mission. We aspire to further strengthen our corporate image and instil investors' confidence in NBP by implementing business-like approach for the communication of material financial information to the shareholders and other stakeholders. We are determined to resolve our shareholders' concerns, and to discharge our obligation of providing material information about the financial position & performance of the Bank, its subsidiaries, joint venture and associates within statutory timelines. Our goal, under this strategy, is to represent NBP in a true & fair manner so as to assist the existing as well as potential investors in making properly informed investment decisions; and, that other stakeholders can develop a well-informed and balanced understanding of the NBP.

Through this function the Bank strives to minimise investment risks, provide an effective avenue to express and resolve concerns of the stakeholders for developing a sustainable relationship. Our designated Investor Relations Team within the Financial Control Division manages investors' concerns. The team may be approached by email at investor.relations@nbp.com.pk. Investors may also raise their concerns by writing to our Share Registrar.

368%

PROFIT GROWTH IN JUST 2 YEARS!



The Banker Awards 2015

NO WONDER WE ARE THE 'BANK OF THE YEAR' FOR PAKISTAN

Profit - Phenomenal Increase of **368%**
over 2 years

Deposits - Substantial Increase of **30%**
over 2 years

Assets - Record Growth of **25%**
over 2 years

Technology Transformation of **1400 plus**
branches in 2 years

NBP, the nation's bank, shines once again with record growth in profit, deposits and assets over two successive years. As Pakistan's largest Public Sector Bank, rated AAA by PACRA & JCR-VIS, NBP plays an essential role in strengthening the nation and facilitating its citizens. In just 2 years - 2014 and 2015 - NBP achieved phenomenal growth:

- The fastest-growing Islamic banking branches & services
- The widest online banking network
- The largest lender in agricultural financing
- One of the largest consumer banks of Pakistan

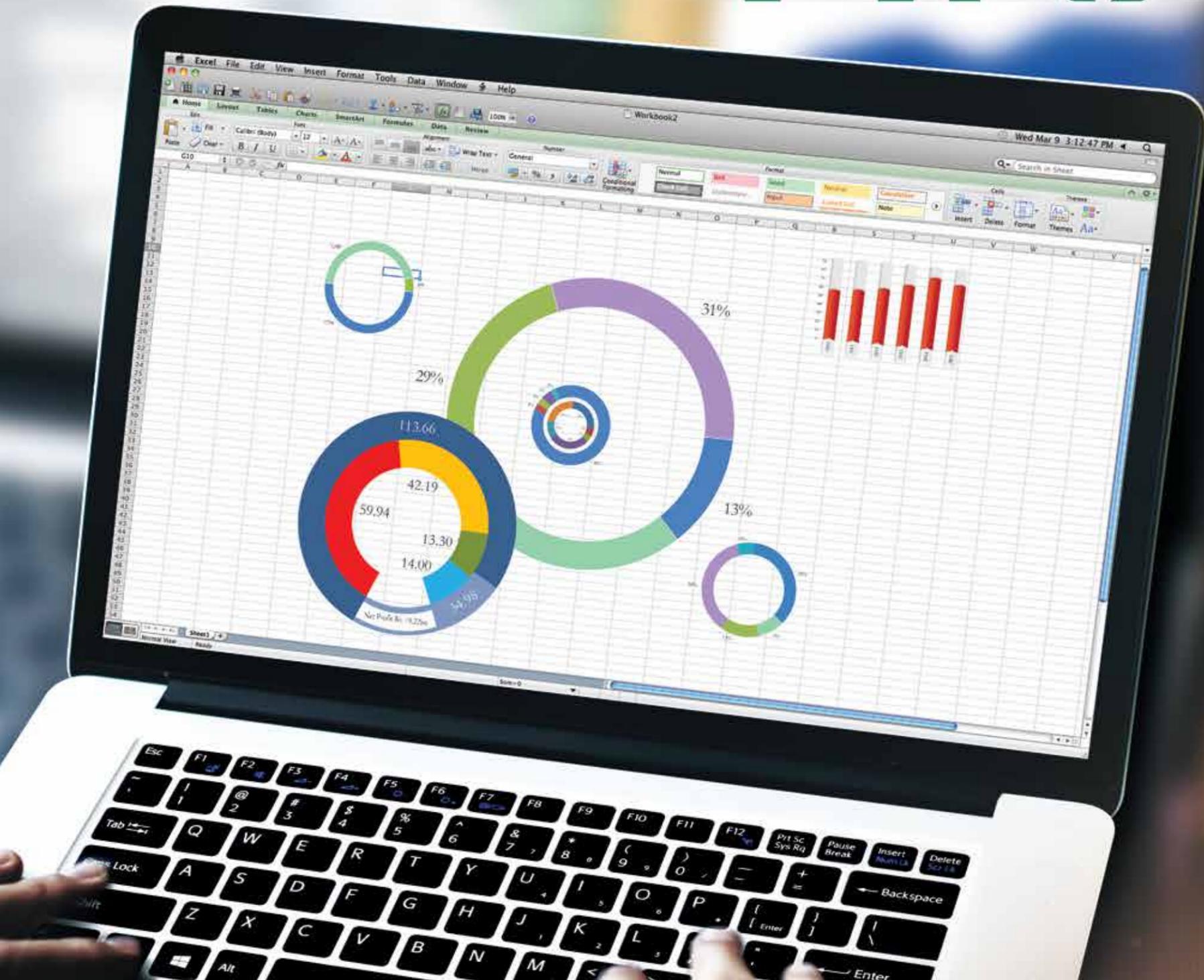
Exceeding expectations on the road to success.

(Rs. in billion)

YEAR	ASSETS	DEPOSITS	PROFIT BEFORE TAX
2013	1,364.9	1,101.1	7.1
2014	1,543.1	1,233.5	22.0
2015	1,706.4	1,431.0	33.2
Growth% From 2013	25%	30%	368%

FINANCIAL

HIGHLIGHTS

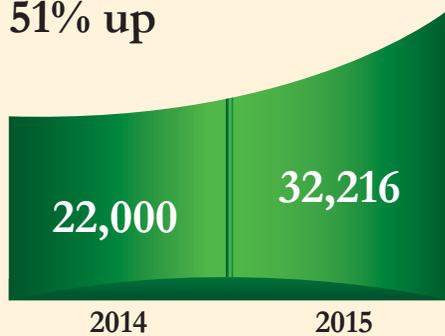


Strategies Translated into Numbers 2015 vs 2014

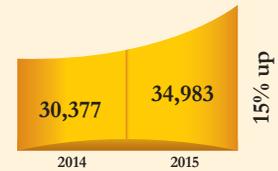
(Rs. in million)

Pre-tax Profit

51% up



Non Mark-up / Interest Income

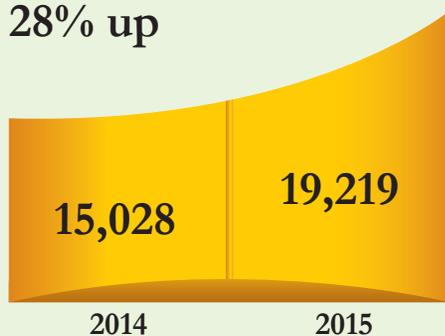


Administrative Expenses

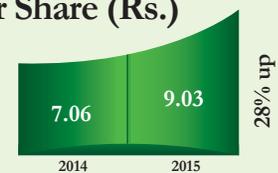


After-tax Profit

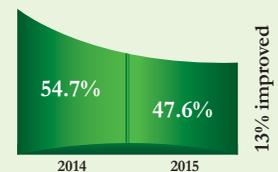
28% up



Earnings per Share (Rs.)

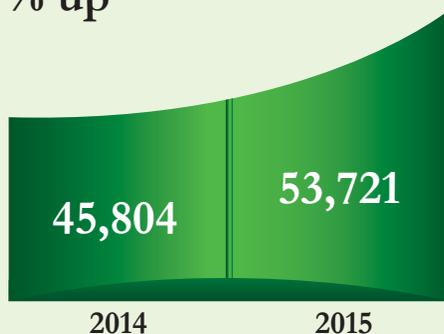


Cost-to-Income



Net Mark-up / Interest Income

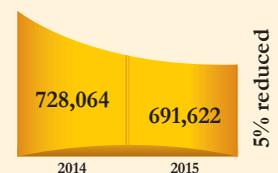
17% up



Dividend per Share (Rs.)



Advances*



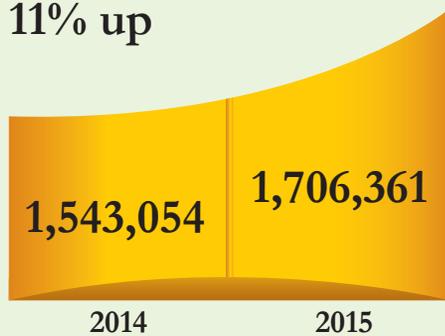
*Gross

Strategies Translated into Numbers 2015 vs 2014

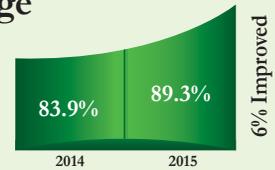
(Rs. in million)

Total Assets

11% up



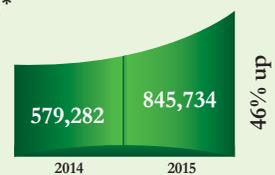
NPL Coverage



6% Improved

Investments*

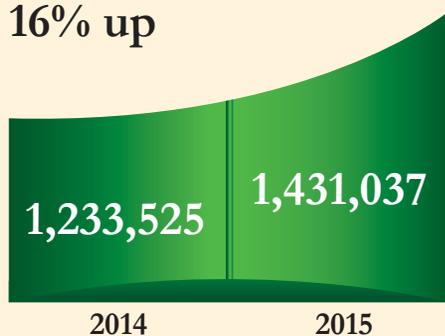
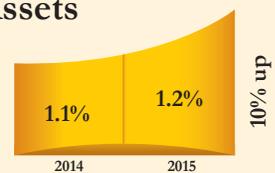
*Gross



46% up

Deposits

16% up

Return on Assets
- After tax

10% up

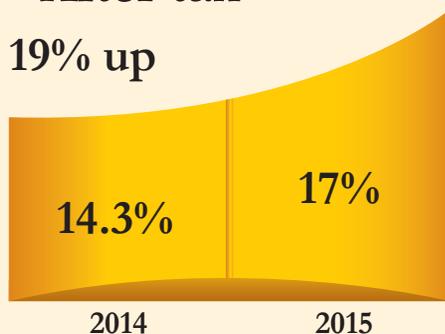
Capital Adequacy Ratio



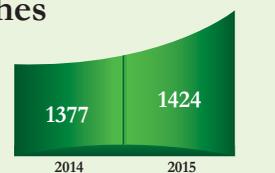
10% up

Return on Equity
- After tax

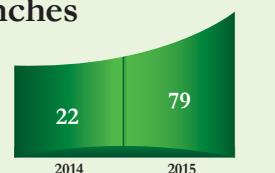
19% up



Total Branches

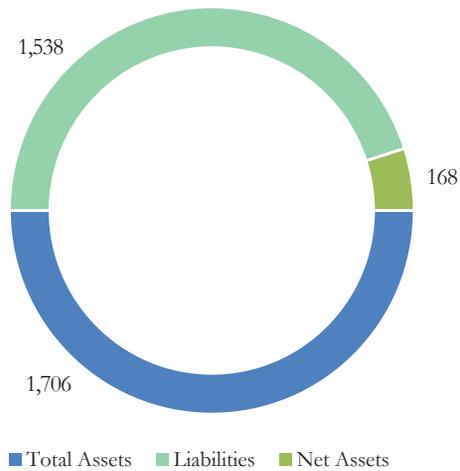


Islamic Branches

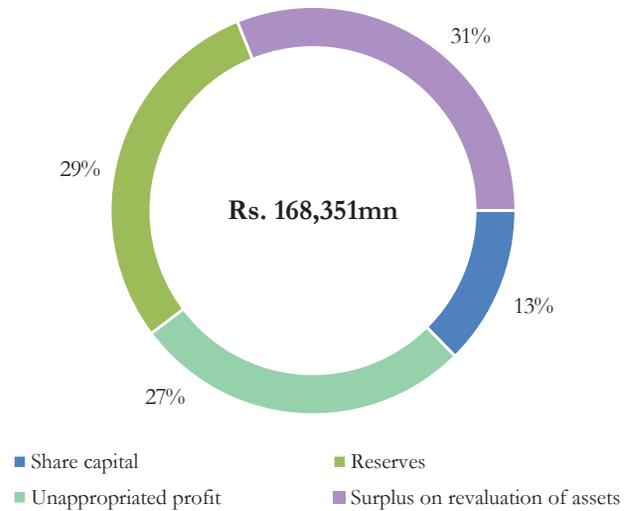


Financial Position & Performance - Graphical View

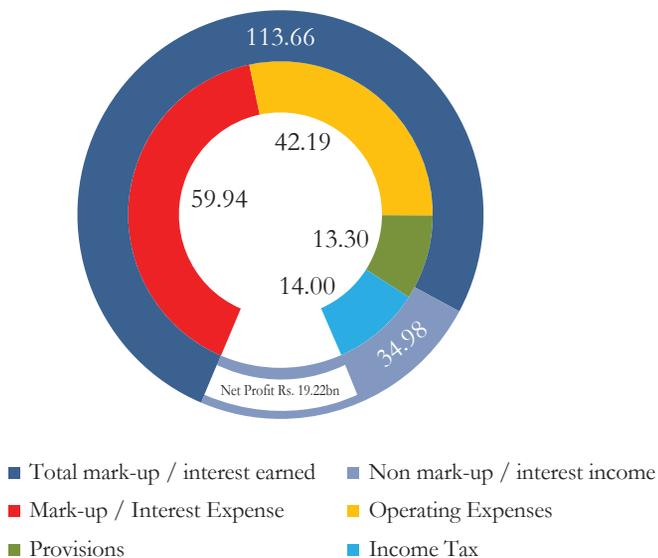
Balance Sheet Structure (Rs. in Bn)



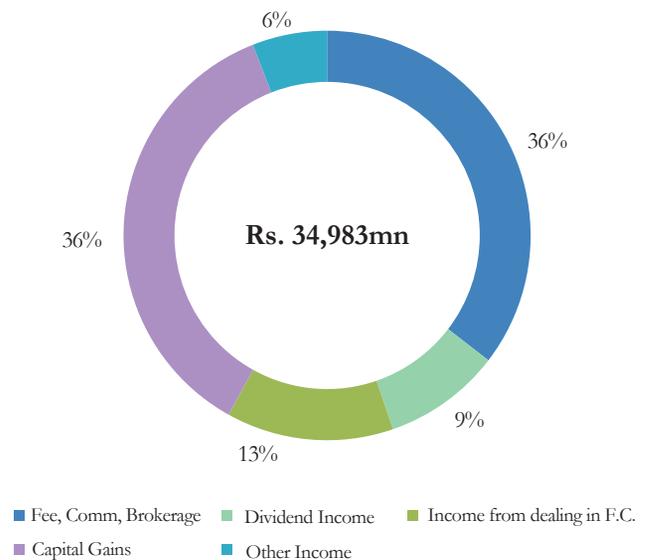
Net Assets represented by



Incomes & Expenses (Rs. in Bn)

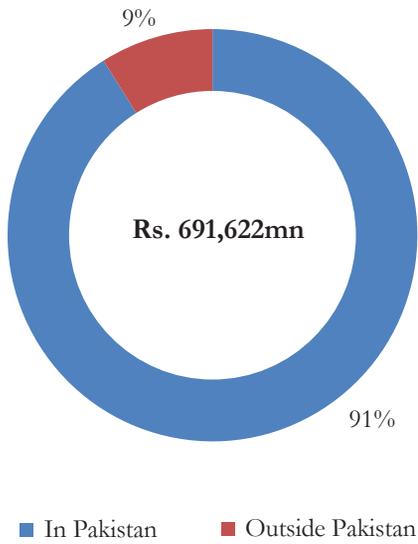


Non mark-up / interest income

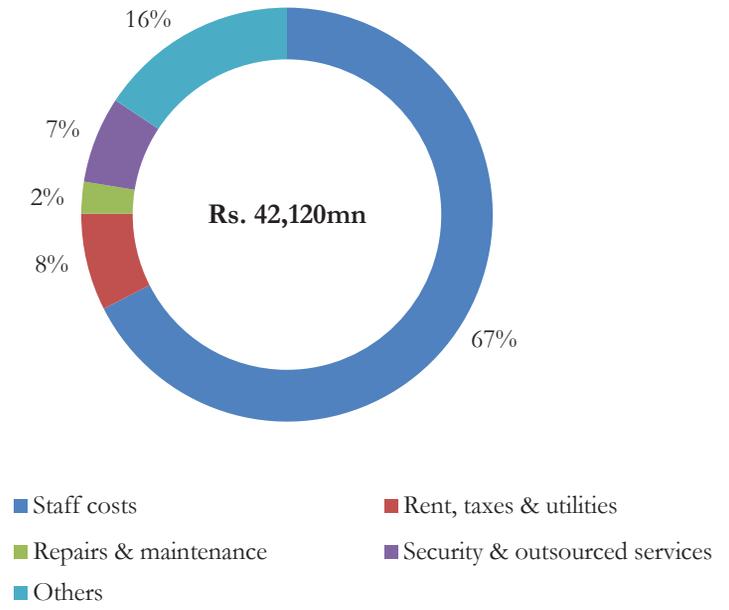


Financial Position & Performance - Graphical View

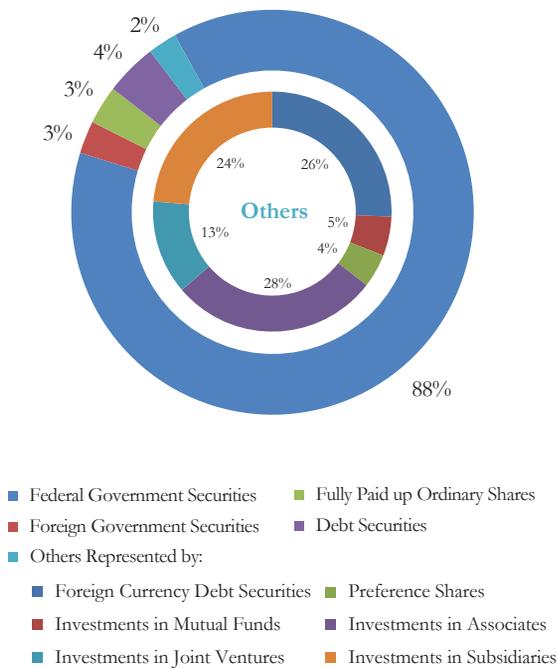
Advances: by region



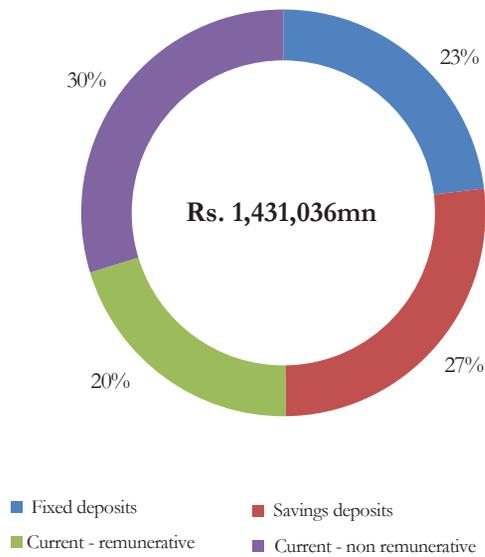
Administrative expenses



Investments: by type



Deposit: by type



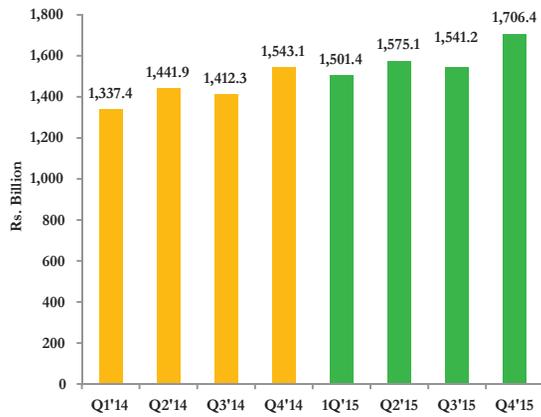
FINANCIAL HIGHLIGHTS

Rs. in million

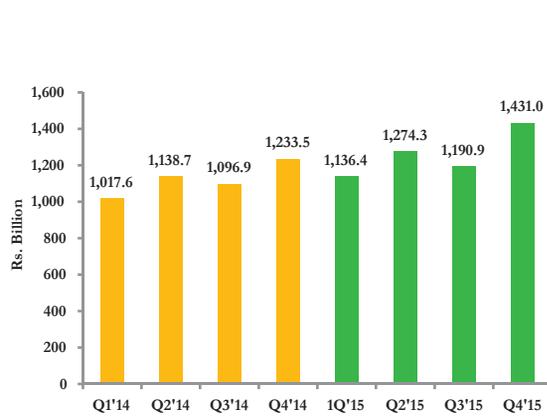
	2015	2014	2013	2012	2011	2010
Total Assets	1,706,361	1,543,054	1,364,926	1,309,528	1,149,578	1,037,750
Deposits	1,431,036	1,233,525	1,101,139	1,036,739	927,421	832,152
Advances - net	577,892	626,704	615,420	654,690	525,046	477,507
Investments - net	826,302	561,764	397,959	343,538	319,531	301,324
Capital & Reserves	168,351	178,329	156,287	139,981	126,934	128,496
Capital Adequacy Ratio	17.59%	17.39%	15.24%	15.50%	16.10%	16.93%
Pre-Tax Profit	33,216	22,001	7,078	21,378	26,011	24,415
After-tax Profit	19,219	15,028	5,500	14,941	17,605	17,563
Earnings Per Share (Rs.)	9.03	7.06	2.59	7.02	8.27	8.25
Break up Value per Share (Rs.)	79	84	73	66	62	56
Number of Branches	1424	1377	1365	1306	1300	1289
Number of Employees	15,548	16,190	16,619	16,921	16,924	16,457

A Glimpse of Quarterly Position & Performance 2014 - 2015

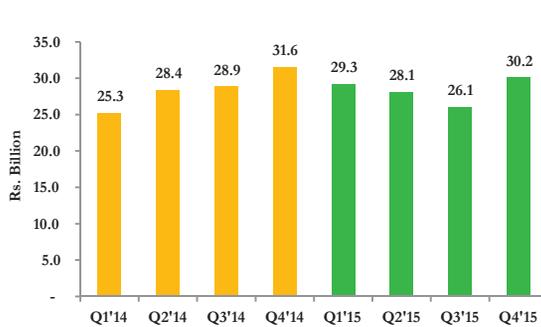
Assets



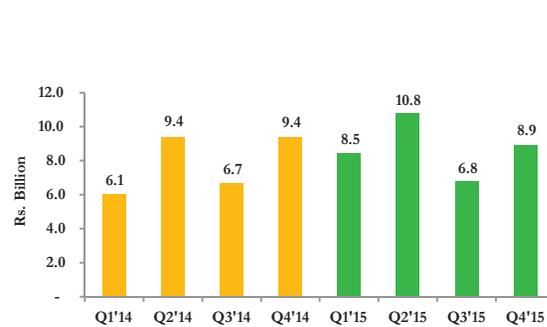
Deposits



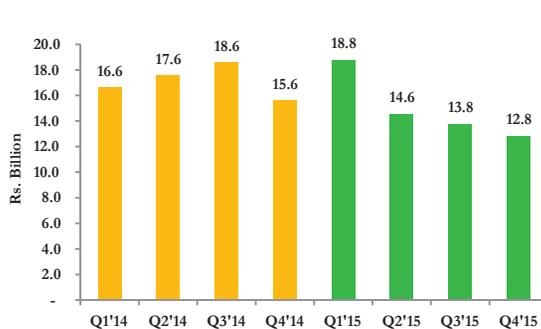
Mark-up / return / interest earned



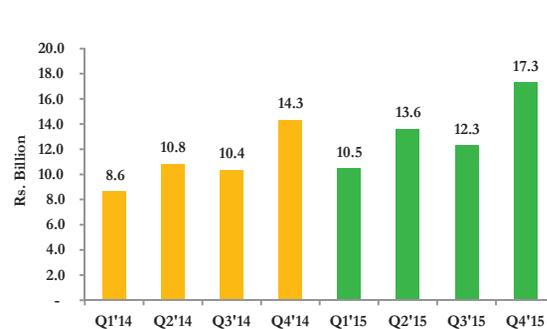
Non interest / markup income



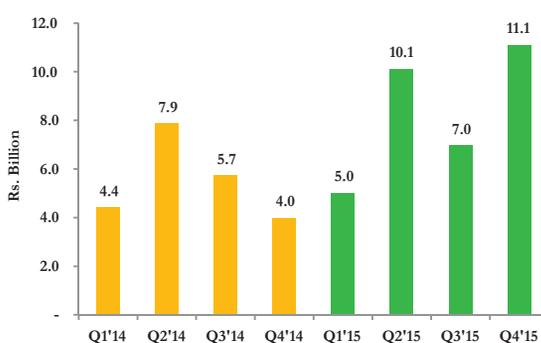
Mark-up / return / interest expensed



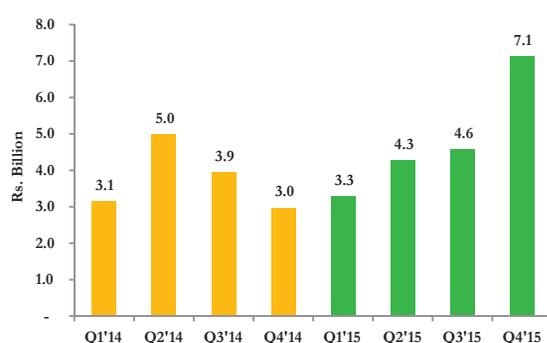
Net interest revenue



Pre-tax profit

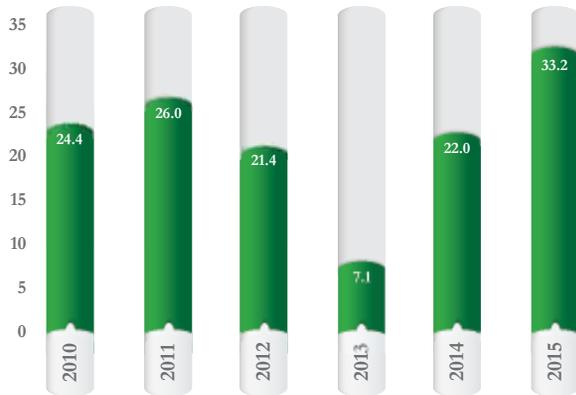


After-tax profit

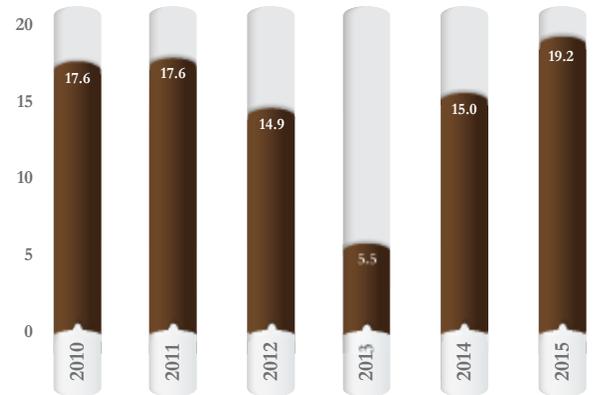


6 YEARS' FINANCIAL HIGHLIGHTS

Pre-tax Profit (Rs in Billion)



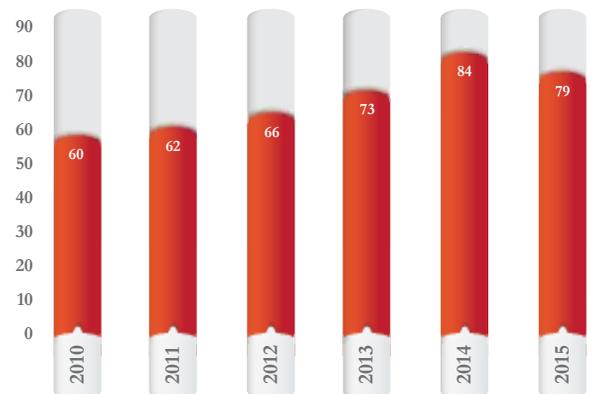
After-tax Profit (Rs in Billion)



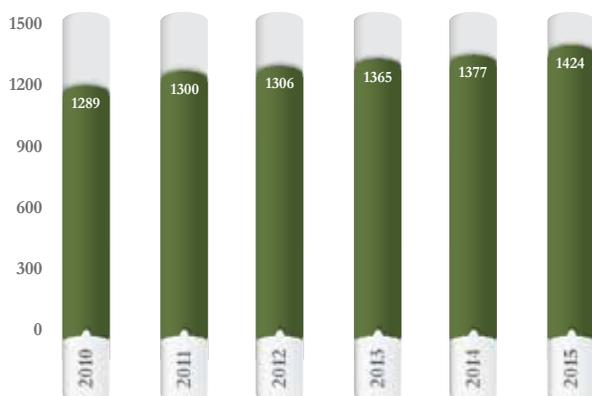
Earnings per Share (Rs.)



Break-up value per Share (Rs.)



Number of Branches



Number of Employees

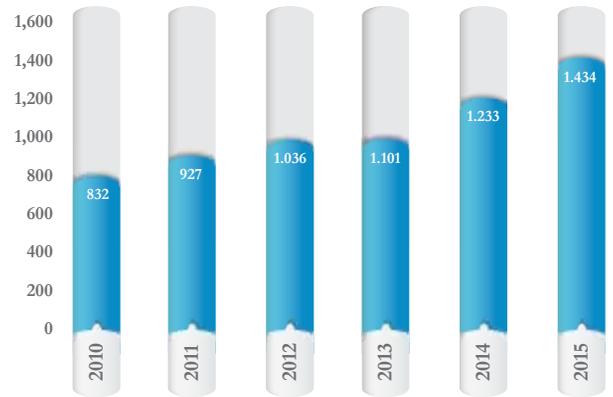


6 YEARS' FINANCIAL HIGHLIGHTS

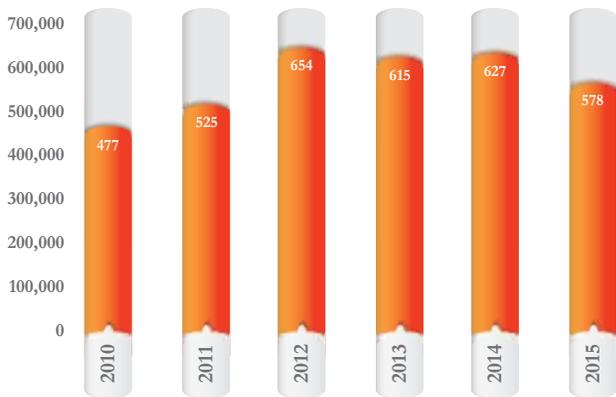
Total Assets (Rs in Billion)



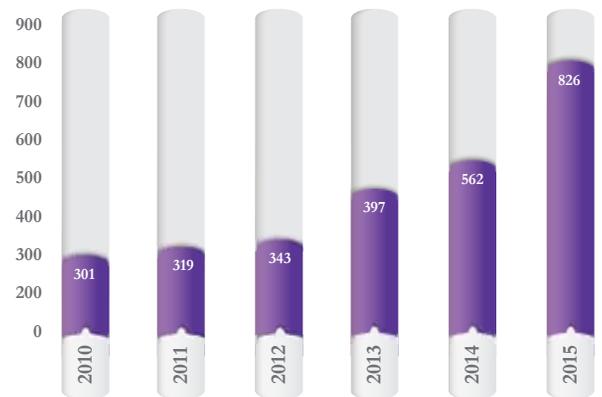
Deposits (Rs in Billion)



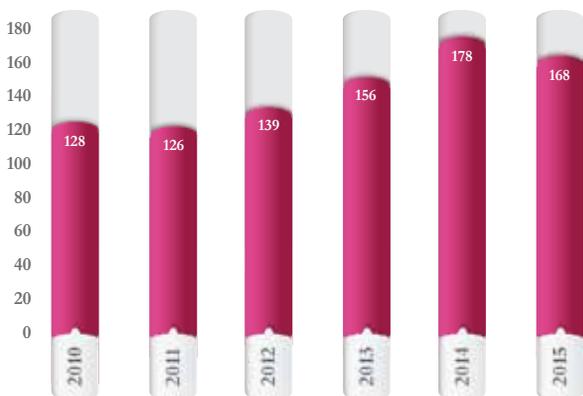
Advances - net (Rs in Billion)



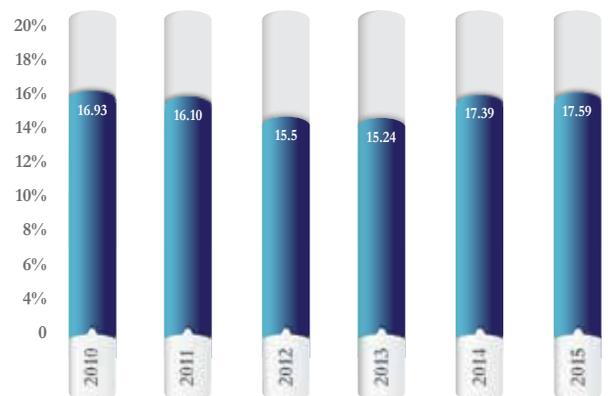
Investments - net (Rs in Billion)



Capital & Reserves (Rs in Billion)



Capital Adequacy Ratio%

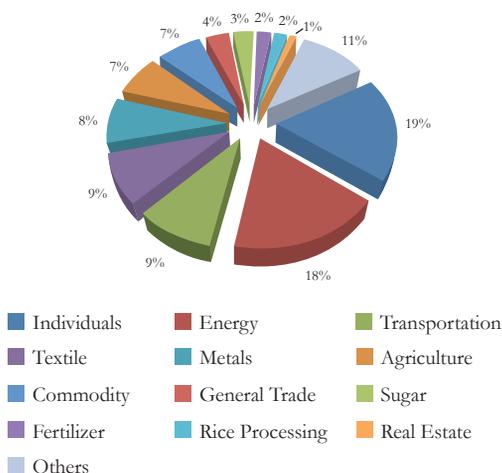


Concentration of Advances, NPLs and Provisions

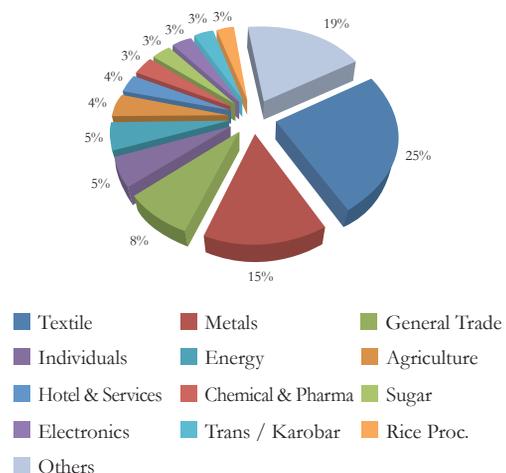
Advances (Rs in Million)			
Category	2015	2014	YoY Δ
Individuals	127,275	133,910	-5.0%
Energy	125,086	128,129	-2.4%
Transportation	63,581	78,866	-19.4%
Textile	62,004	67,855	-8.6%
Metals	55,645	52,503	6.0%
Agriculture	50,647	56,700	-10.7%
Commodity	48,315	57,602	-16.1%
General Trade	25,457	20,322	25.3%
Sugar	21,968	20,699	6.1%
Fertilizer	15,909	10,838	46.8%
Rice processing	13,818	16,463	-16.1%
Real Estate	8,491	8,965	-5.3%
Others	73,426	75,212	-2.4%
Total	691,622	728,064	-5.0%

NPL & Provision (Rs in Million)						
Category	NPL			Provisions		
	2015	2014	YoY Δ	2015	2014	YoY Δ
Textile	31,824	27,696	14.9%	30,783	26,381	16.7%
Metals	18,319	16,158	13.4%	14,694	9,122	61.1%
General Trade	10,420	12,770	-18.4%	10,347	12,080	-14.3%
Individuals	6,751	6,509	3.7%	3,900	3,787	3.0%
Energy	6,511	10,597	-38.6%	5,299	7,889	-32.8%
Agriculture	5,286	3,778	39.9%	2,286	2,036	12.3%
Hotel & Services	4,264	4,650	-8.3%	4,247	3,291	29.1%
Chemical & Pharma	4,175	2,519	65.7%	4,097	2,041	100.7%
Sugar	4,064	4,436	-8.4%	3,763	3,463	8.6%
Electronics	4,011	1,967	103.9%	3,783	1,875	101.8%
Trans / Karobar	3,986	2,724	46.3%	3,825	2,724	40.4%
Rice Proc.	3,510	3,089	13.6%	3,196	2,598	23.1%
Others	24,159	23,948	0.9%	20,546	20,872	-1.6%
Total	127,280	120,841	5.3%	110,766	98,159	6.4%

Advances



NPL

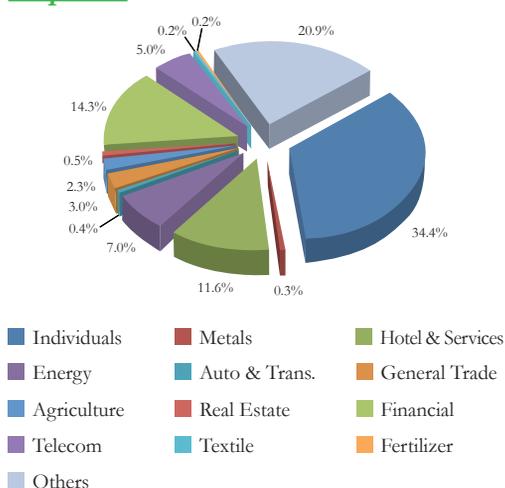


Concentration of Deposits and Contingencies

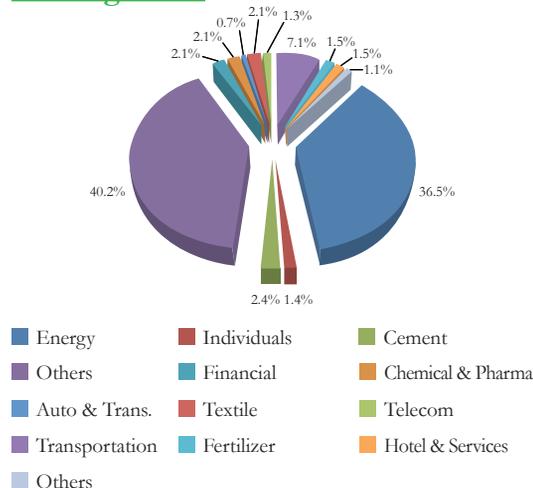
Deposits (Rs in Million)			
Category	2015	2014	YoY Δ
Individuals	491,575	447,232	9.9%
Metals	3,610	4,348	-17.0%
Hotel & Services	165,700	113,104	46.5%
Energy	100,788	86,431	16.6%
Auto & Trans.	5,135	1,298	295.5%
General Trader	42,357	38,316	10.5%
Agriculture	33,524	32,337	3.7%
Real Estate	6,600	7,023	-6.0%
Financial	204,617	168,213	21.6%
Telecom	71,610	62,089	15.3%
Textile	3,339	4,095	-18.5%
Fertilizer	2,666	3,683	-27.6%
Others	299,516	265,356	12.9%
Total	1,431,037	1,233,525	16.0%

Contingencies (Rs in Million)			
Category	2015	2014	YoY Δ
Energy	120,539	65,854	83.0%
Individuals	4,633	6,368	-27.2%
Cement	8,046	242	3226.3%
Others	132,928	113,875	16.7%
Financial	7,009	6,301	11.2%
Chem. & Pharma	6,822	7,833	-12.9%
Auto & Trans.	2,284	1,017	124.5%
Textile	7,061	8,384	-15.8%
Telecom	4,160	10,742	-61.3%
Transportation	23,622	12,746	85.3%
Fertilizer	4,951	4,166	18.8%
Hotel & Services	4,928	2,862	72.2%
Real Estate	3,694	4,237	-12.8%
Total	330,677	244,627	35.2%

Deposits



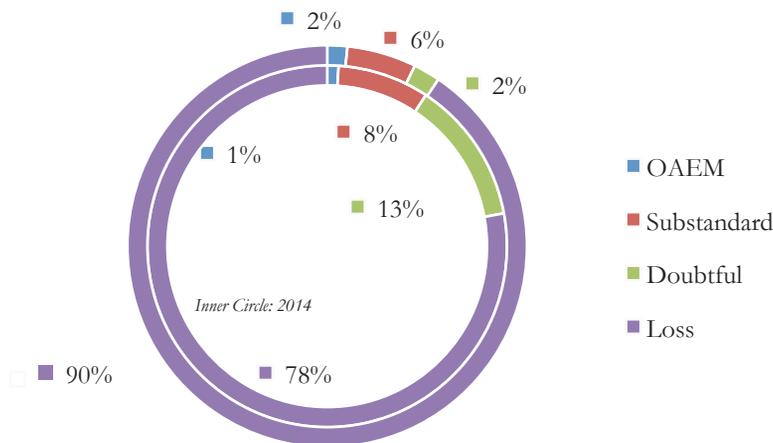
Contingencies



Non-Performing Loans by Category

(Rs. in million)

Category	2015		2014		Variance	
	NPL	Provision	NPL	Provision	NPL	Provisions
OAEM	2,069	19	1,228	1	68.51%	1344.81%
Substandard	7,141	1,603	9,956	2,234	-28.28%	-28.26%
Doubtful	2,763	1,074	15,501	6,650	-82.18%	-83.85%
Loss	115,307	108,069	94,156	89,273	22.54%	21.05%
Total	127,280	110,766	120,841	98,159	5.39%	12.84%



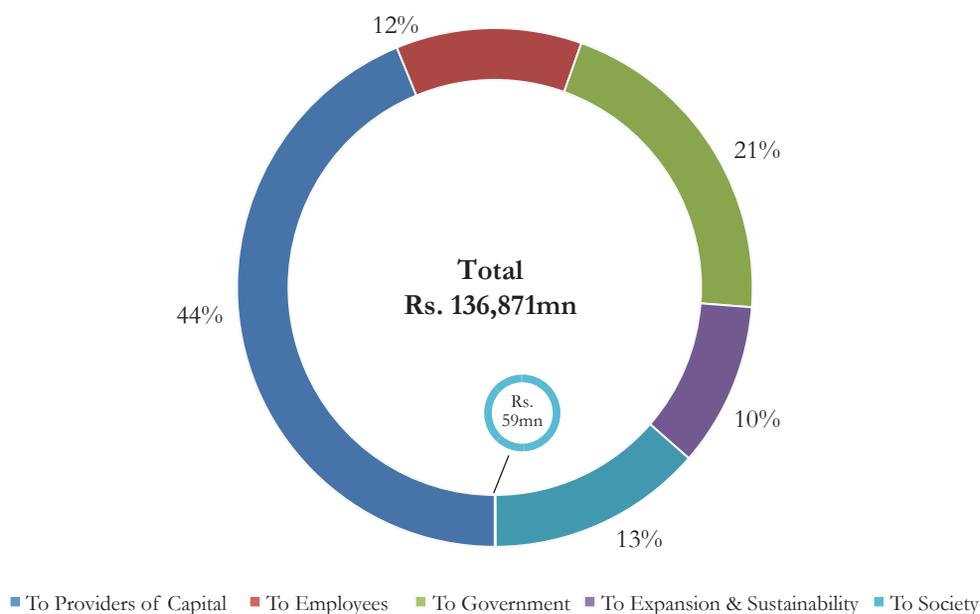
Summary of Investments by Segment

	2015	2014
	(Rs in Million)	
Federal Government Securities	702,438	438,495
Foreign Government Securities	20,864	8,959
Fully Paid up Ordinary Shares	24,629	26,471
Debt Securities	33,482	20,112
Foreign Currency Debt Securities	4,784	3,941
Other Investments		
Investments in mutual funds	986	2,512
Preference Shares	847	847
Investments in associates	5,252	13,770
Investments in joint ventures	2,362	2,362
Investments in subsidiaries	4,407	4,407
Total investments at cost	800,050	521,876
Provision for diminution in value of investments	(19,432)	(17,518)
Investments (cost net of provisions)	780,618	504,358
Unrealized gain / (loss) on revaluation	6	145
Surplus on revaluation of available-for-sale securities	45,678	57,261
Total investments - at carrying value	826,302	561,764

Statement of Value Added

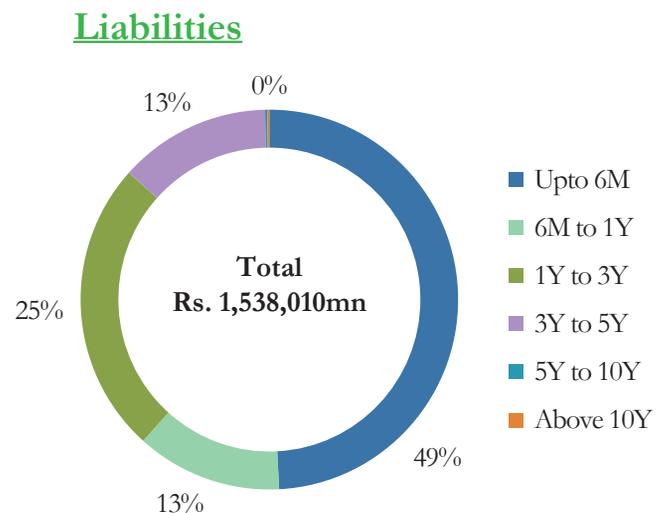
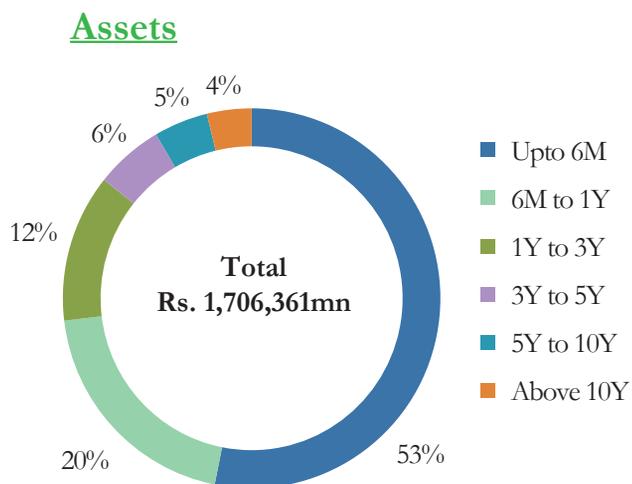
	2015	2014		
	(Rs in Million)			
Mark-up / Interest Income	113,662	114,174		
Non Mark-up / Interest Income	34,983	30,377		
Operating Expenses (Exc. Staff cost, Depreciation, Amortisation)	(11,774)	(10,944)		
Total Value Added	136,871	133,607		
Distribution of Value Added	2015	%	2014	%
To Depositors as profit	59,941	43.8%	68,370	51.2%
To Providers of Capital: as dividend for the Year	15,956	11.7%	11,701	8.8%
To Employees:				
Remuneration	24,056	17.6%	23,378	17.5%
Defined benefit plans	4,367	3.2%	4,825	3.6%
	28,423	20.8%	28,204	21.1%
To Society:				
Donations & CSR	59	0.0%	84	0.1%
To Government:				
Income Tax	13,997	10.2%	6,973	5.2%
To Expansion & Sustainability:				
Depreciation	1,301	1.0%	2,037	1.5%
Amortization	634	0.5%	434	0.3%
Value Retained	16,560	12.1%	15,804	11.8%
	18,495	13.5%	18,275	13.7%
	136,871	56%	133,607	49%

Distribution of Value Generated



Maturities of Assets & Liabilities*

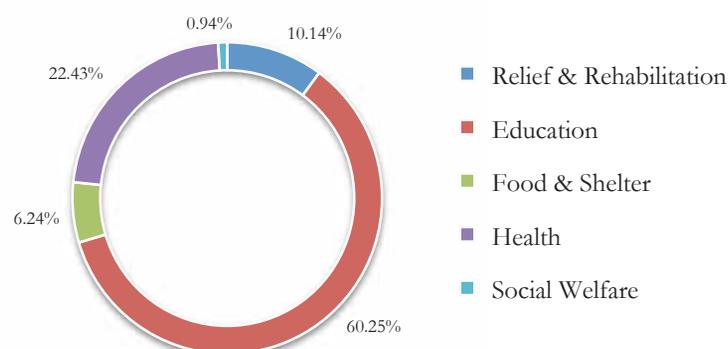
	Total	(Rs. in million)					
		Upto 6M	6M to 1Y	1Y to 3Y	3Y to 5Y	5Y to 10Y	Above 10Y
Assets							
Cash and balances with treasury banks	150,900	128,314	22,586	-	-	-	-
Balances with other banks	20,128	19,692	436	-	-	-	-
Lending to financial institutions - net	10,639	7,695	2,944	-	-	-	-
Investments - net	826,302	399,371	242,784	94,379	23,619	43,154	22,996
Advances - net	577,893	309,099	69,953	83,209	71,426	28,776	15,430
Operating fixed assets	31,936	-	947	3,243	1,033	-	26,712
Deferred tax assets - net	9,669	-	-	-	2,649	7,020	-
Other assets	78,895	42,476	1,278	34,242	899	-	-
Total Assets	1,706,361	906,646	340,929	215,073	99,626	78,949	65,138
Liabilities							
Bills payable	9,172	4,830	4,341	-	-	-	-
Borrowings	21,911	19,988	1,400	298	224	-	-
Deposits and other accounts	1,431,037	693,489	185,096	358,781	193,670	-	-
Liabilities against assets subject to Fin. Lease	36	5	5	26	-	-	-
Other liabilities	75,855	37,986	1,100	25,340	5,785	2,821	2,821
Total Liabilities	1,538,010	756,299	191,942	384,446	199,680	2,821	2,821
Net Assets	168,351	150,347	148,987	(169,373)	(100,055)	76,128	62,317



* based on behavioural study.

Value Addition to Society

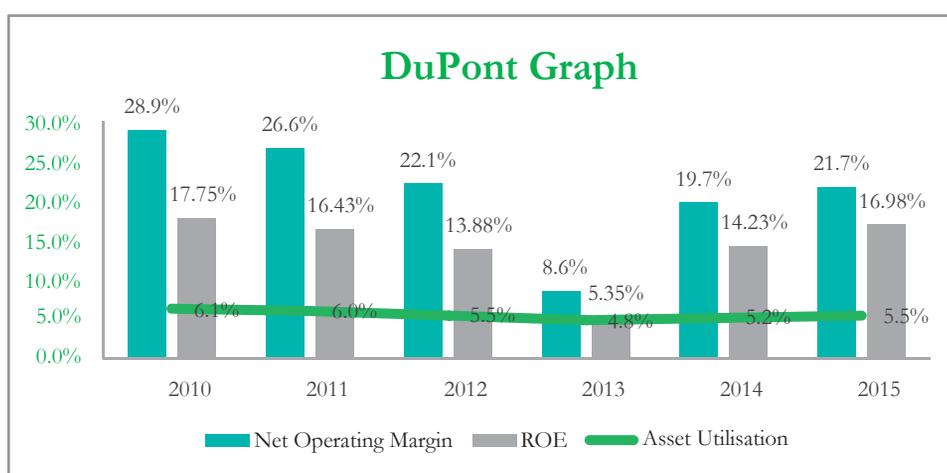
Charity & Donation	Rs 'Mn
Relief & Rehabilitation	5.96
Education	35.42
Food & Shelter	3.67
Health	13.18
Social Welfare	0.55
Total	58.78



DuPont Analysis

Indicator	2010	2011	2012	2013	2014	2015
Net Operating Margin	28.9%	26.6%	22.1%	8.6%	19.7%	21.7%
Asset Utilisation	6.1%	6.0%	5.5%	4.8%	5.2%	5.5%
Return on Assets	1.8%	1.6%	1.2%	0.4%	1.0%	1.2%
ROE	17.7%	16.4%	13.9%	5.4%	14.2%	16.9%
Leverage Ratio / Equ Multiplier	10.0	10.2	11.4	13.0	13.8	14.3

- Net operating margins of the bank have improved from 8.6% in 2013 to 21.7% in 2015. Improvement in the net operating margin is mainly attributed to higher net spreads and lower cost to income ratio.
- Asset Use Efficiency that dropped to 4.8% in 2013 has improved by 14.58% by the end of year 2015. This was achieved through higher interest margins.
- Since the bank is growing its deposit base, the equity multiplier has recorded a simultaneous corresponding growth.



6 YEARS' SUMMARY OF FINANCIAL POSITION AND PERFORMANCE

(Rs. in million)

	2010	2011	2012	2013	2014	2015
Financial Position						
Assets						
Cash and balances with treasury banks	115,442	131,676	158,333	157,930	97,972	150,900
Balances with other banks	30,390	27,582	30,222	17,458	12,108	20,128
Lending to financial institutions	23,025	44,380	8,273	51,939	111,789	10,639
Investments - net	301,324	319,531	343,538	397,959	561,764	826,302
Advances - net	477,507	525,046	654,690	615,420	626,704	577,893
Operating Fixed assets	26,888	27,454	27,950	32,702	31,796	31,936
Deferred tax assets - net	6,953	7,935	9,848	10,955	9,878	9,669
Other assets	56,222	65,973	76,675	80,564	91,045	78,895
Total Assets	1,037,750	1,149,578	1,309,528	1,364,926	1,543,054	1,706,361
Liabilities						
Bills payable	8,007	9,105	14,368	13,895	11,012	9,172
Borrowings	20,104	26,372	51,297	22,239	37,541	21,911
Deposits and other accounts	832,152	927,421	1,036,739	1,101,139	1,233,525	1,431,037
Sub-ordinated loans	-	-	-	-	-	-
Liabilities against assets subject to Finance Lease	107	76	30	24	13	36
Deferred tax liabilities	-	-	-	-	-	-
Other liabilities	48,886	53,952	67,115	71,343	82,634	75,855
Total Liabilities	909,254	1,016,926	1,169,548	1,208,639	1,364,725	1,538,010
Net Assets Represented By						
Share capital	13,455	16,818	18,500	21,275	21,275	21,275
Reserves	24,450	25,343	28,819	31,539	32,074	45,581
Unappropriated profit	65,857	68,359	57,419	48,046	57,007	49,156
Equity	103,762	110,520	104,737	100,860	110,356	116,011
Surplus on revaluation of assets	24,734	22,131	35,243	55,427	67,973	52,340
Total	128,496	132,651	139,981	156,287	178,329	168,351
Summary of Financial Performance						
Mark-up / return / interest earned	88,472	95,325	100,092	99,028	114,174	113,662
Mark-up / return / interest expensed	45,250	48,516	56,418	60,823	68,370	59,941
Net mark-up / interest income	43,222	46,810	43,674	38,205	45,804	53,721
Fee, commission, brokerage and exchange income	11,843	12,720	14,410	15,394	15,687	17,043
Capital gain & dividend income	3,618	4,096	6,844	6,908	11,103	15,860
Other income	2,171	2,520	2,595	3,268	3,587	2,081
Non interest income	17,632	19,337	23,849	25,570	30,377	34,983
Gross income	60,854	66,147	67,524	63,774	76,181	88,704
Operating expenses	26,321	30,255	35,085	36,295	41,703	42,193
Profit before provisions	34,532	35,891	32,438	27,480	34,478	46,511
Provisions	10,118	9,880	11,060	20,401	12,478	13,296
Pre-tax profit	24,415	26,011	21,378	7,078	22,001	33,216
Taxation	6,852	8,406	6,437	1,578	6,973	13,997
After-tax profit	17,563	17,605	14,941	5,500	15,028	19,219
Assets & Liabilities (Qualitative View)						
Advances Gross	538,609	592,366	730,141	708,015	728,064	691,623
Non-performing loans	86,642	88,161	92,038	115,617	120,841	127,350
Provision Against NPL	57,337	63,476	72,142	89,737	98,159	110,766
Provision -General	3,765	3,844	3,309	2,858	3,201	2,964
Total Provision	61,103	67,320	75,451	92,595	101,360	113,730
Net Non-performing loans	25,539	20,841	16,587	23,021	19,481	13,620
Earning Assets	947,688	1,048,215	1,195,055	1,240,705	1,410,336	1,585,861
Average Earning Assets	902,197	997,951	1,121,635	1,217,880	1,325,521	1,498,099
Interest Bearing Liabilities	852,362	953,870	1,088,065	1,123,402	1,271,080	1,452,984
Non-Interest Bearing Liabilities	56,892	63,057	81,482	85,237	93,646	85,026
Average Interest Bearing Liabilities	812,574	903,116	1,020,967	1,105,734	1,197,241	1,362,032
Fixed Deposits	218,559	257,376	235,122	290,646	289,070	330,347
Saving Deposits	266,343	232,868	313,013	313,804	348,099	382,224
Current Account-Remunerative	99,625	145,909	172,554	164,367	220,372	292,943
Current Account-Non-Remunerative	247,625	291,269	316,049	332,321	375,985	425,523
Summary of Cashflow Statement						
Cashflow from Operating Activities	93,196	41,345	59,441	34,852	87,023	348,949
Cashflow from Investing Activities	(83,960)	(17,630)	(17,626)	(34,606)	(139,725)	(285,273)
Cashflow from Financing Activities	(8,109)	(10,127)	(12,643)	(12,952)	(4,251)	(11,684)
Cash & Cash equivalent at the Beginning of the Year	144,169	145,295	158,883	188,055	175,349	118,395
Cash & Cash equivalent at the end of the Year	145,295	158,883	188,055	175,349	118,395	170,387

(Rs in Million)

	2010	2011	2012	2013	2014	2015
Key Financial Ratios						
Advance (Gross) to Deposits	64.7%	63.9%	70.4%	64.3%	59.0%	48.3%
Capital Impairment	24.6%	18.9%	15.8%	22.8%	17.7%	11.7%
Cost to Income	43.3%	45.7%	52.0%	56.9%	54.7%	47.6%
Earning Assets* to Total Assets	91.3%	91.2%	91.3%	90.9%	91.4%	92.9%
Investment to Deposits	36.2%	34.5%	33.1%	36.1%	45.5%	57.7%
Loans to Assets	46.0%	45.7%	50.0%	45.1%	40.6%	33.9%
Non Mark-up Income to Total Net Mark-up Income	19.9%	20.3%	23.8%	25.8%	26.6%	30.8%
Non Mark-up to Total Income (Pre-Prov)	29.0%	29.2%	35.3%	40.1%	39.9%	39.4%
Non-Earning Asset to Total Assets	8.7%	8.8%	8.7%	9.1%	8.6%	7.1%
Non-Interest Bearing Liabilities to Total Liabilities	6.3%	6.2%	7.0%	7.1%	6.9%	5.5%
NPL Coverage	70.5%	76.4%	82.0%	80.1%	83.9%	89.3%
Net Non-Performing Loans	6.1%	4.7%	3.0%	4.2%	3.6%	2.9%
Operating Expense to Gross Income Ratio	29.8%	31.7%	35.1%	36.7%	36.5%	37.1%
Pre-tax Profit to Gross Income	40.1%	39.3%	31.7%	11.1%	28.9%	37.4%
Provision For The Year To Interest Income	11.4%	10.4%	11.0%	20.6%	10.9%	11.7%
Total Provision to Advances -Gross	11.3%	11.4%	10.3%	13.1%	13.9%	16.4%
Return on Average Assets (ROA)	1.8%	1.6%	1.2%	0.4%	1.0%	1.2%
Pre-tax Return on Average Equity	24.7%	24.3%	19.9%	6.9%	20.8%	29.3%
After-tax Return on Average Equity (ROE)	17.7%	16.4%	13.9%	5.4%	14.3%	17.0%
Return on Capital Employed (ROCE)	16.9%	15.9%	14.3%	5.5%	13.6%	16.6%
Spread to Interest Income	48.9%	49.1%	43.6%	38.6%	40.1%	47.3%
Break Up Value Per Share	60.40	62.35	65.80	73.46	83.82	79.13

* earning assets being cash and balances with treasury / other banks, lending to FIs and investments.

6 YEARS' SUMMARY OF FINANCIAL POSITION AND PERFORMANCE (CONSOLIDATED)

(Rs in Million)

	2010	2011	2012	2013	2014	2015
Financial Position						
Cash and balances with treasury and other banks	115,657	131,843	158,757	158,230	98,247	151,191
Balances with other banks	30,743	28,070	30,895	18,389	12,544	20,639
Lending to financial institutions	23,051	44,361	8,281	51,942	111,794	10,639
Investments - net	301,078	319,527	342,965	396,412	561,768	826,247
Advances - net	478,887	527,109	658,654	620,217	630,230	580,094
Operating Fixed assets	27,621	28,127	29,714	34,569	33,354	33,301
Deferred tax assets - net	6,954	7,973	9,834	10,969	9,884	9,672
Other assets	54,027	66,470	77,250	80,991	91,839	80,092
Total Assets	1,038,018	1,153,480	1,316,349	1,371,718	1,549,659	1,711,874
Bills payable	8,007	9,105	14,368	13,895	11,012	9,172
Borrowings	19,657	26,372	52,158	23,014	38,208	22,385
Deposits and other accounts	832,134	927,415	1,037,049	1,101,845	1,234,405	1,431,535
Liabilities against assets subject to Finance Lease	123	93	38	57	2	91
Other liabilities	46,798	54,701	67,855	72,243	83,439	77,036
Total Liabilities	906,720	1,017,686	1,171,468	1,211,054	1,367,066	1,540,219
Net Assets (Represented by as below)	131,299	135,794	144,881	160,664	182,593	171,655
Paid Up Share Capital	13,455	16,818	18,500	21,275	21,275	21,275
Reserves	25,129	26,207	30,305	33,537	32,996	45,202
Unappropriated Profit	67,104	69,706	59,332	49,734	59,752	52,725
Non-controlling interest	498	495	791	821	717	722
Equity	106,186	113,226	108,929	105,367	114,740	119,924
Surplus on revaluation of assets	25,113	22,568	35,952	55,297	67,853	51,731
Shareholder Equity	131,299	135,794	144,881	160,664	182,593	171,655
Financial Performance						
Mark-up / return / interest earned	88,681	95,690	101,126	100,192	115,252	114,386
Mark-up / return / interest expensed	45,170	48,517	56,552	60,894	68,462	59,999
Net mark-up / Interest income	43,512	47,173	44,573	39,298	46,790	54,387
Fee, Commission, Brokerage and Exchange income	12,151	13,145	14,941	16,273	16,572	18,254
Capital gain & Dividend income	3,580	3,985	5,300	6,548	10,737	14,990
Share of profit from joint venture - net of tax	(17)	32	95	438	302	560
Share of loss from associates - net of tax	67	84	1,856	(592)	(1,060)	(923)
Other income	2,371	2,502	2,613	3,284	3,754	2,117
Non interest income	18,151	19,748	24,805	25,952	30,305	35,104
Gross income	61,663	66,922	69,378	65,250	77,094	89,491
Operating Expenses (Non Mark-Up/Interest Expense)	26,851	30,899	36,082	37,701	43,255	43,794
Profit before provisions	34,812	36,023	33,296	27,548	33,839	45,591
Provisions	10,189	9,913	11,112	20,520	10,703	11,419
Pre-tax profit	24,622	26,110	22,184	7,029	23,136	34,173
Taxation	6,884	8,407	6,519	1,722	7,065	14,096
After-tax profit	17,738	17,703	15,665	5,307	16,071	20,077

6 YEARS' VERTICAL ANALYSIS

	2010	2011	2012	2013	2014	2015
	Rs in million					
ASSETS						
Cash and balances with treasury banks	115,442	131,676	158,333	157,930	97,972	150,900
Balances with other banks	30,390	27,582	30,222	17,458	12,108	20,128
Lending to financial institutions	23,025	44,380	8,273	51,939	111,789	10,639
Investments - net	301,324	319,531	343,538	397,959	561,764	826,302
Advances - net	477,507	525,046	654,690	615,420	626,704	577,893
Operating Fixed assets	26,888	27,454	27,950	32,702	31,796	31,936
Deferred tax assets - net	6,953	7,935	9,848	10,955	9,878	9,669
Other assets	56,222	65,973	76,675	80,564	91,045	78,895
Total assets	1,037,750	1,149,578	1,309,528	1,364,926	1,543,054	1,706,361
	100%	100%	88%	100%	100%	100%
LIABILITIES						
Bills payable	8,007	9,105	14,368	13,895	11,012	9,172
Borrowings	20,104	26,372	51,297	22,239	37,541	21,911
Deposits and other accounts	832,152	927,421	1,036,739	1,101,139	1,233,525	1,431,037
Sub-ordinated loans	-	-	-	-	-	-
Liabilities against assets subject to Finance Lease	107	76	30	24	13	36
Deferred tax liabilities	-	-	-	-	-	-
Other liabilities	48,886	53,952	67,115	71,343	82,634	75,855
Total Liabilities	909,254	1,016,926	1,169,548	1,208,639	1,364,725	1,538,010
	88%	88%	78%	89%	88%	90%
NET ASSETS						
Share capital	128,496	132,651	139,981	156,287	178,329	168,351
Reserves	13,455	16,818	18,500	21,275	21,275	21,275
Unappropriated profit	24,450	25,343	28,819	31,539	32,074	45,581
Equity	65,857	68,359	57,419	48,046	57,007	49,156
Surplus on revaluation of assets	103,762	110,520	104,737	100,860	110,356	116,011
	24,734	22,131	35,243	55,427	67,973	52,340
Total	128,496	132,651	139,981	156,287	178,329	168,351
	12%	12%	10%	11%	12%	10%
PROFITABILITY						
Mark-up / Return / Interest earned	88,472	95,325	100,092	99,028	114,174	113,662
Mark-up / Return / Interest expensed	45,250	48,516	56,418	60,823	68,370	59,941
Net Mark-up / Interest income	43,222	46,810	43,674	38,205	45,804	53,721
Fee, commission, brokerage and exchange income	11,843	12,720	14,410	15,394	15,687	17,043
Capital gain & dividend income	3,618	4,096	6,844	6,908	11,103	15,860
Other income	2,171	2,520	2,595	3,268	3,577	2,081
Non interest income	17,632	19,337	23,849	25,570	30,377	34,983
Gross income	60,854	66,147	67,524	63,774	76,181	88,704
Operating expenses (Non mark-up / interest expense)	26,321	30,255	35,085	36,295	41,703	42,193
Profit before provisions	34,532	35,891	32,438	27,480	34,478	46,511
Provisions	10,118	9,880	11,060	20,401	12,478	13,296
Pre-tax profit	24,415	26,011	21,378	7,078	22,001	33,216
Taxation	6,852	8,406	6,437	1,578	6,973	13,997
After-tax profit	17,563	17,605	14,941	5,500	15,028	19,219
	20%	18%	18%	6%	13%	17%

6 YEARS' HORIZONTAL ANALYSIS

	2010	10 Vs 09	2011	11 Vs 10	2012	12 Vs 11	2013	13 Vs 12	2014	14 Vs 13	2015	15 Vs 14
	Rs in million	%										
ASSETS												
Cash and balances with treasury banks	115,442	0%	131,676	14%	158,333	20%	157,930	0%	97,972	-38%	150,900	54%
Balances with other banks	30,390	7%	27,582	-9%	30,222	10%	17,458	-42%	12,108	-31%	20,128	66%
Lending to financial institutions	23,025	18%	44,380	93%	8,273	-81%	51,939	528%	111,789	115%	10,639	-90%
Investments - net	301,324	38%	319,531	6%	343,538	8%	397,959	16%	561,764	41%	826,302	47%
Advances - net	477,507	0%	525,046	10%	654,690	25%	615,420	-6%	626,704	2%	577,893	-8%
Operating Fixed assets	26,888	7%	27,454	2%	27,950	2%	32,702	17%	31,796	-3%	31,936	0%
Deferred tax assets - net	6,953	127%	7,935	14%	9,848	24%	10,955	11%	9,878	-10%	9,669	-2%
Other assets	56,222	-6%	65,973	17%	76,675	16%	80,564	5%	91,045	13%	78,895	-13%
Total assets	1,037,750	10%	1,149,578	11%	1,309,528	14%	1,364,926	4%	1,543,954	13%	1,706,361	11%
LIABILITIES												
Bills payable	8,007	-25%	9,105	14%	14,368	58%	13,895	-3%	11,012	-21%	9,172	-17%
Borrowings	20,104	-56%	26,372	31%	51,297	95%	22,239	-57%	37,541	69%	21,911	-42%
Deposits and other accounts	832,152	14%	927,421	11%	1,036,739	12%	1,101,139	6%	1,233,525	12%	1,431,037	16%
Sub-ordinated loans	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Liabilities against assets subject to Finance Lease	107	150%	76	-28%	30	-61%	24	-19%	13	-47%	36	181%
Deferred tax liabilities	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Other liabilities	48,886	16%	53,952	10%	67,115	24%	71,343	6%	82,634	16%	75,855	-8%
Total Liabilities	909,254	10%	1,016,926	12%	1,169,548	15%	1,208,639	3%	1,364,725	13%	1,538,010	13%
NET ASSETS	128,496	8%	132,651	3%	139,981	6%	156,287	12%	178,329	14%	168,351	-6%
Share capital	13,455	25%	16,818	25%	18,500	10%	21,275	15%	21,275	0%	21,275	0%
Reserves	24,450	8%	25,343	4%	28,819	14%	31,539	9%	32,074	2%	45,581	42%
Unappropriated profit	65,857	9%	68,359	4%	57,419	-16%	48,046	-16%	57,007	19%	49,156	-14%
Equity	103,762	10%	110,520	7%	104,737	-5%	100,860	-4%	110,356	9%	116,011	5%
Surplus on revaluation of assets	24,734	0%	22,131	-11%	35,243	59%	55,427	57%	67,973	23%	52,340	-23%
	128,496	8%	132,651	3%	139,981	6%	156,287	12%	178,329	14%	168,351	-6%
PROFITABILITY												
Mark-up / Return / Interest earned	88,472	14%	95,325	8%	100,092	5%	99,028	-1%	114,174	15%	113,662	0%
Mark-up / Return / Interest expensed	45,250	12%	48,516	7%	56,418	16%	60,823	8%	68,370	12%	59,941	-12%
Net Mark-up / Return / Interest income	43,222	15%	46,810	8%	43,674	-7%	38,205	-13%	45,804	20%	53,721	17%
Fee, commission, brokerage and exchange income	11,843	-1%	12,720	7%	14,410	13%	15,394	7%	15,687	2%	17,043	9%
Capital gain & dividend income	3,618	-44%	4,096	13%	6,844	67%	6,908	1%	11,103	61%	15,860	43%
Other income	2,171	292%	2,520	16%	2,595	3%	3,268	26%	3,587	10%	2,081	-42%
Non interest income	17,632	-7%	19,337	10%	23,849	23%	25,570	7%	30,377	19%	34,983	15%
Gross income	60,854	8%	66,147	9%	67,524	2%	63,774	-6%	76,181	19%	88,704	16%
Operating expenses (Non mark-up / interest expense)	26,321	15%	30,255	15%	33,085	16%	36,295	3%	41,703	15%	42,193	1%
Profit before provisions	34,532	3%	35,891	4%	34,438	-10%	27,480	-15%	34,478	25%	46,511	35%
Provisions	10,118	-18%	9,880	-2%	11,060	12%	20,401	84%	12,478	-39%	13,296	7%
Pre-tax profit	24,415	15%	26,011	7%	21,378	-18%	7,078	-67%	22,001	211%	33,216	51%
Taxation	6,852	83%	8,406	23%	6,437	-23%	1,578	-75%	6,973	342%	13,997	101%
After-tax profit	17,563	0%	17,605	0%	14,941	-15%	5,500	-63%	15,028	173%	19,219	28%

Capital Adequacy

	2015	2014
	(Rs in Million)	
	Amount	Amount
Tier-1 Capital		
Paid-up Capital	21,275	21,275
General/ Statutory Reserves	25,433	23,511
Unappropriated profit	49,155	57,007
CET 1 before Regulatory Adjustments	95,863	101,793
Tier-2 capital recognized for capital adequacy	4,112	10,034
Total Common Equity Tier-1	91,751	91,758
Tier 2 Capital		
T2 before regulatory adjustments	54,728	47,381
Regulatory adjustment applied	1,861	3,399
Tier-2 capital after regulatory adjustments	52,867	43,982
Tier-2 capital recognized for capital adequacy	37,465	43,982
Total Tier 2 capital admissible for capital adequacy	37,465	43,982
Total Capital	129,216	135,740
Risk Weighted Assets		
Credit Risk: Of Which	567,985	593,463
On Balance Sheet	410,601	442,322
Off-Balance Sheet	55,448	65,198
Equity Exposure Risk	101,936	85,943
Market	39,464	67,568
Operational	126,954	119,688
Total Risk Weighted Assets	734,403	780,719
Capital Ratios and Buffers		
Common Equity Tier-1 to total RWA	12.49%	11.75%
Tier-1 capital to total RWA	12.49%	11.75%
Total capital to total RWA	17.59%	17.39%
National MCR prescribed by SBP		
CET-1 Minimum ratio	5.50%	5.50%
Tier-1 Minimum ratio	7.00%	7.00%
Total Minimum Capital Ratio	10.25%	10.00%

CREDIT RATING, AWARDS AND ACHIEVEMENTS

Rated 'AAA' by both the Credit Rating Agencies in Pakistan

AAA

Long Term

A1+

Short Term

PACRA

AAA

Long Term

A1+

Short Term

JCR-VIS

KEY AWARDS AND ACHIEVEMENTS

- Bank of the Year Award - 2015 by "The Banker" - a publication of Financial Times London
- Businessman of the Year Gold Medal - 2015 - (FPCCI 39th Export Awards)
- FPCCI Achievement Award Certificate and Gold Medal for the Year - 2015
- 1Link Certificate of Achievement - Top 3 Issuing Banks
- 2nd FPCCI Achievement Award - 2014
- 37th FPCCI Award - 2014
- Domestic Technology and Operations Bank - 2013 - The Asian Banking & Finance Magazine
- Domestic Retail Bank of the Year - 2013 - The Asian Banking & Finance Magazine
- Transaction of the Year Award - 2012 - CFA Association of Pakistan
- Middle East Renewable Deal of the Year Award - 2012 - Project Finance Magazine

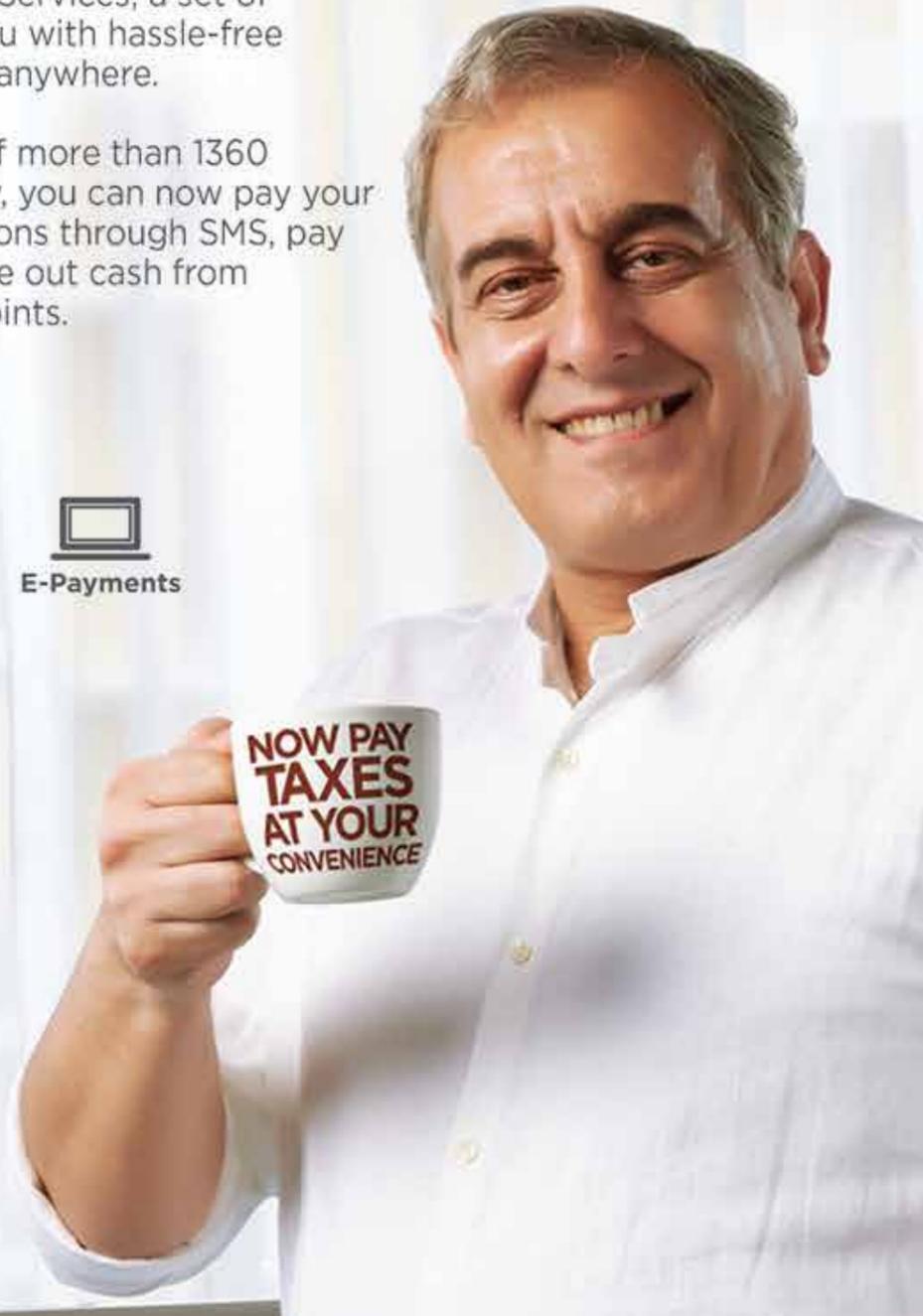
HAR SAHULAT, AUR BHI BAA-SAHULAT

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-  E-Payments
-  Pre-Scheduling of Tax Payments
-  Special Handling of Bulk Data



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-  Bank Statements
-  Account Updates



Utility Bill Payments

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-  Automated Receipts
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NOTICE OF 67TH ANNUAL GENERAL MEETING

Notice is hereby given that the 67th Annual General Meeting (“AGM”) of National Bank of Pakistan (the “Bank”) will be held on **Wednesday the 30th March, 2016 at 9:00 A.M. (PST)**, at **Crystal Ball Room, Marriott Hotel, Karachi**.

The following business will be transacted in the meeting:

Ordinary Business:

1. To confirm minutes of the Extraordinary General Meeting of Shareholders held on 18th December, 2015, at Karachi.
2. To receive, consider and adopt the Annual Audited Financial Statements of National Bank of Pakistan and Consolidated Accounts of National Bank of Pakistan and its Subsidiaries for the year ended 31st December, 2015, together with the Directors’ & Auditors’ Reports thereon.
3. To appoint auditors for the year ending 31st December, 2016 and fix their remuneration. The Board of Directors has recommended appointment of Messrs Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants and Messrs Grant Thornton Anjum Rehman, Chartered Accountants to be the auditors of the Bank for the year ending 31st December, 2016, in place of the retiring auditors namely Messrs Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants and Messrs KPMG Taseer Hadi & Company, Chartered Accountants at the same fee as paid to the retiring auditors.
4. To consider and approve cash dividend at Rs. 7.5 per share i.e. 75% as recommended by the Board of Directors for the year ended 31st December, 2015 (subject to Government of Pakistan’s approval).

Special Business:

5. To consider and, if thought fit, approve the Scheme of Amalgamation recommended by the Board of Directors of the Bank for the amalgamation of NBP Leasing Limited, the wholly owned subsidiary of the Bank, with and into the Bank, in accordance with section 48 of the Banking Companies Ordinance, 1962, and pass the following resolutions, with or without modifications:
 - (a) **RESOLVED THAT** subject to obtaining all necessary regulatory approvals, including the approvals of the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan, NBP Leasing Limited be amalgamated with and into National Bank of Pakistan under section 48 of the Banking Companies Ordinance, 1962 in accordance with the Scheme of Amalgamation to be sanctioned by the State Bank of Pakistan (“Merger”).
 - (b) **FURTHER RESOLVED THAT** the Scheme of Amalgamation, as approved and recommended by the Board of Directors of National Bank of Pakistan and circulated to the shareholders of the Bank, be and is hereby approved in accordance with the provisions of section 48 of the Banking Companies Ordinance, 1962, subject to any modifications which may be carried out as per the requirements of the Securities and Exchange Commission of Pakistan or the State Bank of Pakistan and / or for the purposes of rectifying any error, clarification or elaboration.

NOTICE OF 67TH ANNUAL GENERAL MEETING

- (c) **FURTHER RESOLVED THAT** Mr. Amir Sattar, the SEVP/CFO of the Bank and Mr. Khawaja Amin-ul- Azam, the EVP/Head Islamic Banking of the Bank, be and are hereby authorized to jointly take all steps necessary, ancillary and incidental for the purposes of the Merger including, but not limited to, (i) executing all necessary documents pertaining to the Merger including, but not limited to, the Scheme of Amalgamation, applications, affidavits and any other related documents; (ii) taking all steps and actions for obtaining the requisite consents from the relevant regulatory authorities, members / shareholders and any other persons (as applicable) with respect to the Merger and all ancillary matters; (iii) filing, pursuing and taking any and all necessary actions in respect of submitting applications to the relevant authorities, including representing the Bank, with respect to the Merger and obtaining the approvals of the same; (iv) making such alterations and changes in the Scheme of Amalgamation as may be expedient or necessary for satisfying the requirements or conditions imposed by either the State Bank of Pakistan and / or the Securities and Exchange Commission of Pakistan; (v) appointing consultants, attorneys, advocates, advisors and counsels for the purposes of the Merger; and (vi) generally doing all acts, deeds and things as may be required with respect to the aforementioned resolutions and implementing the Scheme of Amalgamation in terms thereof along with all incidental actions in respect of the same.
6. To transact any other business with the permission of the Chairman.

Karachi

Dated: March 09, 2016

By Order of the Board

Sd/=

Secretary (Board)

NOTICE OF 67TH ANNUAL GENERAL MEETING

Notes:

- i) The Share Transfer Books of the Bank shall remain closed from 23-03-2016 to 30-03-2016 (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 22-03-2016 will be treated in time for purpose of attending the meeting and entitlement of any Cash Dividend.
- 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

NOTICE OF 67TH ANNUAL GENERAL MEETING

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.

vi) **COMPUTERIZED NATIONAL IDENTITY CARD (CNIC)**

Securities and Exchange Commission of Pakistan (SECP) vide its S.R.O. 779 (1)/2011 dated August 18, 2011 has directed all listed companies to ensure that Dividend Warrants should bear the Computerized National Identity Card (CNIC) Numbers of the registered members. Members who have not yet provided attested copies of their valid CNICs / NTN's (in case corporate entities) are requested to send the same directly to the Share Registrar at aforementioned address.

vii) **REVISION OF WITHHOLDING TAX ON DIVIDEND INCOME UNDER SECTION 150 OF THE FINANCE ACT 2014:**

Please note that under Section 150 of the Income Tax Ordinance, 2001 and pursuant to Finance Act 2014 withholding tax on dividend income will be deducted for 'Filer' and 'Non-Filer' shareholders @ 12.5% and 17.5% respectively. According to clarification received from Federal Board of Revenue (FBR) withholding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as Joint Holder(s) based on their shareholding proportions, in case of joint accounts

In this regard, all shareholders who hold shares jointly, are requested to provide shareholding proportions of Principal shareholder and Joint Holder(s) in respect of shares held by them to our Share Registrar, in writing as follows:

Folio / CDS Account #	Total Shares	Principal Shareholder		Joint Shareholder	
		Name and CNIC #	Shareholding Proportion (No. of Shares)	Name and CNIC #	Shareholding Proportion (No. of Shares)

The required information must be reached to our Share Registrar by 23-03-2016, otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint Holder(s).

Shareholders are therefore requested to please check and ensure Filer status from Active Taxpayers List (ATL) available at FBR website <http://www.fbr.gov.pk/> as well as ensure that their CNIC / Passport number has been recorded by the Participant / Investor Account Services or by Share Registrar (in case of physical shareholding). Corporate bodies (non-Individual shareholders) should ensure that their names and National Tax Numbers (NTN) are available in ATL at FBR website and recorded by respective Participant / Investor Account Services or in case of physical shareholding by Bank's Share Registrar.

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viii. **DELIVERY OF THE UNCLAIMED / UNDELIVERED SHARES LYING WITH THE SHARE REGISTRAR:**

As directed by SECP vide letter # SMD/CIW/Misc./14/2009 dated October 11, 2011, shareholders are requested to please contact / coordinate with Bank's Share Registrar for collection of unclaimed / Undelivered Bonus Share Certificates / Dividend Warrants.

ix. **TRANSMISSION OF ANNUAL FINANCIAL STATEMENTS THROUGH EMAIL:**

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

x. **DIVIDEND MANDATE (OPTIONAL):**

A shareholder may, if he so desires, direct the Bank to pay dividend through his / her / its bank account. If you want to avail the facility of direct credit of dividend amount in your bank account, please provide the following information to Bank's Share Registrar and CDC Shareholders are requested to send their bank account details to their respective Participant / Investor Account Services. In pursuance of directions given by SECP, kindly authorize the bank for direct credit of cash dividend in your bank account. (Please note that giving bank mandate for dividend payments is optional, in case you do not wish to avail this facility please ignore this notice and, in such case, dividend will be paid through dividend warrant to your registered address, as per normal practice).

Dividend Mandate - Bank Account Details of Shareholder	
Title of Bank Account: Bank's name: Cell and Landline numbers:	Bank Account Number: Branch name with complete address:
Please provide full account number OR IBAN, please check with your concerned Branch. The above-mentioned information is correct and in case of any change therein, I / we will immediately intimate to my / our Participant / Investor Account Services OR our Share Registrar.	
Signature of Shareholder(s):	
Name of Shareholder(s):	
Folio Number / CDC ID & A/c Number:	
CNIC Number:	

Detailed information / formats are available at NBP's website www.nbp.com.pk

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xi. CONSENT FOR VIDEO CONFERENCE FACILITY

In compliance of Circular No. 10 dated May 21, 2014 of the SECP, shareholders of the Bank are informed that they can also avail video conference facility. In this regard please fill the following and submit to registered address of the Bank 10 days before holding of general meeting. If the Bank receives consent from members holding in aggregate 10% or more shareholding residing at a geographical location, to participate in the meeting through video conference at least 10 days prior to date of meeting, the Bank will arrange video conference facility in that city subject to availability of such facility in that city. The Bank will intimate members regarding venue of video conference facility at least 5 days before the date of general meeting along with complete information necessary to enable them to access such facility.

I/We, _____ of _____, being a member of National Bank of Pakistan, holding _____ Ordinary Share(s) as per Register Folio No./CDC Sub-Account No. _____ hereby opt for video conference facility at _____.

Signature of Member

NOTICE OF 67TH ANNUAL GENERAL MEETING

“STATEMENT OF MATERIAL FACTS”:

This statement sets out the material facts concerning the Special Business given in agenda item No.5, of the Notice, to be transacted at the AGM of National Bank of Pakistan’s shareholders.

Item No. 5:

TO APPROVE SCHEME OF AMALGAMATION OF NBP LEASING WITH AND INTO THE NBP.

The NBP Shareholders in EOMG held on 18-12-2015 had, in principle, approved the amalgamation of NBP Leasing Limited (“NLL”), being the wholly owned subsidiary of the Bank, with and into the Bank under section 48 of the Banking Companies Ordinance, 1962 (“Proposed Merger”).

The Proposed Merger is intended to be implemented and effected through a Scheme of Amalgamation, the draft of which has been recommended by the Board of Directors of the Bank to the Shareholders, and has been made available to the members (the “Scheme”). Subject to obtaining all necessary corporate and regulatory approvals (including from the shareholders of the Bank and NLL, the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan), and the sanction of the Scheme by the State Bank of Pakistan in accordance with section 48 of the Banking Companies Ordinance, 1962, the entire undertaking of NLL (including all assets, properties, rights, liabilities, obligations etc.) will be amalgamated with and merged into the Bank, subsequent to which NLL shall be dissolved without winding up. Furthermore, it is intended that the undertaking of NLL intended to be amalgamated / merged with and into the Bank may subsequently be parked under the Islamic banking operations of the Bank through conversion of the lease / assets portfolio into Shariah compliant leases / assets.

The Scheme is also available for inspection to any person entitled to attend the Annual General Meeting at the office of the Secretary (Board) of the Bank, during normal office hours; copies of the same may also be obtained upon request by such persons from the office of the Secretary (Board) of the Bank free of cost during normal office hours till the date of the meeting.

The details of the Proposed Merger along with all ancillary matters thereto, as well as the benefits thereof are prescribed in the Scheme.

As required by section 48 of the Banking Companies Ordinance, 1984, the Scheme is required to be passed at the meeting of the shareholders of the Bank, by a majority representing two-thirds in value of the shareholders of the Bank, present either in person or by proxy at the meeting.

The directors of the Bank and NLL are interested in the Scheme to the extent of their respective shareholdings in the Bank and NLL (to the extent applicable). The effect of the Scheme on the interest of these directors does not differ from the respective interests of the shareholders / members of the Bank.

The directors of the Bank shall continue as the directors after the Proposed Merger (subject to their ceasing to be directors prior to the completion of the Proposed Merger). The directors of NLL shall cease to hold office as directors in the said company as result of the Proposed Merger. No compensation shall be payable to such directors on account of their relinquishment of the respective offices in NLL.

NOTICE OF 67TH ANNUAL GENERAL MEETING

In view of the above, the Board of Directors of the Bank has recommended the amalgamation / merger of NLL with and into the Bank in terms of the Scheme.

The Shareholders are requested to consider and approve Scheme of Amalgamation of with and into the Bank, and pass the following resolution, with or without modifications.

“RESOLVED THAT subject to obtaining all necessary regulatory approvals, including the approvals of the State Bank of Pakistan and the Securities and Exchange Commission of Pakistan, NBP Leasing Limited be amalgamated with and into National Bank of Pakistan under section 48 of the Banking Companies Ordinance, 1962 in accordance with the Scheme of Amalgamation to be sanctioned by the State Bank of Pakistan.”

“FURTHER RESOLVED THAT the Scheme of Amalgamation, approved and as recommended by the Board of Directors of National Bank of Pakistan and circulated to the shareholders of the Bank, be and is hereby approved in accordance with the provisions of section 48 of the Banking Companies Ordinance, 1962, subject to any modifications which may be carried out as per the requirements of the Securities and Exchange Commission of Pakistan or the State Bank of Pakistan and / or for the purposes of rectifying any error, clarification or elaboration.”

“FURTHER RESOLVED THAT Mr. Amir Sattar, the SEVP/CFO of the Bank and Mr. Khawaja Amin-ul-Azam, the EVP/Head Islamic Banking of the Bank, be and are hereby authorized to jointly take all steps necessary, ancillary and incidental for the purposes of the Merger including, but not limited to, (i) executing all necessary documents pertaining to the Merger including, but not limited to, the Scheme of Amalgamation, applications, affidavits and any other related documents; (ii) taking all steps and actions for obtaining the requisite consents from the relevant regulatory authorities, members / shareholders and any other persons (as applicable) with respect to the Merger and all ancillary matters; (iii) filing, pursuing and taking any and all necessary actions in respect of submitting applications to the relevant authorities, including representing the Bank, with respect to the Merger and obtaining the approvals of the same; (iv) making such alterations and changes in the Scheme of Amalgamation as may be expedient or necessary for satisfying the requirements or conditions imposed by either the State Bank of Pakistan and / or the Securities and Exchange Commission of Pakistan; (v) appointing consultants, attorneys, advocates, advisors and counsels for the purposes of the Merger; and (vi) generally doing all acts, deeds and things as may be required with respect to the aforementioned resolutions and implementing the Scheme of Amalgamation in terms thereof along with all incidental actions in respect of the same.”



CHAIRMAN'S MESSAGE

I feel great pleasure in writing to you about your Bank's performance for the year 2015. Capitalising on opportunities created by the improving economic environment, we moved on towards successfully achieving our goals and targets for the year 2015. As maximising shareholders' value remains on top among our priorities, we achieved 28% growth in profitability. To make it a sustainable growth for the future, we have invested into further improving our technological infrastructure, corporate governance framework, risk management, customer base, geographical footprint in the country, our product universe and above all, our human talent capital. We have, and shall continue, to invest in automating all functions of the Bank.

It is evident from the numbers stated in the financial statements that your Bank is continuously striving to increase its leadership position on most fronts in the financial services industry in Pakistan. Not only have we improved our numbers in terms of profitability, liquidity, solvency, capital adequacy, deposits, financial inclusion, etc.; we are also improving our business operations as simpler, smoother and structured through automation.

We have continued with our commitment to extend the utmost support on all fronts in bringing industrial and economic rehabilitation in the country. We feel pleasure in the fact that NBP's contribution is keeping alive several public sector entities and large businesses in the country. However, we are equally concerned with the situation that large NPLs pertaining to the public sector entities continue to hinder our pace towards growth and profitability to the best of our true potential and capabilities.

We strive to fulfil our responsibilities as a corporate citizen, not only towards our shareholders, but also to the state and all members of society. We remain committed towards nation building and contributing to society by focusing on the areas of basic education, healthcare, skill development and financial inclusion of the unbanked masses in the country. Our branches' presence in the rural areas is the largest for any bank in the country. The Bank contributes towards its CSR commitments for betterment of under-privileged citizens, development of human talent in the country and enrichment of our culture.

While we achieved performance milestones during the year, we understand significant opportunities are still there to be unfolded and capitalised on. Also, we have to be mindful of the significant factors that continue to slash our pace of growth. To fully capitalise the opportunities in the market, we are determined to eradicate such factors by reshaping our business culture in general, and our customer service in

particular. Our Code of Conduct raises the bar for loyalty, transparency, integrity and fairness in all our decisions and the actions we take. As a motivated team, we move confidently to achieve our strategic goals for the year 2016.

I would like to take this opportunity to thank our Board for the immense contribution and insight provided during these challenging days in developing a sustainable environment for the Bank to continue with its pace towards mission accomplishment. We are indebted to appreciate our management for their efforts in driving the Bank back to its true potential. We are confident that efforts shall continue in the right direction to restore confidence of our stakeholders in the Bank.

I would also like to thank our shareholders, customers, business counterparts and regulators for their support and confidence during 2015; above all, our great people for their hard work, dedication and ongoing commitment to National Bank of Pakistan.

Muneer Kamal

Chairman Board of Directors

Date: February 19, 2016

A close-up photograph of two business professionals in a meeting. One person is holding a pen over a document, while the other is holding a white marker. The scene is brightly lit, suggesting an office environment.

DIRECTORS'

REPORT TO THE SHAREHOLDERS



DIRECTORS' REPORT TO THE SHAREHOLDERS

I am pleased to present to you, on behalf of the Board of Directors of National Bank of Pakistan, Financial Statements of the Bank for the year ended December 31, 2015. You will be pleased to know that the true potential and capabilities of your Bank have further crystallised as our strategic plans keep on unlocking business potentials and translate into improved customer recognition & service, better earnings, integrated business systems, greater national and overseas network and a motivated team. The performance of your Bank during the year was however influenced by multifaceted external factors like the murky global economic environment and a compromised geo-political situation in the Middle East and other neighbouring economies.

Macroeconomic Environment

The year 2015 remained fairly tough for global economic growth which remained around 2.9% compared to the initial forecast of 3.5%. Bigger economies like USA, China, India, Saudi Arabia, Germany and the UK all faced a slump in GDP growth. This dull output was mainly attributed to the unremitting deceleration of economic activities as the oil prices continue a free fall. The emerging and developing economies gained from the situation and recorded modest economic growth despite a significant decline in their exports as demand from the developed economies remained limited. Since political uncertainty in the Middle East and pressures on the oil prices continue, experts now suggest that global economic growth will face yet another difficult year ahead.

Our economy maintained its pace of improvement & growth as the GDP growth rate rose to 4.2% in year 2014-15 as compared to 4.0% in year 2013-14. Economic activity in the country accelerated slightly on the back of lowering oil import bill, improving energy distribution management, persistent growth in foreign remittances, improving law & order situation, the Sino-Pak agreement of developing China-Pakistan Economic Corridor (CPEC). These have collectively geared the economy towards low inflation, improvement in Tax-GDP ratio, etc. Economic growth was witnessed in all key sectors of the economy i.e. large-scale manufacturing, services, agriculture, industry and trading.

Sharp falls in global POL and other commodity prices, stronger PKR making imports less costly and controlled food prices dashed headline CPI inflation down to record low level of 4.5% in FY15, lowest ever since 2003. During 1H FY16, CPI has averaged at 2.5%. Also, Pakistan's healthy remittance growth to USD 18.4 Billion in FY15 (USD 15.8 B – FY14), funds generation through sale of Government stake in business entities, helped insulate the economy from external vulnerabilities. Our external account position has also strengthened to record high FE reserves to approx. USD 21bn.

We had a tough year on the trade side as our trade deficit increased to USD 17.2 bn vs. USD 16.6 bn in FY14, due to lower textile exports and rising imports of power / construction machinery, steel & transport vehicles. Though lower crude oil prices would continue to support, we expect CA deficit to slightly increase to 1% of GDP, on account of development projects led higher imports. On the financial and capital account side, dollar inflows from IMF, World Bank, ADB and other financial intermediaries along with the start of funding by China on CPEC related projects would cover CA deficit and uplift reserves.

Our economy is showing signs of recovery on the back of lowering fuel prices and foreign remittances.

The trickle down impact of the easing economic and financial position was also witnessed in the monetary policy of the SBP. The discount rate was reduced during the year from 8% to 6% and the excess liquidity was created through conventional as well as Islamic Sukuk instruments on various occasions to keep the market functions on track. These translated into creating more credit and financing at reduced cost of borrowings.

Although improvement in the economic outlook was also endorsed as Moody's and Fitch upgraded rating of Pakistan, direct foreign investment remained low on account of multiple issues related to political, legal, infrastructural issues as well as geo-strategic environment surrounding the country. The situation has, however, improved radically over the last 6 months with the formal launch of CPEC further aided by the tremendous successes of the domestic anti-terror drive.

While the Government has taken steps to enhance the power supply by adding more units to the National Grid as well as through improved supply chain management, the energy crisis yet remains the single most critical challenge to the economy and continues to burden the economy.

Going forward, the macro environment for FY16 appears positive. However, the outlook for the external sector still remains tenuous as the Middle East remains significantly volatile. Should the pressures remain on oil prices, we may face a drop in home remittances. Any sudden increase in the oil prices, on the other hand, will broaden trade deficit, triggering inflation. The economy could however continue to benefit from a considerable cut in the policy rate, improvement in security situation, the CPEC and other political settlements in the surroundings.

Your Bank

Maximising shareholders' value through profitability is a top priority among our strategic goals. This year too we achieved greater success in achieving our strategic goals and priorities. Last year we had identified and set certain interconnected and synergetic priorities for ourselves to achieve during the year 2015. We had set that during the year 2015:

- We will expand our business universe through adding new products and markets
- We will enhance our branch network for both conventional and Islamic segments
- We will automate the business processes
- We will bring reduction in the NPL through recoveries & rehabilitation of classified loans
- We will continue to invest in our people

During the year 2015, our employees showed undeterred resolve to achieve the above strategic priorities. As we believed, and rightly so, the above priorities and directions have proved to set a solid ground for your Bank in maintaining its leadership position in various business segments, while creating an opportunity to regain its position in certain others.

We move forward to achieve our goals from a regained position of strengths.

I am pleased to report that during the year your Bank made significant infrastructural growth through technological advancements and by adding 49 new branches to its domestic network, taking the total to 1,403. This includes our Islamic banking network, which now stands increased to 79 branches compared to 22 branches in December 2014. Our ATM network that comprised of 376 ATMs in December 2014 now has increased to 1,000+ ATMs. Further 500 ATMs are planned to be installed during 2016. Also your Bank accomplished another milestone by converting 100% of our domestic branch network from earlier scattered IT systems to the uniform centralised Core Banking Application (CBA). The entire branch network is now online. This has not only significantly improved the Bank's operational efficiency but will also enable it to launch technology-based products.

The Bank is a pioneer in the lending program for small business entrepreneurs. Since the launch of Prime Minister's Youth Business Loan product (PMYBL), the Bank has made significant progress towards enabling youth to improve their earning capacity with a positive multiplier effect on the economy through financial inclusion of the youth. The Bank is expanding and investing in alternate delivery channels including alliances with telcos for greater outreach and improved customer service.

During the year we successfully launched new products and also repackaged our existing products to align the same with customers' requirements. This includes introduction of "Choice Current Account" for individuals & businesses, and "Asaan" account for small depositors. Further broadening our spectrum of products, we also launched "Bancassurance" product through 184 branches to diversify the product suite and increase non-funded income. Other products launched include agriculture products for horticulture, dairy & livestock farming and repackaging of "Cash & Gold" product. While the passport fee is now collected in branches over 15 cities, we are making arrangements for collection of government taxes / fees through ATMs and telcos for which our network now stands increased from 605 authorized branches to over 100,000+ agents of telcos.

Among the large ticket business, we made significant growth by adding quality portfolio to our corporate bank. We are among the key bankers providing advisory services to the Privatisation Commission.

Our international operations span over 19 countries with a total of 21 branches, 2 subsidiaries, 1 joint venture and 3 representative offices. We are the only Pakistani bank having three branches and two wholly owned subsidiaries in Central Asian countries. This vast global footprint caters to the banking needs of the locals as well of Pakistani nationals living abroad. Our overseas branches are exploring new avenues to ensure increase in the deposit base and trade business.

We have established remittances arrangement with 42 tie-ups across the globe, including some of the leading names in the Middle East. We are now routing above 200K transactions per month of inward remittance with major inflow from the Middle East. We are now offering products like "NBP Foree Cash", "NBP Foree Transfer" and "NBP Foree Remittances Account" for hassle-free banking. As soon as the funds are remitted to an account, the beneficiary gets an SMS alert and can withdraw cash from any ATM across Pakistan.

Likewise yesteryears, in 2015 also, we continued with our endeavours to maximise financial inclusion of the unbanked masses in the country. We equally value the underdeveloped areas and strive to bring prosperity to the public in such areas through offering tailored financial services and financing facilities.

Throughout the year we remained robust & steady towards reducing our NPL. Our strategies resulted in reversal of Rs. 4,897 million in the specific provisions against NPL achieved through recoveries and rehabilitation of infected portfolio. Our strategies are all set to translate into further recoveries & reversals during the forthcoming year. With a punchline of "We must improve Asset Quality to prevent NPL", our Credit Management Group is set to adopt the

multi-pronged strategies to achieve NBP's critical success factor for improving asset quality resulting in increased yield.

We made significant advancements in implementation of BPR and COSO framework. Effective implementation of BPR and COSO is going to streamline our operating model, improve regulatory compliance as well as improve the platform for customer service, product / service deployment, enhance MIS reporting & decision-making and improving TAT resulting from process and organizational efficiencies.

Our "Aitemaad" Islamic banking that now stand increased to 79 branches, has made commendable growth. With deposits grown from Rs. 2.5 billion to 12.8 billion, "Aitemaad" is offering services nationwide in 48 cities. To bring synergies and economies of scale to Islamic banking operations, we have decided to amalgamate NBP Leasing Limited into the Bank. Our strategic initiative for the forthcoming year includes setting up an Islamic bank as our wholly owned subsidiary in order to promote Islamic banking business strictly in conformity with the injunctions of Shariah.

We are adding talent to our human capital pool through inductions and trainings. Our newly established E-learning Division will facilitate employees in continuous development, without leaving the workplace. To keep our team motivated, numbers of officers and executives have just been promoted to senior grades for better performance and succession planning.

To improve our brand, a separate function of Service Quality was introduced in March, 2015 within CRBG with the sole aim to reinvigorate the sales & service culture and changeover from customer satisfaction to Customer Delight. Our strategy towards Customer Service Quality is driven through employee engagement, efficiencies in business processes, making our business place customer friendly with an amicable ambience.

Throughout the year, we remained committed in identifying and fulfilling our responsibilities to the society at large. We extended funds of Rs. 58 million for improving education, health, rehabilitation and our culture.

In order to cover the risk of potential credit losses on the portfolio, which is presently not impaired as per the applicable Prudential Regulations, an aggregate amount of Rs. 12 billion has been appropriated from the un-appropriated profits to a "General loan loss reserve" to protect the equity base of the Bank from future contingencies in respect of the credit portfolio.

Proposed Dividend

Transferring the value generated to the shareholders, the Board of Directors has proposed a cash dividend of Rs. 7.50 per share (75%). This shall be presented for approval by the shareholders of the Bank in the 67th Annual General Meeting. This translates into 92.3% dividend payout of the Bank's distributable profit for the year 2015 (after statutory reserve allocation). This high payout reflects the Bank's strong capital position and our commitment to enhance shareholders' value.

Financial Performance - 2015

The commitment and resolve demonstrated by our people has efficiently materialised the opportunities arising out of the improving economic condition for maximising our shareholders' value and fulfilling our social responsibilities as a corporate entity. We effectively continued our efforts for enhancing profitability while keeping our risks well balanced.

• Profitability

We achieved an exponential 51% growth in profit before tax for the year as it increased by Rs. 11.2 billion from Rs. 22.0 billion for the year 2014 to Rs. 33.2 billion for the year 2015. This is a complete turnaround from year 2013; and is higher by 368%. The increase in profit before tax is mainly derived through 20.7% growth in core net interest/mark-up income, and 18.1% growth in non interest/mark-up income. To mitigate the impact of the policy rate cut, we managed our earning assets portfolio mix in an optimum manner. Non-performing loans secured through the GoP guarantee continue to remain a big drag on our profitability, and have adversely impacted our interest income to a significant extent. We are making unrelenting efforts by raising the issue at appropriate platform and approaching the concerned authorities for recovery of overdue amounts.

We managed to reduce the mark-up expense by 12.3% despite 16.0% increase in deposits. While reduction in profit rates was the key driver, this was complemented through generating non-remunerative as well as low cost deposits. By improving cost of funds, we managed to increase our net interest / mark-up income. Net provisions against non-performing loans reduced marginally by 3.2% from Rs. 11.0 billion for the year 2014 to Rs. 10.6 billion for the year 2015. This year too, we were able to realize sizeable reversals of Rs. 4.9 billion in specific provisions against certain non-performing loans through recoveries and declassifications. However, some large accretions to non-performing loans, mainly pertaining to the public sector,

and downgrading of some large advances significantly diluted the impact of reversals in provisioning.

With 45.5% contribution towards the Bank's total income, non interest / mark-up income reflected 15.2% YoY growth as it increased by Rs. 4.6 billion to Rs. 35.0 billion, compared to Rs. 30.4 billion for the year 2014. Continuing with our impressive trend of achievements set in year 2014, this year too we recorded substantial gains through money and capital market transactions by booking capital gain of Rs. 12.6 billion on sale & redemption of securities.

This is 43.6% higher against Rs. 8.8 billion for the year 2014. Fee & commission income amounting to Rs. 12.4 billion constitutes 34.4% of the non-interest / mark-up income. It is worth noticing that the adverse impact of the decline in POL prices on the trade business income was offset through a volumetric growth achieved in the trade business. The other significant contributor to this income band was income from dealing in foreign currencies followed by dividend income with respective contribution of Rs. 4.7 billion (30.9% up) and Rs. 3.3 billion (49.2% up). Other income reduced from Rs. 3.6 billion in year 2014 to Rs. 2.1 billion in the year 2015. The decline was mainly due to reduction in compensation on tax refunds to 6M Kibor+0.5% from the earlier 15% as announced in the last year's Federal Budget.

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Our numbers in 2015 truly reflect delivery of our strategic priorities through strengthening our business for sustainable benefits of our stakeholders.

.....

Non interest / mark-up expense marginally increased by 1.3% to Rs. 43.7 billion against Rs. 43.1 billion for the year 2014. During the year 2015, we achieved considerable improvements in execution of business activities, thus substantially reducing certain undesired costs. Administrative expenses amount of Rs. 42.1 billion increased only by 5.4% against the previous year's Rs. 40.0 billion. Among these, salaries and allowances constitute 57.1% as the same increased by 2.9% from Rs. 23.4 billion in 2014 to Rs. 24.1 billion for the year 2015. As we increase our branch network, improve workplace conditions and enhance the brand image, rent & utilities, repairs & maintenance and advertisement expenses increased respectively by 23.1%, 21.2% and 106.0% over the year 2014. Increase in all other costs remained in line with the inflation. In totality, our cost to income ratio stands improved from the previous year's 54.7% in 2014 to 47.6% for the year 2015.

This year our value addition to the national exchequer through

the current year income tax was Rs. 14 billion compared to Rs. 6.9 billion in the previous year. After adjustment for taxes, your Bank's profit after tax increased by 27.9% to Rs. 19.2 billion compared to Rs. 15.0 billion for the year ending December 31, 2014. Due to budgetary changes, the Bank recorded prior year's tax charge of Rs 2.3 billion, thus diluting the reflection of growth in pre-tax profit into after-tax profit.

Our teamwork has cumulatively translated into 27.9% higher basic and diluted earnings per share of Rs. 9.03 compared to Rs. 7.06 for year 2014. Pre-tax and after-tax return on equity stand at 29.4% and 17.0% respectively, whereas pre-tax and after-tax return on assets stand at 2.0% and 1.2% respectively.

Financial Position - 2015

• Assets

Total assets of your Bank grew evenly throughout the year and stand substantially increasing by 10.6% at Rs. 1,706.4 billion, compared to Rs. 1,543.0 billion as of December 31, 2014. Our investments increased to Rs. 826.3 billion. Approximately 92.7% (2014:88.7%) of our investment is placed in risk free government securities.

Net advances recorded a marginal fall of 7.8% and stand at Rs. 577.9 billion. The reduction in net advances is mostly attributed to conversion of certain loans into Term Finance Certificates, some large repayments, lower commodity prices and a provision charge of Rs. 10.6 billion for the year 2015. With a balance of Rs. 549 billion, net advances payable within Pak Rupee constitute 95% of the net advances. While the net NPL ratio improved from 3.6% at December 31, 2014 to 2.9% as at December 31, 2015, the provision coverage improved to 87.0% as on December 31, 2015 from 81.2% of last year.

• Liabilities

The liability side was also well managed during the year. Our borrowings reduced by 41.6% from Rs. 37.5 billion as of December 31, 2014 to Rs. 21.9 billion as of December 31, 2015. This was mostly on account of reduction in SBP financed lending. Total deposits grew 16.0% from Rs. 1,233.5 billion as of December 31, 2014 to Rs 1,431.0 billion as of December 31, 2015. Our deposit growth is higher than the banking sector's growth. Deposits in the local currency weigh 83.8% of the total deposits. We achieved a growth in low cost current and savings deposits. Savings deposits amount to Rs. 382.2 billion, 9.8% higher from Rs. 348.1 billion as of December 31, 2014; while current deposits increased by 13.8% to Rs. 608.8 billion. As we endeavour to improve our cost of funds, we achieved a 13.2% growth in non-remunerative deposits during the year that increased to Rs. 425.5 billion. Non-remunerative current deposits now contribute 29.8% to the total deposits.

• Capital Strength & Adequacy

Your Bank maintains a strong & adequate capital structure, well above the minimum Capital Adequacy requirements of SBP and the Basel framework. As of December 31, 2015, capital adequacy ratios and buffers (in percentage of risk weighted assets 'RWA') are as follows:

Capital Adequacy Ratios	Current Year		Prior Year	
	Required	Actual	Required	Actual
CET-1 to total RWA	5.50%	12.49%	5.50%	11.75%
Tier-1 capital to total RWA	7.00%	12.49%	7.00%	11.75%
Total capital to total RWA	10.25%	17.59%	10.00%	17.39%

Awards & Recognitions

During the year 2015, your Bank achieved several awards and recognition on various platforms on account of its performance in various sectors. Prominent awards & achievements include:

- Bank of the Year in Pakistan Award - 2015 - The Banker Magazine - Financial Times UK
- Businessman of the Year Gold Medal - 2015 - (FPCCI 39th Export Awards)
- FPCCI Achievement Award Certificate and Gold Medal for the year - 2015

Credit Rating

The Bank is rated 'AAA' by both the credit rating agencies in Pakistan. In June 2015, M/s JCR-VIS Credit Rating Company re-affirmed the Bank's standalone rating of "AAA", one of the highest by the Company for any bank in Pakistan. PACRA has assigned a long-term entity rating of 'AAA' (Triple AAA) and short-term rating of 'A1+' (A-One Plus).

Profit & Loss Appropriation

The profit for the year 2015 after carry-over of accumulated profit of 2014 is proposed to be appropriated as follows:

	(Rs. Mn.)
Profit Before Tax	33,216
Taxation	
- Current	14,577
- Prior year's	2,298
- Deferred	(2,878)
After-tax Profit	19,219
Un-appropriated profit brought forward	57,007
Other comprehensive income - net of tax	(1,567)
Transfer from surplus on revaluation of fixed assets	120
Profit available for appropriations	74,779
Transfer to Statutory Reserve (10% of after-tax profit)	(1,922)
Transfer to Loan Loss Reserve	(12,000)
Cash dividend paid	(11,701)
Un-appropriated profit carried forward	49,156

Statement under the Code of Corporate Governance (the Code):

The Board of Directors is aware of its responsibilities under the Code of Corporate Governance; and I am pleased to report that:

- The financial statements prepared by the management of the Bank present fairly the state of affairs, the results of its operations, cash flows and changes in equity;
- Proper books of account of the Bank have been maintained;
- Appropriate accounting policies have consistently been applied in preparation of the financial statements. Accounting estimates are based on reasonable and prudent judgment;
- Approved accounting standards, as applicable to Banks in Pakistan, have been followed in preparation of financial statements;
- The system of internal control is showing signs of improvement as compared to previous years. However, such a system is designed to manage rather than eliminate the risk of failure to achieve objectives, and provide reasonable but not absolute assurance against material misstatements or loss;
- There are no doubts about the Bank continuing as a going concern;
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations;
- Summarised key operating and financial data of the last six years is tabulated on the initial pages of this Annual Report;
- The value of investments of provident and pension funds are Rs. 13,392 million and Rs. 38,384 million respectively;
- The number of Board Meetings held during the year 2015 were 12, and were attended by the Directors as follows:

Name of Directors	Designation	Total Meetings Attended
Mr. Muneer Kamal	Chairman	12
Mr. Tariq Kirmani	Director	12
Mr. Shahid Aziz Siddiqi	Director	1
Mr. Muhammad Naeem	Director	12
Mr. Farrakh Qayyum	Director	12
Rana Assad Amin	Director	3
Mr. Ifikhar A. Allawala	Director	11
Syed Ahmed Iqbal Ashraf	President	12
Mir Balakh Sher Marri	Director	11
Mr. A. Akbar Sharifzada	Director	2

Future Outlook

Year 2016 will be a year of new opportunities and challenges for NBP as well as the banking industry. Our goals for the year include maintaining leadership position, market penetration for greater financial inclusion, strengthening compliance and controls, partnering economic development in the country, investment in our people, adopting the best practices and modern-day banking, focusing on improving asset quality, maximising value for shareholders, improving delivery channels & customer services.

NBP corporate lending for next year is to tap in on the increasing LSM growth. It will also follow a growth strategy with increased lending in prospective sectors, with growth potential, offering enhancement to existing good borrowers and booking fresh relationships. NBP is all set to capitalize on the CPEC opportunities, and is setting up a China and Far East Trade Desk on a fast-track basis.

To tap in on the growing home remittance business and to promote increase in CASA deposits, NBP plans to launch new remittance products such as the Current account version of “NBP Foree Remittance” and “Easy Remittance Account”. Strengthening customer loyalty through joint marketing plans with Western Union (WU) and renegotiation of contract with WU so as to incorporate “Credit to Account” facility. In order to compensate the reduction in commission allowed by the counterparts, the Bank will target growth in remittance volume business. NBP, during 2015, has introduced specialized products for various agriculture sub-segments; including dairy, horticulture, tunnel farming, mechanization, irrigation development, etc. Besides, the Bank plans to introduce value chain contract farmer financing and micro / small agri-farmers loans, financing to rural agri-based businesses. NBP will leverage its largest rural network to capitalize on these initiatives, tapping the prospective growth in agriculture.

Cognizant of the growth in Islamic Banking, NBP is continuously expanding its Islamic Banking Branch network and plans to be among the top Islamic banking windows of conventional banks with respect to branches and deposits by the end of 2016. We are also working on a plan to establish a subsidiary Islamic bank in Pakistan.

The Bank has undertaken a number of plans in the areas of information technology upgradation, with major projects like expansion of the ATM network (further 500 machines are planned to be installed during 2016), and branchless banking. We intend to open new ATM facilitation centres for pensioners and utility bills’ collection through biometric verification. Trade finance and home remittance business will be increased through targeting new customers and products. NBP will continue to invest in enriching its human capital

capacity-building by acquiring talent and continued training. Efforts will be also made to improve ‘expense management’ and achieve greater operational efficiency. Greater emphasis is being placed on improving internal controls and regulatory compliance.

Earnings Per Share

The basic and diluted after tax earnings per share for the year 2015 is Rs. 9.03.

Events after the Balance Sheet Date

There have not been any material events that occurred subsequent to the date of the Balance Sheet that require adjustments to the enclosed financial statements, except those which have already been made or disclosed.

Change in the Board of Directors

We are pleased to welcome Mir Balakh Sher Marri and Mr. A. Akbar Sharifzada on the Board of National Bank of Pakistan and are confident that the Bank will benefit immensely from their rich experience and enlightened leadership. We also would like to express our sincere gratitude to Mr. Shahid Aziz Siddiqui and Mr. Rana Asad Amin, the outgoing directors of the Bank. Their contribution and support towards the Bank’s progress is duly recognized.

Appointment of Auditors

The Board of Directors, on the recommendation of the Board Audit Committee, has recommended M/s Grant Thornton Anjum Rahman & Co. Chartered Accountants and M/s Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants to be the external auditors of the Bank for the year ending December 31, 2016, in place of retiring auditors M/s KPMG Taseer Hadi & Co., Chartered Accountants and M/s Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants at the fee being paid to the retiring auditors, subject to approval by the shareholders at the Annual General Meeting. Both the firms are eligible and have offered themselves for appointment.

Statement of Internal Control

The Board is pleased to endorse the Statement made by the management relating to internal controls, including the management’s evaluation of ICFR. The Management’s Statement on Internal Control is included in the Annual Report - 2015.

Annexure to the Annual Report

The following are annexed to the Annual Report - 2015 and form an integral part thereof:

- Overview of the Board of Directors' Committees;
- Groups' Performance Review;
- Risk Overview;
- Statement of Internal Control;
- Statement of Compliance with Code of Corporate Governance;
- Corporate & Social Responsibility Report;
- Pattern of Shareholding.

Conclusion & Acknowledgement

The Board appreciates and acknowledges contribution of the Bank's management and employees towards the success and achievements for the year. They would also like to express their gratitude and appreciation to the customers, shareholders and other stakeholders for their support and trust in NBP.

For and on behalf of the Board of Directors,

Syed Ahmed Iqbal Ashraf
President & CEO
Karachi

Dated: February 19, 2016

OVERVIEW OF THE BOARD OF DIRECTORS' COMMITTEES

The Board of Directors has constituted the following committees to help in discharging its regulatory responsibilities in an effective manner. Below is the summary of the committees' structure and membership.

Director	Board Audit Committee	Board Risk Committee	Board HR Committee	Board IT Committee
Farrakh Qayyum				
Syed Ahmed Iqbal Ashraf				
Tariq Kirmani				
Muhammad Naeem				
Iftikhar A. Allawala				
A. Akbar Sharifzada				
Mir Balakh Sher Marri				
No. of Meetings Held	07	04	10	08

 = Chairman  = Member

A brief of the functioning of each of the Board Committee is summarised below.

Board Audit Committee (BAC)

The Board Audit Committee is an advisory and assurance committee which assists the Board in fulfilling its oversight responsibilities. In performing its duties, the Board Audit Committee has maintained an effective working relationship with the Board, the Bank's management and the internal and external auditors. 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 and code of conduct and external audit. The Committee also reviewed the Statement of Internal Control and the Bank's financial results prior to submission and approval by the Board. The Committee recommended the appointment of the external auditors of the Bank to the Board and also considered any questions regarding their audit fees taking into account the applicable regulatory requirements.

The Board Audit Committee ensured that a permanent, dedicated and independent internal audit function exists in the Bank which has adequate resources and staffing, and is appropriately placed within the Bank with related skills and up-to-date knowledge of auditing techniques and banking activities. The Committee also ensured effective coordination between internal and external auditors.

Board Risk Committee (BRC)

BRC is a Board sub-committee that facilitates the BoD in ensuring that the Bank follows risk management guidelines of the State Bank of Pakistan; and in implementing risk management guidelines & regulations. BRC played a vital role in improving the risk environment in NBP through active reviews of credit & investment portfolio, NPL recovery strategy, risk management frameworks / policies and other risk management models / tools / MIS, etc.

BRC is primarily focusing on the creation of sound risk culture across the Bank. BRC continuously updates itself through orientation / training sessions on emerging risks. The Committee met 04 times during the year 2015, and has ensured

OVERVIEW OF THE BOARD OF DIRECTORS' COMMITTEES

implementation of overall risk management policy, review & endorsement of risk management frameworks, i.e. market risk framework, ALM framework, risk management models / rating tools, development / approval of risk tolerance / concentration policy, monitoring of progress of BPR & COSO project and implementation of remediation plans of the Basel project.

Board Human Resource Committee (BHRC)

The Committee is primarily responsible for human resource (HR) related issues in the Bank. Ten (10) meetings of the Board HR Committee were held during 2015. Various HR decisions were taken by the Committee for improvements in the areas of HR planning, compensation, pension, institutional discipline, overseas and other HR areas.

The Committee recommended amendments in various policies relating to HR affairs for the Board's approval. The Committee conducted interviews for promotion and approved & recommended rates for annual performance appraisal.

Board Information Technology Committee (ITBC)

ITBC comprises of three members of NBP's Board of Directors, NBP's CEO/President and the CIO, being Secretary of the Committee. ITBC is responsible for taking IT-related strategic decisions and overseeing their execution in the Bank's interest. The focus is to develop better priority setting, improved alignment with business objectives and bringing benefits to the Bank like business focus, priority, transparency and accountability.

ITBC is the governance body for reviewing, monitoring and prioritizing major IT projects from a cross-functional perspective for the Bank. The top three activities of ITBC are IT project prioritization, overseeing project implementation, execution of projects and recommending the projects for approval to the BoD.

The Committee achieved the following during the year:

- Oversight for CBA Implementation

The Committee oversaw the successful completion of CBA implementation in 1400+ branches that was achieved in November, 2015.

- Name Filtering Solution and AML

Name Filtering Solution (SafeWatch) project was implemented and made live in October, 2015. ITBC also regularly reviews the project progress of Anti Money Laundering which was initiated in August 2015 and is on track. The project is expected to be live by April 2016, as per the set timeline.

- ATM Network and 500+ ATMs More to be Installed

ITBC regularly monitored the progress of the project with reference to all target dates. Installation of another 500 biometric-enabled ATMs is also in progress which is being regularly monitored by the ITBC.

Furthermore, the Committee regularly reviewed the growth of Call Centre operations, and recommended valuable enhancements for improved Call Centre functions. The focus of the Committee is always towards achieving enhanced service quality measures for customer facilitation. Implementation of a Centralized Complaint Management Solution for the Bank is one of the initiatives to ensure a prompt and seamless complaint management process. As a result, a dedicated complaint management system is deployed and complaints from all channels are now being registered with a complete follow-up process.

GROUPS' PERFORMANCE REVIEW

Commercial & Retail Banking



Commercial Retail Banking Group (CRBG) manages the two sides of the balance sheet, i.e. deposits and commercial, SME consumer and agricultural advances. The Group primarily covers three broad business areas: distribution, product development & management and transaction banking.

The lifeline of any bank is the generation and retention of deposits, which within NBP is led by the Group through various products. On the assets side, the group offers various products which include commercial financing, SME financing, agriculture financing, consumer financing & commodity financing. In consumer financing, the Bank offers “NBP Advance Salary” (personal loan product), “NBP Saibaan” (mortgage finance facility) and “Cash & Gold” (personal financing against gold and liquid securities).

Despite challenging economic conditions, led by lacklustre private sector credit off-take and continuous reduction in the policy rate during 2015, the Group was able to achieve major milestones. Some key highlights include growth in deposits, reduction in the cost of funds and improvement in the deposit mix.

During the year 2015, a major restructuring exercise within the Group was undertaken and implemented to ensure better customer focus and performance optimization. Key highlights of this are:

- As regards to branch and ATM network expansion, 49 new branches were opened while 60 branches were converted to Islamic banking and 500 plus ATMs were also installed.
- On the product side, the Group successfully launched and repackaged (existing) products during the year. This includes “Choice Current Account” for individuals & businesses, and introduction of the new

“Asaan” account for small depositors for financial inclusion.

- The Group also launched “Bancassurance” product through 184 branches to diversify the product suite and increase non-funded income. Other products launched include agriculture products for horticulture, tunnel and dairy / livestock farming and repackaging of “Cash & Gold” product.

Additionally, various initiatives have also been implemented to increase market penetration and improve cross-selling within the Bank. Such initiatives include reinvigorating of the “PMYBL” scheme through a countrywide media campaign and graduation from the passive walk-in to active personal selling model, introduction of SMS alert facility for account holders, development and launch of cash management business (launched for passports) and passport fee collection through all branches in 15 major cities across the country.

The Group renewed its focus on capitalising the opportunities available in the digital banking space. Major projects implemented by our branchless banking / alternate delivery channels team include:

- Roll-out of 1000 ATM Projects (500 plus ATMs installed).
- Limited roll-out of mobile banking facilities in collaboration with UBank.
- E-statements and payment of utility bills through ATM.
- Undertook cash disbursement business for the Government for flood affectees in both 2014 and 2015.
- Successfully implemented “Kisan Package” by utilizing branchless banking channel.

Corporate & Investment Banking

The Corporate Investment Banking Group (CIBG) handles one of the largest corporate portfolio among the banks in Pakistan. With its regional centres in Karachi, Islamabad, Lahore, Faisalabad and Multan, CIBG is focused on catering to the banking needs of big-ticket local corporate customers including multinationals and government entities through its various tailored financial solutions. During the year, CIBG recorded successes in all its regional centres, in achieving its goals of adding quality assets to its portfolio. Commendable improvement was also achieved on the liabilities side through generation of deposits. Despite the challenging market conditions, the Group managed to capture greater market share in trade business and advisory services. The Group was successful in achieving turnaround of various ailing borrowers resulting into cash recovery and declassification.

During this period, the Group also went through effective implementation of Credit Administration at its Karachi

Centre. This further strengthens our credit risk management functions. The Group also liaised in devising policies & procedures related to credit concentration, credit pricing, obligor risk assessment, etc.

Investment Banking wing of the Group remained on the front foot through its lead role in various capital finance transactions, and advisory services to the Privatisation Commission. During the year, new relationships with large business potential in the energy sector were added by the Group.

As part of the strategy, the Group will further improve the asset quality through booking of quality loans, establishing new relationships and increasing its customer base by targeted sales and will focus on fee-based business with a focus on trade finance and advisory business.



Treasury Management

Role of the Treasury Management Group is to optimally manage the foreign exchange, money market and capital market portfolios of the Bank along with optimally managing the Bank's liquidity, ensuring that adequate funding is available to other business units.

The Group made a sizeable contribution to the Bank's bottom line by posting capital gains of above Rs. 12 billion through transacting in government securities and shares. It continued to be the market maker in the FX market and once again posted substantial FX gains in 2015.

Success of the Group was due to its proactive judgment of market information resulting in optimal adjustments in the investment portfolio. The fact that we have been persistently rated amongst the top primary dealers in the country by the State Bank of Pakistan bears testament to our expertise in managing and trading government securities and the confidence of our diverse clientele. The Group, while focusing on its strengths and products, continues to target collaboration with other business units by developing a mutually beneficial relationship with valued corporate and retail clients. It has embarked on putting in place the infrastructure and technical platform to enable smooth operations and efficient executions.

International Banking

International operations of the Bank span over 19 countries with 21 branches, 2 subsidiaries, 1 joint venture and 3 representative offices spread over North America, Europe, Far East, South Asia, Middle East and Central Asia. We are the only Pakistani bank having three branches and two wholly owned subsidiaries in Central Asian countries. We also have our representative offices in Beijing, Toronto and Tashkent. This vast global footprint caters to the banking needs of the locals as well of Pakistani nationals living abroad.

Our international branches are exploring new avenues to ensure increase in deposit base and trade business to reflect improvement in funded and non-funded income. We have strengthened our IT system at international branches to ensure efficiency and improvement through establishing effective compliance controls. In coming years, NBP will further enhance its footprint by entering potential new markets.

Home Remittances

Home remittances are a main support to the balance of payments for developing economies like ours, which has remained remarkably resilient despite slower global economic growth. Since the inception of the Global Home

Remittances Management Group in 2009, NBP has shown tremendous growth in the area of home remittances. Within 5 ½ years time, NBP has been able to establish remittances arrangement with 40+ tie-ups across the globe, including some of the leading names in the Middle East.

NBP has created awareness among overseas Pakistanis to use legal channels through marketing campaigns in Pakistan as well as overseas, considering it a national cause and a support to boost the foreign exchange reserves of the country. With the widest domestic branch network of 1403 online branches, covering all corners of Pakistan, NBP provides high quality services at the branch level. NBP is the bank of choice for expat Pakistanis to send remittances to their loved ones in Pakistan. To facilitate beneficiaries in receiving payments in Pakistan, the Bank offers various products like "NBP Foree Cash" and "NBP Foree Transfer"; and has now introduced "NBP Foree Remittances Account" for hassle-free banking. When remittance is sent into beneficiaries' account, they will get an SMS alert and can withdraw cash from any ATM across Pakistan.

In the year 2016, we are aiming to migrate all our existing remittance agencies on web-based, which will increase the remittances volume and provide more effective and fast customer services to beneficiaries in Pakistan. Further, we are in negotiation with prospective banks and exchange houses to bring them on the NBP platform.

Assets Recovery

Mission of the Assets Recovery Group (ARG) is to achieve expeditious reduction in non-performing assets of the Bank through cash collections and declassification by way of rehabilitation, restructuring, negotiated settlements and legal recourse within the framework of the Bank's policies / SBP guidelines. The Bank, having a provision coverage ratio of 89%, appreciates that recoveries shall make a significant positive financial impact on the Bank's profitability.

This year, the Group made visible contributions towards achievements of the Bank through sizeable reversal / write back in provisions and reduction in non-performing loans. The Group introduced Management Controls to motivate its team for recovery drive; also considerable progress was made in enhancing the role of IT and MIS to improve efficiency of Group operations. For next year, the Group will expedite its efforts to achieve cash recovery and declassifications. The Group will also remove structural anomalies within its various sub-units to enhance coordination with the field functionaries.

Islamic Banking

Year 2015 remained a milestone year for our Islamic Banking Group (IBG) during which the “Aitemaad” branch network has surged from 22 in December, 2014 to 79 branches in December, 2015; and is targeting 150 branches by December, 2016. Keeping the unique value of NBP as the Nation’s Bank, “Aitemaad” is offering its banking services across Pakistan with presence in 48 cities. Concurrently, we have finalized some new products, achieved important milestones in developing IT infrastructure, and ensuring provision of ATM & online facilities to the customers. We have also been able to install 20 ATMs at Islamic banking branches. For ensuring effective control and monitoring of increasing branch network, regional set-ups have been introduced and established.

We are set to amalgamate NBP Leasing Limited into the Bank. The amalgamation has been approved by shareholders of both the companies through respective EOGMs held in December, 2015. As a result of this, assets of NBP Leasing Ltd. will be added in “Aitemaad’s” balance sheet, bringing value addition through economies of scale and synergies.

Our strategic initiatives for the forthcoming year include setting up an Islamic bank as our subsidiary in order to promote Islamic banking business strictly in conformity with the injunctions of Shariah.



Operations

In order to achieve greater customer facilitation and an increase in fee-based income, the Bank is pursuing the goal of automating Government receipts & payments process. This initiative has not only significantly reduced the turn-around-time (TAT) but has also enhanced efficiencies besides costs savings associated with Government receipts & payments. The Bank has initiated the process of computerizing Government pension payments after introduction of GPPS (Government Pension Payment System) which has automated all the tasks performed, including calculating amount of pension due (with all adjustments applicable such as incremental increase, new allowances, etc.), generation of computerized payment voucher (bill), preparation of scroll/MIS and updating pensioners' records. The Bank is also facilitating salaried employees and pensioners of its account holders with account-based pension payments, use of biometric for verification and for evidence of life (in lieu of life certificate).

As part of product innovation, NBP is the first bank to introduce ATM points where multiple ATMs have been provided under one roof; with all possible comfort for visiting customers, who can now carry out ATM transactions round-the-clock without any hassle or waiting in long queues.

At present, six ATM points are operational at Bahawalpur, Gujranwala, Karachi, Kharian, Multan and Sialkot. Focus has also been made on increasing the production and distribution of NBP Cash (ATM) Card after enhancing our capacity to process ATM card applications and issuance of ATM cards. The Bank, towards facilitation of its customers, has introduced Interactive Voice Response (IVR) facility for cards' activation.

The Bank successfully launched a Short Message Service (SMS) for its account holders under the brand name "PEGHAAM", which promises issuance of alerts as and when any financial transaction is made in the service subscriber's bank account.

The FBR e-Payment facility, earlier available for large taxpayers, has now been made available for other taxpayers who are NBP account holders for making their tax payments electronically.

The Bank has also made special arrangements for collection of utility bills at its branches so that utility bills' payments at the Bank are instantly shared with the utility company concerned, for instant required updation in their billing data. The Bank has also undertaken measures to facilitate collection of utility bills and execution of funds transfers through ATMs.



Information Technology

The Bank is investing in its IT infrastructure and is moving towards technological advancements in terms of connectivity, innovation, automation and intelligent decision-making, serving as an ‘enabling resource’ for developing a more flexible structure and responding timely to the dynamics of a fast-shifting banking industry. The ultimate aim is to bring NBP technologically at par with its peer banks and to be among the top technologically-advanced banks in Pakistan.

Our IT team is progressively moving from a back-office support function to a front force for strategic banking initiatives, enhancing the value and transforming the perception of the Bank from branch-centric (product-focused) to multi-channel (client-centric) and ultimately to self-directed services (digital-centric). IT has taken measures such as strengthening and standardizing the Bank’s infrastructure in respect of security, communication and networking, achieving inter-branch connectivity by completing Core Banking implementation in NBP’s domestic branch network, automation of existing services, introduction of value-added services, strengthening deliverables of multiple ADCs by enhancements in call centre operations, and expanding the ATM network and its functionalities.

During 2015, NBP completed the milestone of deployment of the Core Banking Application in 1400+ branches (entire domestic branch network) in November, 2015 within 11 months, and the target was achieved ahead of the completion date of December 31, 2015. All Islamic banking branches were migrated to CBA Islamic as well. We have also planned to achieve the CBA implementation in Paris and Bangladesh branches, and system automation in Turkmenistan and Hong Kong branches.

The Bank’s ATM network in 2014 comprised of 376 ATMs which now stands increased to 1,000+ ATMs. An additional 500 biometric ATMs are planned to be installed in 2016, that will take

the Bank’s ATM network to 1500+. Furthermore, ATM and ATM Cards’ value-added services were introduced such as ATM/Debit cards for Islamic banking customers and Pakistan-Army supplementary ATM cards to cater to the needs of Islamic banking customers and Pak-Army personnel; and the facility of Inter Branch Transfers (IBT) through ATM for conventional and Islamic banking customers.

The facility of utility bills payment services was launched for customers through ATMs and over-the-counter. The same will be further enhanced and provided also through internet banking in 2016.

Improvements in call centre operations were made like integrating Islamic banking customers’ data with the call centre for extending customer services to NBP’s Islamic banking customers, and SMS notification service through call centres for customers’ complaint registration, closure, ATM card activation and deactivation, etc. reducing the overall volume of customers’ complaints.

Furthermore, customer-centric services that were successfully implemented include E-statement registration/sign-up service for customers, enabling them to receive an electronic version of the account statement at their registered email addresses, Sindh Revenue Board (SRB) tax collection over-the-counter and through ATM, and balance enquiry through SMS for NBP customers that has resulted in reduced balance enquiry requests at call centre and branches on peak days.

For strengthening internal operational and compliance processes of the Bank, major projects were achieved, like “Committee Decision Item Tracking System” for better tracking for the management, successful implementation of “Name Filtering Solution (SafeWatch)”, initiation of the project of “Anti Money Laundering (AML)/KYC Solution.”



Credit Management

Credit Management Group (CMG) performs a wide range of functions at the Bank that include assessing and approving loan applications jointly with the business groups, credit monitoring, policy development and ensuring implementation of credit policies and procedures through provision of appropriate guidance and tools, etc.

The critical success factor that sets direction of all activities and strategies of the CMG in forthcoming years is agreed as “We must improve Asset Quality to prevent NPL.” With the active support of business and support groups, the Group is set to adopt the multi-pronged strategy to achieve NBP’s critical success factor for improving asset quality, resulting in increased yield. During the year, the Group made significant contributions towards our achievements through policy formulations, portfolio quality through setting minimum obligor risk band for fresh lending and identifying the riskier business segments and industries where the Bank should avoid taking further exposure.

Risk Management

The goal of Risk Management is to be proactive in efficiently identifying, assessing, measuring, monitoring and controlling risks to the Bank’s strategic advantage. NBP is moving towards a disciplined risk management culture where risk management is a responsibility shared by all of the Bank’s employees, management and BoD

members. Risk Management Group, separate from approvals, reports directly to the President with dotted line reporting to the Board Risk Committee (BRC). The Group structure is constituted in a way so as to have a focused approach on the enterprise-wide risk management, with clear segregation of responsibilities pertaining to the area of credit risk, market & liquidity risk, operational risk, data management and reporting. We are also in process of implementing a Bank-wide BPR & COSO project.

Several initiatives were undertaken and achieved; some major ones are as follows:

- Development of overseas risk management framework for overseas operations of NBP
- Development of interest rate risk management policy
- Monitoring of operational risk tolerance limit and conducting variance analysis

BPR & COSO implementation project is underway. The project aims to effectively implement BPR & COSO to streamline the operating model, improving regulatory compliance as well as improving the platform for customer service, product/service deployment, enhance MIS reporting & decision-making and improving TATs resulting from process and organizational efficiencies.



Human Resource Management

Training and career development are very vital in an organization that aims for fast progressing. It is the process of inculcating the essential skills required for performing jobs efficiently. Our HR made investments in developing human capital by organizing training workshops for the Bank staff. These programs not only sharpened their abilities but also helped them acquire new skills. In order to keep pace with modern trends, we have established an e-learning division that will facilitate employees in continuous development, without leaving the workplace, i.e. at their desktops. The HRM Group was reorganized in the wake of the changing business environment to ensure greater focus on various HR-integrated activities and efficient delivery.

For the year 2016, the HR is planning to revamp the Bank's HR framework. To achieve this, an external consultant will be engaged to comprehensively review and recommend improvements through organizational restructuring and realignment.

Appraisal systems exist to improve organizational efficiency by ensuring that individuals perform to the best of their ability and earn appropriate rewards. This in turn leads to improved organizational performance. As a top priority, we shall strive to inculcate a performance culture in the Bank and the employees shall be rewarded accordingly.

The HR has taken important steps for achieving a formal succession planning to fill important vacant positions by internally identifying potential successors and developing them for the purpose. The HR plan for the forthcoming year also includes one-window operations for retirement and post-retirement benefits to facilitate the retired employees.

Compliance

Compliance is an independent function that identifies, assesses, advises, monitors and reports on the Bank's compliance risk, i.e., the risk of legal or regulatory sanctions, financial loss or loss to the reputation which the Bank may suffer as a result of its failure to comply with applicable laws, regulations, codes of conduct and standards of best practices. The Bank accelerated its efforts to strengthen the compliance culture in the organization. Special emphasis has been placed on following the regulations on Anti Money Laundering (AML) and Know-Your-Customer (KYC). The Compliance Group is in pursuit of developing the skills of the staff working in the Bank with a sound objective to minimize the chances of non-compliance. The Group also issues a monthly Compliance Bulletin to advise regulatory changes made by the State Bank of Pakistan during the respective month.

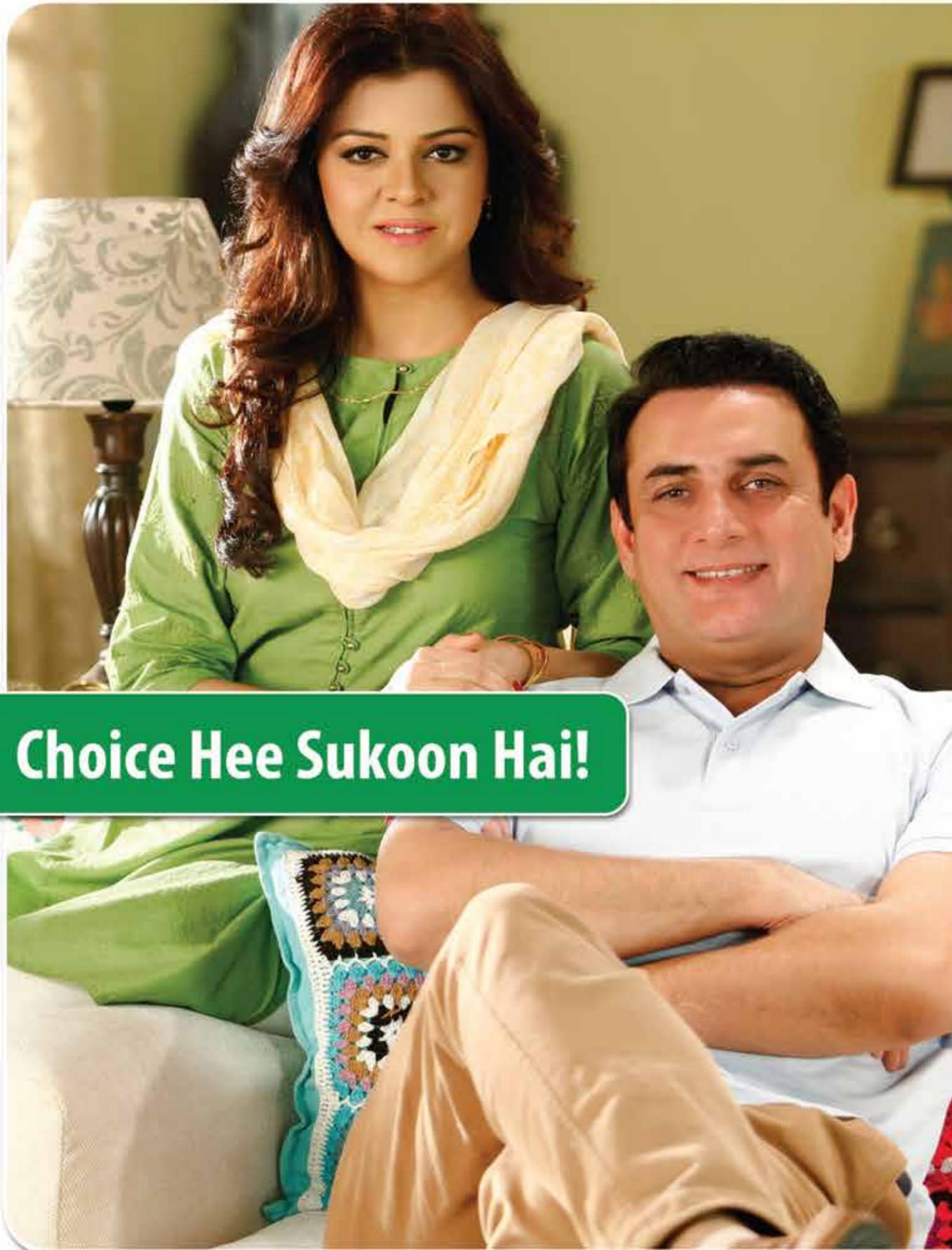
In November 2015, our compliance team completed the implementation of sanction compliance / safe watch, which ensures real-time SWIFT sanction compliance for domestic operations in addition to overseas operations of Afghanistan and Bangladesh regions through SafeWatch.

A new system has been acquired for better compliance management. This is currently in the implementation stage and will cover the following:

- Transaction Monitoring & Detection
- Know-Your-Customer (KYC)
- Enterprise Case Management
- Oracle Financial Services Regulatory Reporting
- Custom Compliance Reports

The Compliance also arranged for the implementation of FATCA by meeting all the given deadlines so far, both for local and global operations, and also for the Bank's subsidiaries.





NBP CHOICE

CURRENT ACCOUNT

In a preoccupied life of today, only calmness can bring happiness. This is why NBP Choice gives its customers their serenity.

NBP Choice Current Business & Individual Account

Free Services *

- | | | |
|---|---|--|
|  Cheque Books |  Online Transfers |  ATM Cards |
|  SMS Alerts |  Pay Orders |  Account Statements |

For further information, contact NBP's concerned branch or our call center at:

0800 11627 or **021 111 627 627**

www.nbp.com.pk

RISK OVERVIEW

The very nature of our business transactions has associated to it, to varying extent, one or more type of risks. Our responsibility is to proactively identify, measure, evaluate such risks and to devise the policies for the tolerance of each risk category, or combination of risks, at each level of business activity. Our mission of maximising stakeholders' value through sustainable growth is achieved through informed risk decision-making and superior risk & capital management supported by a consistent risk-focused culture across the Group.

Our Approach to Risk Management

We follow a prudent path to risk management through effective tools to keep the Bank safe, achieve corporate sustainability and minimise losses within the defined risk tolerance levels. Strategic goals, embedded into our approach to risk management, are to maintain a robust framework, identify and escalate risks and support sustainable business growth through optimum risk reward decisions. Our approach to risk management evolves around the following:

Risk Appetite / Tolerance Limits	We have developed and implemented risk appetite / tolerance limits / levels for credit, market & operational risk areas. These are regularly analysed and reported to the Board and senior management.
Knowledge, Responsibility and Reward	Individuals who take or manage risks clearly understand them in order to protect the Bank from avoidable risks. Individuals related to risk activity are responsible to ensure compliance with the risk management framework.
Goal Congruence	Risk-taking decisions are in line with the corporate mission goals, and the Bank-wide strategy set by the Board allowing the Bank to undertake more productive risk-taking activities or to restrict high risk/low return activities.
Risk Return Trade-Off	Business decisions optimize, as far as possible, the risk-return trade-off.
Capital Adequacy	Sufficient capital is always available as a buffer to absorb risks.
Value Addition	Risk avoidance does not impair our goal of increasing shareholders' value.

Our Risk Management Framework

The Board of Directors is responsible for ensuring active oversight over implementation of policies and frameworks so as to prevent any significant financial loss or reductions in shareholder value. Therefore, it is the responsibility of the Board to ensure that comprehensive risk management policies and frameworks are in place to recognise all significant/ material risks to which the Bank may be exposed to. The Board, through the Board Risk Committee, reviews effective implementation of the risk management framework.

As we pursue our plans to continue expanding and diversifying our business amidst increasing competitiveness and challenges, we have in place a disciplined risk management mechanism steered through an effective risk management strategy and a policy framework. It ensures that our risk profile remains aligned with our risk tolerance policy that defines the maximum tolerance level and permissible / restricted activities for the Bank in achieving strategic goals.

Our following teams play multi-level roles in developing and implementing the risk management framework.

Board Risk Committee (BRC)	BRC is essentially a Board level oversight committee to perform the risk management activities on behalf of the Board and is the highest risk related policymaking and supervising body for all types of risks faced by the Bank, notably credit, market, liquidity and operational risks. It comprises of the President and four non-executive directors with the Chairman being a non-executive director. The Group Chief - RMG serves as the Secretary of the Committee. Concerned Group Chiefs / Divisional Heads/Wing Heads may be invited, if required.
Risk Management Group (RMG)	Risk Management Group exists as an independent group, i.e. separate from approvals, reporting directly to the President with a dotted line reporting to the Board Risk Committee (BRC). The Group is responsible to perform the functions pertaining to development and oversight of the risk framework, methodology and other functions assigned from time to time for ensuring compliance with the local regulations.
Executive Risk Management Committee (ERMC)	ERMC is a senior management body mainly covering risks from an overall perspective of strategy, policy/framework development, assessment/measurement tools, MIS framework and Basel framework implementation, whereas routine aspects in relation to such risks shall be managed by the RMG. ERMC has representation from various business and support groups.
Board Audit Committee (BAC)	BAC is responsible for overseeing all aspects of internal control, including compliance activities, the appropriateness of accounting policies and the adequacy of financial reporting.

Risk Management Policies

Based on our approach to the Risk Management, the Board has approved policy documents that set the parameters to achieve effective risk management in the following key areas:

- Credit Risk
- Operational Risk
- Whistle Blow Policy
- Country Risk
- Market & Liquidity Risk
- Credit Policy Manual

Risk Framework Implementation

We implement risk management framework through a 'Three Lines of Defence' model which defines clear responsibilities and accountabilities and ensures effective independent oversight and assurance that activities take place in accordance with the risk framework.

- **The First Line of Defence:** Business Groups with the Credit Management Group have a primary responsibility for identifying, measuring, monitoring and controlling risks within their areas of accountability. They are required to establish effective governance, and control frameworks for their business compliance with the respective policy requirements, to maintain appropriate risk management skills, mechanisms and toolkits, and to act within defined parameters set and approved by the Board.
- **The Second Line of Defence:** Board Risk Committees, Risk Management Group and Compliance Group perform integrated function of providing oversight and independent challenges to the effectiveness of risk decisions taken by business groups, setting of risk framework, tools, systems and reporting on the risk profile of the Bank.
- **Third Line of Defence:** Audit & Inspection Group provides independent, objective assurance and consulting activity designed to add value and improve the organisation's operations. A&IG helps the Bank accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Our Whistle Blow Policy is also an effective tool for identifying any weaknesses in the risk management and governance process.

Risk and Opportunity Report

While risk is a burden, it is also an opportunity. Key uncertainties that trigger risks in our business broadly include volatility of financial and money market, geo-political events, regulatory changes, infrastructure break-down and hostile human activities. The most significant and critical risks that arise out of our transactions and may materially impact on delivering against our strategic priorities in a sustainable manner broadly relate to Capital, Liquidity, Credit, Market and Operations.

Our approach to 'Risk-Opportunity Materiality'

We consider a risk and an earning opportunity to be material if the same is expected to affect the financial position or financial performance of the Bank.

Risk Relevance & Mitigating Approach

With our mission to capitalise on every possible opportunity to maximise stakeholders' value, our responsibility is to proactively identify, measure and evaluate such principal risks, and to devise the policies for key mitigating actions for each risk category without losing an earning opportunity. Our principal risks, together with their mitigating factors, are outlined below. A detailed disclosure of risk mitigating strategy is given in note-41 of the financial statements.

Capital Adequacy: Materiality & Relevance: High

- We keep our Capital Structure strong enough by maintaining capital adequacy ratios far above the minimum national requirements set by the SBP and as required under the Basel framework.
- We carry out capital adequacy assessments on a quarterly basis to make sure that a strong capital structure is always maintained. Our capital adequacy is certified by our external auditors.
- As of December 31, 2015, our Capital to RWA ratio was 17.6% against the minimum requirement of 10.25% for 2015.
- We retain adequate profits with the Bank to keep the Capital Structure strong enough to support the management's decisions of taking further exposure into risk bearing assets.

Liquidity & Market Risk: Materiality & Relevance: High

- We enjoy a strong and diversified customer base with reliable stream of deposits. This, coupled with our strategies to maintain a sound capital structure and the risk bearing asset-mix, keeps our Bank highly liquid.
- Our balance sheet is diversified across a wide range of geographical regions, customer segments and products that serve to mitigate both liquidity and market risk.
- 81% of our investments are highly liquid and readily realisable. While 48% of the investments mature within 6 months, 78% mature within a year.
- Our loan portfolio remains predominantly short-termed, with 53% of net advances maturing in less than 6 months, and 66% maturing in less than one year.
- We remain a net provider of liquidity to the interbank market.

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, the bank's internal control system has been designed to manage rather than eliminate risk of failure to achieve objectives and can only provide to the bank's management and Board of Directors with reasonable but not absolute assurance against material misstatement or loss. Since establishing and bringing improvement in controls are ongoing process that includes identification, evaluation and management of significant risk faced by the bank, the management of the bank has adopted COSO Internal Controls - Integrated Framework in order to comply with the SBP Internal Control Guidelines.

The Bank has engaged external consultants to assist them in implementation of BPR & COSO Project. BPR is essentially a business process improvement/ transformation project undertaken with the core objectives of transforming the organization's key operating strategies, structure/ governance, processes, systems and MIS by benchmarking them to international best practices and ensure effectiveness and efficiency of business operations to enable the organization in meeting its overall business objectives. One of the core focus area is to ensure alignment of policies & SOPs with CBA, allied systems and other automation initiatives to optimize technology investments. Since ICFR is one of the components of COSO, the management intends to align its current ICFR with BPR / COSO project, which has achieved various milestones including Process Inventory - Business Process Review and scoping study, documentation of Process Objectives, As Is process documentation, Benchmarking with best local & international practices, Remediation Planning Development of Risk Control Matrices (COSO Specific) and Development of Management Testing Plans & Frameworks (COSO Specific).

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

The bank has completed various stages set out in the SBP road map but there are various activities which are dependent on the completion of BPR and COSO project referred to above. These stages / processes would need to be redone

Evaluation of Internal Control.

The Bank has an independent Internal Audit & Inspection function in the name of Audit & Inspection Group with three Regional Audit & Inspection Offices that conduct audit of branches, Regions, Subsidiaries, Staff Colleges and Groups at Head Office on an on-going basis to evaluate the efficiency and effectiveness of Internal Control System. In addition to that Compliance set up is also in place with 145 independent branch compliance officers in category-III Branches and 21 Regional Compliance officers with supporting staff to take care of Compliance related issues to strengthen the control environment.

For the year 2015 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 regulators 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. Based upon the results through ongoing testing of financial reporting controls and internal audits carried out during the year, the management considers that the Bank's existing Internal controls system is adequate and has been effectively implemented and monitored. However, the management would continuously be evaluating to enhance and further strengthen the internal control system of the Bank.

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

Aamir Sattar
Chief Financial Officer

Asif Hassan
Chief of Audit & Inspection Group

Kausar Iqbal Malik
Chief of Compliance Group

Date: February 19, 2016

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

For the year ended December 31, 2015

This statement is being presented to comply with the Code of Corporate Governance (the Code) contained in the Regulation No. 5.19 of listing Regulations of Pakistan Stock Exchange 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.

- The Board of Directors of the Bank is appointed as per the provisions of the Bank's (Nationalization) Act, 1974. All the Directors (Except President /CEO) are non-executive Directors, including one independent Director representing minority shareholders as required by the Code. As at the year ended December 31, 2015 the Board includes : -

Name		Category
Mr. Muneer Kamal	Chairman	Appointed by Federal Government under section 11(3)(a) of The Banks (Nationalization) Act, 1974.
Mr. Farrakh Qayyum	Director	
Mr. Muhammad Naeem	Independent Director	
Mr. Iftikhar A. Allawala	Director	
Mir Balakh Sher Marri	Director	
Mr. A. Akbar Sharifzada	Director	
Mr. Tariq Kirmani	Independent Director	Director representing Private Shareholders and Minority Interest Elected in terms of 11(b) of The Banks (Nationalization) Act, 1974.
Syed Ahmed Iqbal Ashraf		President

- The Federal Government appointed Mir Balakh Sher Marri in place of Mr. Shahid Aziz Siddiqi on 17-12-2014 as Director on the Board of National Bank of Pakistan vide GOP, Finance Division, Notification No. F-10(31) Bkg-III-2010- 2023 dated 17-12-2014 subject to State Bank of Pakistan clearance. After completing the required formalities contained in SBP Clearance letter dated 13-3-2015, Mir Balakh Sher Marri is Director on NBP Board from 10-4-2015.
- During the year Rana Assad Amin has resigned from the Board of National Bank of Pakistan. The resignation was accepted by the Federal Government vide GOP, Finance Division, Notification No. F-10(31) Bkg-III-2010- 1108 dated 31-7-2015.
- The Federal Government appointed Mr. A. Akbar Sharifzada on 17-11-2015 as Director on the Board of National Bank of Pakistan vide GOP, Finance Division, Notification No. F-1(11) Bkg-III-2015-1814 dated 17-11-2015.

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

For the year ended December 31, 2015

5. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Bank (excluding the listed subsidiaries)
6. All directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI, or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
7. The Bank has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
8. The Directors have confirmed that neither they nor their spouses are engaged in the Business of Stock Brokerage.
9. The Bank has prepared “Statement of Ethics and Business Practice” which is already approved by the Board of Directors.
10. The Board has approved the Vision, Mission, Core Values, Objectives and NBP Strategic Plan.
11. The Bank has comprehensive framework of written policies and procedures on all major areas of Operations such as Credit, Treasury Operations, Finance, Risk, Internal Audit and Compliance etc. Many of these policies have been approved by the Board and are being constantly reviewed.
12. There exists in the Bank a framework for determining the limit of the authority of various Management levels. All the powers were exercised by the relevant authorities within the materiality thresholds.
13. All the Powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board.
14. The meetings of the Board of Directors were presided over by the Chairman. The Board met 12 times during the year. Written notices including agenda of the Board meetings were sent 7 days before the meeting except for emergent meetings.
15. The CFO and the Company Secretary attended all meetings of the Board of Directors.
16. The appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment are duly approved by the Board. The Head of Internal Audit is a seasoned banker and has been allowed to continue as Head of Internal Audit by State Bank of Pakistan. An exemption from the Securities and Exchange Commission of Pakistan has been sought from the requirements of relevant experience in audit or finance or compliance functions and the relevant qualification for the Head of Internal Audit.

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

For the year ended December 31, 2015

17. The Director's Report for the year has been prepared in compliance with the Code of Corporate Governance and fully describes the salient matters required to be disclosed.
18. The Financial Statements of the Bank were duly endorsed by CEO and CFO before approval of the Board.
19. Majority of the board members have the prescribed education and experience required for exemption from training programs of Directors pursuant to Clause-xi of CCG and one of its director attended one day Certification on Board Evaluation Techniques from The Institute of Chartered Accountants of Pakistan and the other director attended four day Corporate Governance Leadership Skills from Pakistan Institute of Corporate Governance. The Directors, CEO and Executives do not hold any interest in the shares of the bank other than that disclosed in the pattern of shareholding.
20. The Bank has complied with all the Corporate and Financial Reporting requirements of the Code. In accordance with the requirement of 5.19.6 (b) of the listing regulations, all related party transactions have been reviewed and approved by the Board of Directors.
21. The 'closed period' prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material /price sensitive information has been disseminated among all market participants at once through stock exchanges(s).
23. The board has formed an Audit Committee. It comprises of 6 members including two independent directors.
24. An effective Internal Audit & Inspection Group is in place to ensure independence of the Group from the Bank operations. The Head of Internal Audit reports functionally to the Board Audit Committee and administratively to the President.
25. The Board Audit Committee held seven (07) meetings as well as held meetings prior to the approval of Interim and Final Results as required by the Code. The minutes of each meeting were confirmed in the next meeting prior to circulation of the same to all members, directors, Head of Internal Audit and the CFO. The Charter of the Board Audit Committee has been duly approved by the Board of Directors and has been advised to the Committee for compliance.
26. 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.

STATEMENT OF COMPLIANCE WITH CODE OF CORPORATE GOVERNANCE

For the year ended December 31, 2015

27. The Board has also constituted a Board HR Committee comprising of four Non-Executive Directors and one Executive Director (President / CEO). The Chairman of the committee is a Non-Executive Director. The Board HR Committee met ten (10) times during the year.
28. The Statutory Auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review Program (QCRP) of the Institute of Chartered Accountants of Pakistan, that they or any partners of the firms, their spouses and minor children do not hold shares of the Bank and that the firms and all of their partners are in compliance with International Federation of Accountants (IFAC) Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
29. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the Auditors have confirmed that they observed IFAC guidelines in this regard.
30. We confirm that all other material principles contained in the code have been complied.

For and on the behalf of the Board of Directors

Syed Ahmed Iqbal Ashraf

President

Karachi

Dated: February 19, 2016



CORPORATE

SOCIAL RESPONSIBILITY

REPORT ON CSR INITIATIVES - 2015

Corporate Social Responsibility (CSR) is an integral part of NBP's corporate policy. As a leading financial institution in the country, NBP has taken various initiatives that clearly demonstrate its commitment towards CSR. The Bank is running a full-fledged CSR Program to bring positive changes in society and to improve the quality of life of underprivileged members of Pakistani society. The prime areas which NBP focuses on in its CSR initiatives are Education, Health, Special Persons, Women & Child, Culture and Relief for those affected by natural disasters.



REPORT ON CSR INITIATIVES - 2015

Education

NBP believes that education plays a vital role in economic development as well as poverty alleviation in a society. Pakistan faces an urgent need for outstanding academic facilities, through which we can develop and prepare young people to acquire skills and educational growth & advancement. This will help them achieve their highest potential. National Bank of Pakistan is financially supporting the following educational institutions on a yearly basis so that they can carry on imparting education and other skills to those students who cannot afford it themselves:

Scholarships & adoption carried out by NBP in 2015

- Scholarships for 20 students through Professional Education Foundation
- Scholarships for 10 students, Sargodhian Spirit Trust
- Scholarships for 15 students, IBA Sukkur
- Scholarships for 03 students, WISE College, Lahore
- Scholarships for 05 students, Namal College, Mianwali
- Scholarships for 20 students, Sindh Madressatul Islam University, Karachi
- NBP adopted 15 informal schools (Child Care Foundation) Lahore
- NBP adopted a school in Killa Saifullah, Muslim Bagh, Balochistan by Taleem Foundation
- 25 underprivileged childrens' education in South Punjab

Donations for upgradation, equipment & educational events

- Research & Development at Habib University Foundation
- 'Motivational Volunteer Empowerment Program' - Quetta, Faisalabad and Sukkur by Family Educational Service Foundation
- Established the 'College for Disabled Persons' in Rawalpindi
- 15 computers to Cadet College, Larkana
- 15 computers to International Grammar School, Karachi
- Infrastructure development at Government Girls School Gizri Campus, through Ravian Educational Trust
- Provided uniforms & books to poor students in Balochistan schools
- Provided 10 computers & desks, 1 dispenser and 8 fans to Al-Qadir Model School in Lyari, Karachi
- Sponsored the 'International CSR Summit Awards & Gallery' held in Karachi & Islamabad
- Sponsored the 'IBA Youth Entrepreneurship Conference 2015' held in Karachi

REPORT ON CSR INITIATIVES - 2015

Education

- School uniforms for needy students, Ujala Welfare Society, KPK
- Sponsoring the 'All Pakistan Declamation Contest (APDC)' at St. Patrick's School
- Upgrading Mujahida Montessori AMF PAC, Kamra
- The Citizens Foundation Golf Tournament in Karachi
- Upgradation of classrooms & laboratory at DEWA Trust
- House for 88 orphan students at Roshni Homes Trust in Lahore
- Sponsored annual function on 'Kashmir Solidarity Day' at the Government G.D. Islamia School in Narowal
- Sponsored 'FROLYMPICS', Froebel's International School in Islamabad
- Sponsored 'All Karachi Sports Fiesta' at NED University
- Upgradation of computer lab and library at Government Degree College in Mehmoodabad, Karachi



Move Program



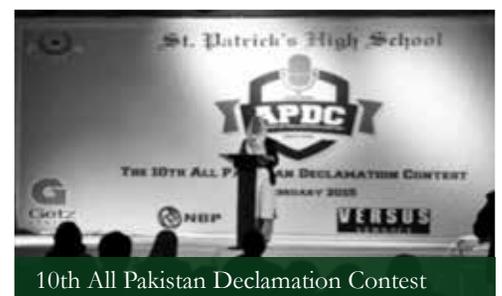
IBA Super League - 2015



Ravian School Trust Gizri - 2015



4th CSR Summit, The Professional Network, Karachi



10th All Pakistan Declamation Contest



IBA IYEC Entrepreneurship Conference

REPORT ON CSR INITIATIVES - 2015

Health

NBP, in partnership with various NGOs & institutions, arranged various medical, eye and fistula camps in remote areas across Pakistan. It is also helping in upgrading infrastructure by providing financial support, along with equipment, to several hospitals and entrepreneurial organizations. These include the following:

- Infrastructure support to the Aga Khan University Hospital
- Infrastructure support to Begum Noor Memorial Hospital, Chakwal
- ECG machine for Model Welfare Medical Center, Malir
- Syringe pump for National Institute of Cardiovascular Diseases (NICVD), Karachi
- Courtyard modification at Gulab Devi Charity Hospital, Lahore
- Fatimid Foundation Kidney Centre, Quetta
- Adaptation of a female ward at MALC in Karachi, labelled as NBP Women Ward
- Treatment of a child with Thalassemia at Help International Welfare
- Treatment of poor patients at Pakistan Kidney Institute, Islamabad
- Shaukat Khanum Memorial Cancer Hospital, Peshawar
- Eye Camps at Haroonabad City, Bahawalpur, Mandi Sadiq Gunj Bahawalnagar, Serai Naurang Distt., Lakki Marwat
- Medical Camp in upper, lower and central Kurram Agency - FATA, Shigar & Skardu (Gilgit), and many other places
- Fistula Surgery Camps at Koochi Goth Hospital Thatta, Kandiaro & Tharimirwah Sanghar and in KPK



NBP Eye Camp

REPORT ON CSR INITIATIVES - 2015

Special Persons

Through our CSR initiatives, we provide opportunities for independence, confidence and fitness to people with disabilities, to encourage them to realize their potential and contribute to society.

Infrastructure & equipment support

- Infrastructure support to SOS Childrens' Village in Islamabad
- Equipment to Nargis Khatoon Hearing Impairment School in Skardu
- Al-Umeed Rehabilitation Association in Karachi
- Hyderabad Welfare Association of the Blind
- Karwan-e-Hayat Fundraising Event at Indus Valley School of Art & Architecture in Karachi

Wheelchairs, tricycles and white canes

Donated 250+ wheelchairs and 400+ white canes to special persons in various cities, i.e. Multan, Karachi, Skardu, Sibi, D.G. Khan, Khairpur, etc.

Sports activities for special persons

- 6th NBP Wheelchair Users' Cricket Tournament - 2015, Islamabad
- NBP T-20 Blind Cricket Trophy - 2015, Bahawalpur
- Wheelchair Race held at Sports Complex, Islamabad

REPORT ON CSR INITIATIVES - 2015

Sports activities for special persons



Independent Living Centre - 2015



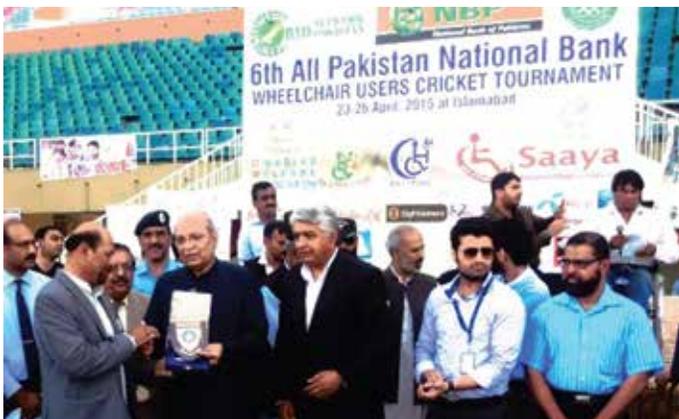
NBP T20 Blind Cricket Trophy 2015



Wheelchair Race - 2015 Islamabad



Wheelchair Distribution - 28th May, 2015



6th NBP All Pakistan Wheelchair Users' Cricket Tournament



First Ever Indoor Games for the Blind held in D.G. Khan

REPORT ON CSR INITIATIVES - 2015

Women & Children

To give women and children an honourable and moral uplift, NBP has undertaken various initiatives like vocational training, women sports events and equipment support to ensure that women are given opportunities for self-development.

Vocational Programs

Vocational training programs were arranged for women in various cities, i.e. Taxila, Gilgit, Abbottabad, Hyderabad, UC Kalo, Bolhari, Tharparker, Rawalpindi, Jhang etc.

Sports Events

Sponsored the following sports events:

- Kashmir Sports Youth Festival in Azad Kashmir
- 9 Hole Golf Tournament organized by First Women Bank Limited
- NBP Women Football League Tournament held in Karachi
- NBP PGF Women Football Championship - 2015

Sponsorships

- Supporting 05 orphanage students' education expenses at Roshni Homes
- Supporting SOS Children's Village in Quetta
- Lighting a Million Lives (LaML) Village Project in Balochistan
- British Women's Association Charity Bazaar



REPORT ON CSR INITIATIVES - 2015

Culture

NBP plays a vital role in establishing and promoting national and regional cultural norms in the country and has supported the following events:

- Aalmi Mushairah, Karachi
- Urdu and other linguistic conferences
- Cultural programs and sports
- International Media Conference - 2015, Karachi
- Charity Concert at Christ the King Church, Karachi
- Culture Shows at Mirpurkhas, organized by the DC Mirpurkhas
- Lyari Peace Photo Exhibition by Mehrdar Art & Production
- 9th International Conference of Women Leadership - 2015, Karachi



Earthquake

As the nation's bank, NBP is aware of its social obligations towards the welfare of Pakistani communities. It has integrated its social welfare and community development initiatives to achieve sustainable growth in social sector of Pakistan.

A major earthquake hit the northern parts of Pakistan in October, 2015. In this regard, NBP took the initiative of distributing food items in the affected areas.



REPORT ON CSR INITIATIVES - 2015

Sports

NBP's sports teams' achievements

Hockey

- Hockey Junior Team - Winners of the National Hockey Championship
- Hockey Senior Team - Winners of the Chief of Army Staff Hockey Tournament
- Hockey Senior Team - Winners of the Quaid-e-Azam Gold Cup

Snooker

- Hamza Akber won the Asian Snooker Championship in 2015
- M. Asif won the NBP Ranking Snooker Championship in 2015
- M. Asif won the Jubilee Insurance Ranking Snooker Championship in 2015

Badminton

- Palwasha Bashir (Triple Crown Title) won the Singles, Doubles & Mixed Doubles National Badminton Championship in 2015
- Palwasha Bashir & Sara Muhmand won the (Doubles Champion) National Badminton Championship
- NBP Ladies Team were Event Runners-Up at the National Badminton Championship - 2015
- Rizwan Azam & Kashif Sulahri won the (Doubles Champion) National Badminton Championship - 2015
- Rizwan Azam won the Singles Runners-Up National Badminton Championship - 2015



PFF Cup - 2015

Sponsorship of Sports

Province	Events
Punjab	15
Sindh	26
Balochistan	20
Khyber Pakhtunkhwa	8
Azad Kashmir & Gilgit Baltistan	2
Total	71



NBP Ranking Snooker Championship - 2015

REPORT ON CSR INITIATIVES - 2015

Sports Activities



Chief of Army Staff Hockey Tournament



Quaid-e-Azam Gold Cup Hockey Tournament



NBP Traffic Rules Awareness Walk



Arm Wrestling Championship - 2015



NBP Ranking Snooker Championship - 2015



Quaid-e-Azam Gold Cup Hockey Tournament

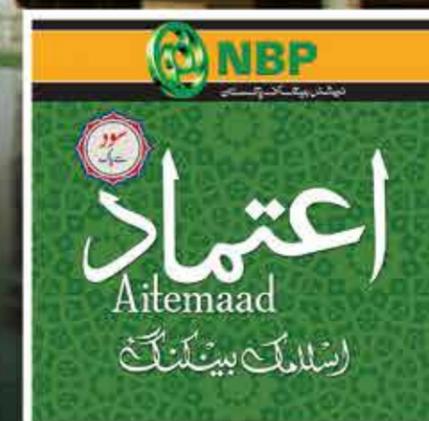


Dinner Reception for Bangladesh and Pakistan Women Cricket Teams

Fully Dedicated Islamic Banking Branches



Bahawalpur | Batkhela | Bhakkar | Bhimber A.K | D.I.Khan | Dir
| D.G.Khan | Faisalabad | Gujranwala | Gujrat | Hafizabad | Haripur
| Hasilpur | Hyderabad | Islamabad | Jamrud | Jaranwala | Jhang
| Jhelum Karachi | Kasur | Khanewal | Lahore | Layyah |
Malakand | Manshera | Mardan | Mianwali | Mingora | Mirpur A.K
| Mirpur Khas | Multan | Muzaffarabad A.K | Nowshera | Okara |
Pakpattan | Peshawar | Purdilabad | Quetta | Rawalpindi |
Sahiwal | Sargodha | Sheikhpura | Sialkot | Sukkur | Swabi |
Taxila | Timergara, Lower Dir | Tulamba



SHARIAH BOARD PROFILE

Mufti Ehsan Waquar Ahmad is the Chairman Shariah Board at NBP-Aitemaad, and is among the few scholars who possess a unique combination of religious and contemporary education. He graduated as a Mufti, achieving Masters in Traditional Islamic Studies and specializing in Islamic Jurisprudence from Pakistan's renowned Islamic School, Jamiat-ur-Rasheed. Later he accomplished Masters in Economics from KU and Masters in Business Administration with majors in Finance from IoBM. This unique blend of educational combination gives him an edge to understand, correlate and align modern day banking practices with Shariah principles.

Besides this, he is also Chairman Shariah Board at Allied Bank Limited and Soneri Bank Limited. He is also serving as Shariah Advisor/Member Shariah Board at NAFA, AGICO, KSE and KPCCI Peshawar. Prior to this, he has served Islamic Financial Industry with institutions like ESSAC, Emirates Global Islamic Bank now Albaraka Bank Pakistan, UBL and Yasaar Ltd, UAE & UK.

Mufti Ehsan is also a member of the Technical Committee for Developing Accounting & Auditing Standard for Islamic Financial Institution at Institute of Chartered Accountants of Pakistan (ICAP). He has actively worked with SBP and was nominated to several sub-committees formed by the SBP Shariah Board for Islamic Banking matters in Pakistan.

Mufti Ehsan conducts courses of Classical Jurisprudence, Islamic Finance and Risk Management at traditional Islamic universities (Jamia-tur-Rasheed) as well at IoBM. He frequently contributes in different international and local periodicals and appears as an industry expert on local TV channels.

Dr. Mufti Khalil Aazami is the Shariah Board Member at NBP-Aitemaad. Dr. Aazami graduated from Jamia Darul Uloom, Karachi. He obtained Shahadat-ul-Aalamia (Masters in Arabic and Islamic Studies) and Al-T'akhassus fi al-Iftaa' (Specialisation in Islamic Jurisprudence and Fatwa) from Jamia Darul Uloom, Karachi and holds a Doctorate degree in 'Islamic Jurisprudence' from Karachi University.

He has also served as an Advisor/Shari'ah Board Member in different financial institutions including Bank-Alfalah, Takaful Pakistan Limited (2005-2014) and Alfalah GHP Islamic Fund (2007-2014)

Dr. Aazami has 18 years of research experience related to Islamic Finance and other Shari'ah related subjects. He is an author of numerous publications. He is also an experienced lecturer and trainer in the field of Islamic Finance, Economics, Fiqh, Islamic Financial Laws and General Islamic Science. He is involved as Faculty member, – Jamia Darul Uloom, Karachi since 1999 and has been associated with the Centre For Islamic Economics, Karachi, National Institute of Banking and Finance – SBP and Sheikh Zaid Islamic Research Centre – University of Karachi.

SHARIAH BOARD'S REPORT NBP AITEMAAD

For the year ended December 31, 2015

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

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

The Board of Directors of NBP have entrusted the Shariah Board with the task to assess the overall Shariah compliance level and environment within the NBP Islamic Banking.

The objective of the report is to present a view about the overall Shariah compliance level and environment within the Bank. In the Capacity of Shariah Board, we have reviewed the overall Shariah compliance level and environment within the Bank as of December 31, 2015.

Shariah Board Opinion

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

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

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

Based on the Compliance Review conducted by the Shariah Compliance Department, the Shariah Board found no instance of non-compliance of various guidelines issued through IOMs during the year 2015.

2. Shariah Compliance Mechanism

With the Grace of Allah, the management of NBP has approved the Shariah Compliance Manual developed by the Shariah Compliance Department. The Shariah Compliance Manual covers all aspects of the Islamic Banking Operations and includes a Mystery Shopping Mechanism especially designed to ensure Shariah compliance by the branch staff at all levels and situations. The results of such mystery shopping would help us analyze and identify weak areas and to suggest relevant controls. This will also help to assess the staff training needs.

3. Mechanism ensuring prohibited Income to Charity Account

NBP-Aitemaad has a well-defined Charity policy approved by NBP Shariah Board and the Board of Directors. Our Shariah Compliance team conduct review of executed process flows to ensure their compliance in lines with the Shariah approved processes and guidelines. In addition, all other income generating sources including investments and treasury transactions are screened by the Shariah Compliance Department.

During the year; Alhamdulillah no income was generated from sources prohibited by Shariah rules and principles.

4. Profit and Loss Distribution and Pool management

The Shariah Compliance Department has reviewed Pool Management & Profit Distribution Manual during the year 2015. In compliance of the same, the Shariah Compliance Department reviews / monitors the pool management and profit distribution on a monthly basis.

The pool management and profit distribution mechanism, the allocation of funds, weightages, profit sharing ratios, profits and charging of losses related to PLS accounts conform to the Shariah rules and principles.

5. Staff understanding of Islamic Banking and Finance

Alhamdulillah, prior conversion and at the time new staff induction, NBP-Aitemaad imparts a 5 days basic Islamic Banking & Finance training to abreast them with Islamic Banking basic concepts. NBP had availed the services of NIBAF to conduct this basic five-day training programs. Moreover, the Shariah Compliance Team and the Shariah Board encourages all staff of Islamic Banking Group to float their queries via Ask-Shariah portal. This provides a platform for on the job training for them and supports day-to-day processes and customer management.

6. Provision of adequate resources to Shariah Board

The Executive Management is working to finalize the hiring of adequate staff for Shariah compliance department. We expect that the formalities are completed soon that shall enable to discharge the duties effectively.

7. No significant Shariah related issues are outstanding

Other Developments

1. Approval of Branch Conversions

With the Grace of Allah, NBP-Aitemaad has converted 57 branches during the year 2015. The Shariah Board has reviewed the conversion process and found the same in adherence with the approved process and guidelines.

2. SB Guidelines

The Shariah Board issued time to time multiple guidelines and instructions to the Executive Management to ensure that Islamic Banking operations are in adherence with the principles of Shariah.

3. Shariah Compliance Review of Islamic Banking Branches

The Shariah Compliance teams has conducted the Shariah review of the Aitemaad Branches as required in SBP's Shariah Governance Framework. Consequently, the Shariah compliance team during their branch visit provide guidance to the branch staff to ensure implementation of Shariah Board instruction and guidelines.

Further, as a compliance review function, the Shariah compliance team visited branches for Shariah review with focus on the following:

- a) Staff understanding of Islamic Banking and Finance
- b) Display of required information in the branch
- c) Profit distribution among depositors
- d) Islamic mode of financing
- e) Adherence to the guidelines issued by the Shariah Board from time to time
- f) General environment

4. Product Development

Alhamdulillah, the Board of Directors has approved after the review of all existing Financing and Liability Products and its Policies carried out by Shariah Compliance Department. In addition, the BOD approved multiple deposit products and Diminishing Musharakah financing product that aimed to cater the need of public and are in process of prerequisites completion prior launching.

5. Shariah Audit

With the grace of Allah, NBP has established its Internal Shariah Audit Wing (ISAW) as instructed in the Shariah Governance Framework. This arrangement shall help developing better control and identifying gaps within the system as Aitemaad Branch Network is aimed to expand further.

والله سبحانه وتعالى اعلم

ربنا لا تؤاخذنا ان نسينا او اخطانا^ع ربنا ولا تحمل علينا اصرا كما حملته على الذين من قبلنا^ع ربنا ولا تحملنا ما لا طاقة لنا به^ع واعف عنا وشفه وغفر لنا وشفه وارحمنا وشفه انت مولنا فانصرنا على القوم الكافرين^ع

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

Dr. Mufti Khalil Ahmad Aazami

Shariah Board Member
NBP – Aitemaad

Date: February 19, 2016

Mufti Ehsan Waqar Ahmad

Chairman, Shariah Board
NBP – Aitemaad

REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza,
Beaumont Road
Karachi 75530, Pakistan

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi 75530, Pakistan

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of National Bank of Pakistan (“the Bank”) for the year ended December 31, 2015 to comply with the requirements of Listing Regulations of Pakistan Stock Exchange Limited where the Bank is listed.

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

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank’s compliance, in all material aspects, with the best practices contained in the Code as applicable to the Bank for the year ended December 31, 2015.

Further, we highlight the following:

- Paragraph 16 which states that the bank has sought an exemption from Securities and Exchange Commission of Pakistan relating to relevant experience and qualification requirements for the Head of Internal Audit.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Engagement Partner:
Arslan Khalid

Karachi

Date: February 19, 2016

KPMG Taseer Hadi & Co.
Chartered Accountants

Engagement Partner:
Syed Iftikhar Anjum

AUDITORS' REPORT TO THE MEMBERS

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Progressive Plaza,
Beaumont Road
Karachi 75530, Pakistan

KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi 75530, Pakistan

We have audited the annexed unconsolidated statement of financial position of National Bank of Pakistan ("the Bank") as at December 31, 2015 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year ended December 31, 2015, in which are incorporated the unaudited certified returns from the branches except for 80 branches which have been audited by us and 19 branches audited by the auditor abroad and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:
 - i) the statement of financial position and the related profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied except for the change in accounting policies as stated in note 3.3 to the accompanying financial statements, with which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2015 and its true balance of profit, its cash flows and its changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source, under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Engagement Partner:
Arslan Khalid

Karachi
Date: February 19, 2016

KPMG Taseer Hadi & Co.
Chartered Accountants

Engagement Partner:
Syed Iftikhar Anjum