نیشنل بینک

NATIONAL BANK OF PAKISTAN

THE BANK YOU TRUST

ANNUAL REPORT
2022

پاک سرزمین شاد باد

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Vision

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

Mission

We will achieve our Vision by subscribing to the qualities captured by the word 'IMAGINE'

Integrity is the cornerstone of everything we do

Market leadership is what we aim across all our target sectors

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

Good governance and transparency

Innovation to provide for the customer needs of tomorrow

Nation building remains our priority

Employee engagement through a merit-based culture

Corporate Information

Name of the Company	National Bank of Pakistan
Legal Form	A listed Public Limited Company established in Pakistan on November 9, 1949 under the National Bank of Pakistan Ordinance, 1949.
Accounting Year End	December 31

Board of Directors

Mr. Ashraf Mahmood Wathra, Chairman	Mr. Rehmat Ali Hasnie, CEO/President(A)
Mr. Asif Jooma, Director	Mr. Farid Malik CFA, Director
Mr. Ali Syed, Director	Mr. Ahsan Ali Chughtai, Director
Mr. Nasim Ahmad, Director	Mr. Amjad Mahmood, Director

Board Committees

1. Board Audit Committee
2. Board Risk & ComplianceCommittee
3. Board HR &Remuneration Committee
4. Board Technology & Digitalization Committee
5. Board Inclusive Development Committee
6. NY Governance Council (Sub-Committee of BRCC)

Chief Financial Officer

Mr. Abdul Wahid Sethi, FCA

Company Secretary

Syed Muhammad Ali Zamin

Registered & Head Office

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

Registrar & Share Registration Office

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

Auditors for 2022

Yousuf Adil
Chartered Accountants

A.F. Ferguson & Co
Chartered Accountants

Legal Advisors

Mandviwalla & Zafar
Advocates & Legal Consultants

Website

www.nbp.com.pk

Stock Exchange Listing

Pakistan Stock Exchange Symbol “NBP”

Chairman's Review

Dear Shareholders,

I am pleased to present this Review Report as the new Chairman of this major National Institution that has been partnering and contributing to Nation's growth for over seven decades.

Your Bank

NBP, stakeholders will join me in appreciating that NBP has always embraced its responsibility in putting the country first as Pakistan's leading financial institution over the decades. The Bank's business model is evolved as an institution which primarily handles the banking needs of the government its entities and their employees. We are now working towards redefining this traditional role to include main stream commercial and retail banking business with more focus on the ever growing SME midmarket segment including the needs of small businesses, agricultural and related farming sector and the supply chain segment which has the capacity to generate short cycle cash flows.

Operating Context

Global economy is facing multiple challenges. The World Bank has slashed the global economic growth outlook to 1.7% for 2023 from its earlier projection of 3%. High inflation has triggered rapid and synchronous monetary policy tightening globally. The spill over of sluggish growth is exacerbating headwinds faced by emerging markets and developing economies.

Pakistan's economy is also confronted with multiple challenges like high inflation, low growth, and low levels of official foreign exchange reserves. To stem the rising inflation, the State Bank of Pakistan has increased the policy rate from 7.5% in September'21 to 17%. GDP growth is projected to fall below 2% in FY23.

The Banking industry is now subject to higher base tax rates, additional taxes related to income from government securities, lower ADR and higher minimum lending targets for various segments.

Conventional banking systems are facing competition from the innovative Fintech and less regulated non-bank institutions.

Let me concede at present, our preparation to meet the aforementioned challenges is not adequate. We need to acquire new technology and enhance our skills set and aggressively strategize to retain our prominent role in the competitive market place.

The Board

In April 2022 four Directors on the Board including the Chairman completed their tenure and to fill the vacant positions, Government of Pakistan appointed myself and two other Directors in January 2023.

The Board is an optimum mix of non-executive, executive and independent Directors which fully meets the regulatory requirement. My fellow directors are accomplished professionals and bring diversity and rich experience to the Bank.

The Board is cognizant of the current economic situation in the country and its effects on the Banking and Financial sector. This together with the critical interdependency that exists between our socio-economic environment, the well-being of our stakeholders and under the circumstances the sustainability of the Bank shall create immense challenges. The Bank will have to proactively manage these critical challenges effectively by implementing planned strategies.

Against this backdrop, the Bank will continue to play an important contributory role towards the country's economic stability by managing desirable growth and value creation for the stakeholders.

We are mindful of the current and legacy issues that persist and remain our crucial challenges. Going forward the Bank is committed to address and resolve these challenges while protecting its capital and franchise and to the satisfaction of its stakeholders.

The Board is also aware of the Bank's Corporate Social responsibilities and its commitments towards environmental preservation and wellbeing of its employees who are the key stakeholders, and this shall remain one of the foremost priority.

Compliance

The Board is fully committed to instil and implement industry best practices, state of the art technology and requisite skills to augment the Bank's standing as one of the largest banks in Pakistan.

The Bank has in the past faced key compliance issues largely due to outdated systems and controls, inadequate technologies, weak processing and lack of skills. This has led to numerous regulatory actions and heavy penalties and reputational concerns.

The Enforcement Action by Regulators (NYDFS & FRB) at NBP US Operations has been under remediation. Annual Examination Report issued by Regulators in April 2022 acknowledged that the previous regulatory observations have been met and there are no new AML/CFT and sanctions related observations. As part of the de-risking, the Bank is in the process of moving USD clearing business to the correspondents.

This will be taken up under a carefully planned and structured methodology and in full compliance with all regulatory requirements.

Global Franchise

The Bank's international franchise has historically lacked strategic direction and the overall control structure is not considered sufficient to meet the ever-increasing challenges in the global marketplace. The inherent risks of value erosion from these international operations clearly outweigh the opportunities for value creation.

Accordingly, and in view of huge operational and compliance risk, the Bank has implemented an exit strategy from various markets which shall be continued in a planned manner and completed effectively at the earliest.

A strong franchise in key global markets built around correspondent banking relationships, investments, trade linkages with Pakistan, abilities to extend quality service to overseas Pakistani diaspora supported by a strong technology platform replacing weak systems, strengthening controls and placement of skilled HR shall remain the ultimate goal for the Bank. This shall be the hallmark of our future strategy for Bank's franchise in global markets.

Public Sector Entities

The Bank shall continue its support for the public sector entities however Bank will endeavour to revisit its credit underwriting strategies, strengthen assets monitoring procedures and realize loan restructuring opportunities. We shall be seeking recovery of overdue mark-up from public sector entities which is considered essential for Bank's financial soundness.

Looking Ahead

We understand the inevitable Macro Economic challenges are likely to prevail in the short-term, however, we remain confident of the Bank's resilience to meet the challenges.

I trust the measures adopted by the Government will drive the country's economic revival and help us succeed in positioning the country to achieve its full potential in the medium to long term.

As the Nation's Bank NBP remains firmly committed towards supporting the Government's national development agenda through strengthening the Agriculture, SME and the Export sectors, building capacity and encouraging the farmers and local manufacturers to meet the Macro Economic targets.

Full implementation of Treasury Single Account (TSA) will create new challenges for the Banking and Financial sector. TSA is being implemented under a phased plan. On its completion this would result in withdrawal of Federal Government and related

departments deposits from the banking system estimated between PKR 150 Bn to PKR 200 Bn.

NBP by virtue of its business with Government and related departments will face large deposit withdrawals. This will not cause serious liquidity issues however Bank's lending objectives will be temporarily affected. Bank has developed strategies to deal with these sensitivities and maintain liquidity and other key ratios within the acceptable limits. Bank is also working on targeting retail and institutional deposits to strengthen our market share and accordingly substitute the TSA withdrawals.

As we navigate the Bank through these challenging times, we look forward to continued support from the Government of Pakistan.

In particular, we request appointment of a fulltime President & CEO of the Bank. This will strengthen the leadership of the Bank and bring in the necessary and key functional and operational efficiencies. We also request appointment of Directors to the vacant Board Room positions; a complete Board will further strengthen the oversight and operational support to the management.

Board shall encourage the management to expedite transformation to achieve excellence in Islamic and Digital Banking product offerings, stronger focus on Consumer, SME, s, Housing Finance for low-income groups and the Agricultural Finance segments. This shall deepen our role as the Nation's Bank, and enhance our presence in market niches which remain largely untapped.

The Board shall prioritise integrating social and environmental consciousness into the Banks overall business strategy. Strengthening Risk Management framework, Technology Platform and proactively addressing the anomalies in HR governance shall feature prominently in our key priorities for the Bank.

My Message:

- To Our Key Partners & Regulators

I am thankful to the Federal Government for the confidence reposed in me. I am also thankful to the Governor and Officials of the State Bank of Pakistan for their guidance and support.

I wish to convey our firm resolve to ensure strong governance within the Bank; Implement a strong control and compliance structure throughout the Bank and ensure that the Bank remains a good and compliant corporate citizen.

I extend assurance to our Regulators both in Pakistan and around the world that we continue to prioritize and build standards of Governance and operational discipline in our Bank to meet their expectations.

- To Our Staff

The Bank shall be fair, equitable and transparent in its dealings which shall all be based on the principle of meritocracy.

We are focussed on resolution of legacy issues, though this may take time, however we have set our direction and would take a prioritized approach to resolve the issues. I appreciate efforts and contribution of all staff toward the continuing success of the Bank and I firmly believe that good and robust financial results would not have been possible without teamwork and the dedicated efforts of all employees of the Bank.

Appreciation

I extend my gratitude to the retiring Chairman Mr. Zubyr Soomro, the outgoing Directors and the retiring President Mr. Arif Usmani for their leadership and guidance in making the Bank strong and more resilient. The Bank's leading position, its market outreach, economic value generation and contribution to the national exchequer is a testimony of effective management and leadership and oversight of the Chairman and the Board of Directors.

Finally, I would like to thank all our valuable customers and business partners for their continued loyalty and support.

Ashraf Mahmood Wathra
Chairman

February 28, 2023
Karachi.

Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 and Listed Companies (Code of Corporate Governance) Regulations, 2019

Name of Bank: **National Bank of Pakistan**

Name of the line Ministry: **Ministry of Finance**

For the year ended: **December 31, 2022**

I. This statement is being presented to comply with the Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) and Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) (both herein referred to as 'Codes') issued for the purpose of establishing a framework of good governance, whereby a public sector bank is managed in compliance with the best practices of public sector governance. In case where there is inconsistency with the Regulations, the provisions of the Rules shall prevail and in case of any conflict between the Codes and the Banks (Nationalization) Act, 1974, the provisions of the Banks (Nationalization) Act, 1974 have been followed.

II. The Bank has complied with the provisions of the Rules in the following manner:

S. No.	Provision of the Rules	Rule no.	Y	N
			Tick the relevant box	
1.	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	√	
2.	The Board has the requisite percentage of independent directors. As at December 31, 2022, the Board includes:	3(2)	√	

Category	Names	Date of appointment
Independent Directors	- Mr. Farid Malik - Mr. Ahsan Ali Chughtai	27-7-2020 21-6-2021
Executive Directors	- Mr. Rehmat Ali Hasnie CEO/President (Acting)	12-5-2022
Non-Executive Directors	- Mr. Asif Jooma	9-3-2020

	Subsequent to the year ended December 31, 2022, the Federal Government vide Notification No. F.1 (11) Bkg-III/2017-90 dated January 18, 2023, has appointed Mr. Ashraf Mahmood Wathra as Chairman of the Board, Mr. Amjad Mahmood as Non-Executive Director, Mr. Ali Syed as Independent Director and Nasim Ahmad as Independent Director of the Board with immediate effect.			
3	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.	3(5)	√	
4	The appointing authorities have applied the fit and proper criteria given in the Annexure in making nominations of the persons for election as Board members under the provisions of the Ordinance.	3(7)	√	
5	The Chairman of the Board is working separately from the Chief Executive of the Bank.	4(1)		√
6	The Chairman has been elected by the Board of Directors except where the Chairman of the Board has been appointed by the Government.	4(4)		√
7	The Board has evaluated the candidates for the position of the Chief Executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission. (Not applicable where the Chief Executive has been nominated by the Government)	5(2)	N/A	
8	a) The Bank has prepared a "Code of Conduct" to ensure that professional standards and corporate vales are in place. b) The Board has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures, including posting the same on the Bank's website www.nbp.com.pk. c) The Board has set in place adequate system and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	√ √ √	
9	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	√	
10	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstance considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5) (b)(ii)	√	
11	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the Bank.	5(5) (b)(vi)	√	
12	a) The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service. b) A committee has been formed to investigate deviations from the Bank's Code of Conduct.	5(5) (c)(ii)	√ √	

13	The Board has ensured compliance with the law as well as the Bank's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5)(c)(iii)	√	
14	The Board has developed a vision or mission statement, corporate strategy of the Bank.	5(6)	√	
15	The Board has developed significant policies of the Bank. A complete record of the particulars of the significant policies together with the date on which they were approved or amended has been maintained.	5(7)	√	
16	The Board has quantified the outlay of any action in respect of any service delivered or goods sold by the Bank as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)	√	
17	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)	√	
18	a) The Board has met at least four times during the year. b) Written notices of the Board meetings, along with agenda duly approved by the Chairman, were circulated at least seven days before the meetings. c) The minutes of the meetings were appropriately recorded and circulated.	6(1) 6(2) 6(3)	√ √ √	
19	The Board has monitored and assessed the performance of senior management on annual basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8(2)	√	
20	The Board has reviewed and approved the related party transactions placed before it after recommendations of the Audit Committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	√	
21	a) The Board has approved the profit and loss account for and balance sheet as at the end of first, second and third quarter of the year as well as the financial year end. b) The Board has ensured that half yearly accounts are prepared and reviewed by the external auditors. c) The Board has placed the annual financial statements on the Bank's website.	10	√ √ √	
22	All the Board members underwent an orientation course arranged by the Bank to apprise them of the material developments and information as specified in the Rules.	11	√	

<table>
<tr><td>23</td><td>a) The Board has formed the requisite committees, as specified in the Rules.

b) The committees were provided with written term of reference defining their duties, authority and composition.

c) The minutes of the meetings of the committees were circulated to all the Board members.

d) The committees were chaired by the following non-executive directors:

<table><tr><th>Committees</th><th>No. of Members</th><th>Name of Chairman</th></tr><tr><td>Board Audit Committee</td><td>03</td><td>Mr. Ahsan Ali Chughtai</td></tr><tr><td>Board HR & Remuneration Committee</td><td>03</td><td>Mr. Farid Malik</td></tr><tr><td>Board Risk & Compliance Committee</td><td>04</td><td>Mr. Ahsan Ali Chughtai</td></tr><tr><td>Board Technology & Digitalization Committee</td><td>03</td><td>Mr. Farid Malik</td></tr><tr><td>Board Inclusive Development Committee</td><td>03</td><td>Mr. Asif Jooma</td></tr><tr><td>NBP-NY Governance Council (Sub-Committee of BRCC)</td><td>02</td><td>Mr. Ahsan Ali Chughtai</td></tr></table></td><td>12</td><td>√

√

√

√</td><td></td></tr>
<tr><td>24</td><td>The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, with their remuneration and terms and conditions of employment, and as per their prescribed qualifications.</td><td>13</td><td>√</td><td></td></tr>
<tr><td>25</td><td>The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.</td><td>14</td><td>√</td><td></td></tr>
<tr><td>26</td><td>The Bank has adopted International Financial Reporting Standards notified by the Commission in terms of sub- section (1) of section 225 of the Act.</td><td>16</td><td>√</td><td></td></tr>
<tr><td>27</td><td>The directors' report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.</td><td>17</td><td>√</td><td></td></tr>
<tr><td>28</td><td>The directors, CEO and executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the Bank except those disclosed to the Bank.</td><td>18</td><td>√</td><td></td></tr>
<tr><td>29</td><td>a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration.

b) The Annual Report of the Bank contains criteria and details of remuneration of each director.</td><td>19</td><td>√

√</td><td></td></tr>
</table>

<table>
<tr><td>30</td><td>The financial statements of the Bank were duly endorsed by the Chief Executive and Chief Financial officer, before approval of the Board.</td><td>20</td><td>√</td><td></td></tr>
<tr><td>31</td><td>The Board has formed an Audit Committee, with defined and written terms of reference, and having the following members as at December 31, 2022:
<table>
<tr><th>Name of Banker</th><th>Category</th><th>Professional background</th></tr>
<tr><td>Mr. Ahsan Ali Chughtai</td><td>Independent Director</td><td>Senior Banker</td></tr>
<tr><td>Mr. Farid Malik</td><td>Independent Director</td><td>Business Executive</td></tr>
<tr><td>Mr. Asif Jooma</td><td>Non – Executive Director</td><td>Business Executive</td></tr>
</table>
The Chief Executive and Chairman of the Board are not members of the Audit Committee.</td><td>21 (1) and 21(2)</td><td>√</td><td></td></tr>
<tr><td>32</td><td>a) The Chief Financial Officer, the Chief Internal Auditor, and a representative of the external auditors attended all meetings of the Audit Committee at which issues relating to accounts and audit were discussed.

b) The Audit Committee met the external auditors, at least once a year, without the presence of the Chief Financial Officer, the Chief Internal Auditor and other executives.

c) The Audit Committee met the Chief Internal Auditor and other members of the internal audit function, at least once a year, without the presence of Chief Financial Officer and the external auditors.</td><td>21(3)</td><td>√

√

√</td><td></td></tr>
<tr><td>33</td><td>The Board has set up an effective internal audit function, which has an audit charter, duly approved by the Audit Committee.

The Chief Internal Auditor has requisite qualification and experience prescribed in the Rules.

The internal audit reports have been provided to the external auditors for their review.</td><td>22</td><td>√

√

√</td><td></td></tr>
<tr><td>34</td><td>The external auditors of the Bank have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.</td><td>23(4)</td><td>√</td><td></td></tr>
<tr><td>35</td><td>The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.</td><td>23(5)</td><td>√</td><td></td></tr>
</table>

III. Certain additional disclosures, required under the Listed Companies (Code of Corporate Governance) Regulations, 2019 (The Regulations)

1. The total number of directors are as follows:

   a. Male: 04

   b. Female: Nil

2. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ Shareholders as empowered by the relevant provisions of the Companies Act, 2017 as well as these Regulations.

3. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.

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

   a) Board Audit Committee (BAC):

S. No	Names of Director	Status
1	Mr. Ahsan Ali Chughtai	Chairman
2	Mr. Farid Malik	Member
3	Mr. Asif Jooma	Member

   b) Board HR & Remuneration Committee (BHRRC):

S. No	Names of Director	Status
1	Mr. Farid Malik	Chairman
2	Mr. Ahsan Ali Chughtai	Member
3	Mr. Asif Jooma	Member

   c) Board Risk & Compliance Committee (BRCC):

S. No	Names of Director	Status
1	Mr. Ahsan Ali Chughtai	Chairman
2	Mr. Farid Malik	Member
3	Mr. Asif Jooma	Member
4	Mr. Rehmat Ali Hasnie, CEO/President (Acting)	Member

   d) Board Technology & Digitalization Committee (BTDC):

S. No	Names of Director	Status
1	Mr. Farid Malik	Chairman
2	Mr. Ahsan Ali Chughtai	Member
3	Mr. Rehmat Ali Hasnie, CEO/President (Acting)	Member

   e) Board Inclusive Development Committee (BIDC):

S. No	Names of Director	Status
1	Mr. Asif Jooma	Chairman
2	Mr. Farid Malik	Member
3	Mr. Rehmat Ali Hasnie, CEO/President (Acting)	Member

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

S. No	Names of Director	Status
1	Mr. Ahsan Ali Chughtai	Chairman
2	Mr. Rehmat Ali Hasnie, CEO/President (Acting)	Member

5. The frequency of Meetings (Quarterly/half yearly/yearly) of the Committees were as per following:

S. No	Name of Committees	No. of Meetings held during the year
a	Board Audit Committee (BAC)	08
b	Board HR & Remuneration Committee (BHRRC)	05
c	Board Risk & Compliance Committee (BRCC)	06
d	Board Technology & Digitalization Committee (BTDC)	04
e	Board Inclusive Development Committee (BIDC)	05
f	NBP-NY Governance Council (Sub-Committee of BRCC)	01

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

7. The statutory auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or directors of the Bank;

8. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.

9. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with except for the following non-compliance:

   i) As per regulation 7, it is mandatory that the Board shall have at least one female director when it is reconstituted after the expiry of its current term. No female director was appointed on the Board after retirement of Ms. Sadaffe Abid, whose tenure ended on April 16, 2022.

10. Explanation for non-compliance with the requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are set out below:

    i) As per regulation 9(i), The Chairman and the Chief Executive Officer of a company, by whatever name called, shall not be the same person. However, the Banks (Nationalization) Act, 1974, provides an exception to the stated regulation.
    As per Banks (Nationalization) Act, 1974, section 11(8), where the Federal Government has appointed a Chairman, he shall preside over the meetings of the Board, and in case a Chairman has not been appointed, then the President shall preside over the meetings of Board. In the absence of the Chairman or the President, as the case may be the directors may elect one of its members to preside over the meetings.

    Since the Federal Government did not appoint a Chairman for the Board after the retirement of Mr. Zubyr Soomro, Mr. Arif Usmani presided over the meetings of the Board from April 17, 2022, till the expiry of his term i.e. May 11, 2022. After him, Mr. Rehmat Ali Hasnie, CEO/President (Acting) presided over the meetings of the Board from May 12, 2022, till December 31, 2022.

IV. EXPLANATION FOR NON-COMPLIANCE WITH THE PUBLIC SECTOR COMPANIES (CORPORATE GOVERNANCE) RULES, 2013

We confirm that all other material requirements envisaged in the Rules have been complied with except for the following, toward which reasonable progress is being made by the Bank to seek compliance by the end of next Financial Year:

S. No	Rule / Sub Rule No.	Reasons for Non-Compliance	Future course of action
1	4(1) & 4(4)	After the retirement of Mr. Zubyr Soomro, the position of chairman of the Board remained vacant during the year. In absence of the Chairman, CEO / President (A) chaired the meetings of the Board.	Subsequent to the year ended, the Federal Government vide Notification No. F.1 (11) BKG-III 2017-90 dated January 18, 2023 has appointed Mr. Ashraf Mahmood Wathra as Chairman of the Board.
3	8(1)	The performance evaluation of the members of the Board including the Chairman and the Chief Executive is required to be undertaken annually by the Government for which, the Government is required to enter into performance contract with each member of the Board at the time of his appointment. Hence the compliance to this provision is primarily attributable to the Government.	The Bank is conducting Board Evaluation in line with Regulation G-13 of Corporate Governance Regulatory Framework (CGRF) of SBP. However, a letter shall be written to the Federal Government, communicating the said non-compliance and seeking action thereupon on part of the Federal Government.

REHMAT ALI HASNIE
CEO / President (Acting)

ASHRAF MAHMOOD WATHRA
Chairman

Dated: February 28, 2023
Place: Karachi

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

A.F. Ferguson & Co.
Chartered Accountants
State Life Building No. 1-C
I.I Chundrigar Road
P.O. Box 4716
Karachi - 74000

Review Report to the Members
On the Statements of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 and Public Sector Companies (Corporate Governance) Rules, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) and Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) (both herein referred to as 'Codes') prepared by the Board of Directors of **National Bank of Pakistan** (the Bank) for the year ended December 31, 2022 to comply with the requirements of regulation 36 of the Regulations and the provisions of the Rules.

The responsibility for compliance with the Codes 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 Rules and report if it does not and to highlight any non-compliance with the requirements of the Codes. A review is limited primarily to inquiries of the Bank's personnel and review of various documents prepared by the Bank to comply with the Codes.

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

The Codes require the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arms' 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 the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the 'Statement of Compliance' does not appropriately reflect the Bank's compliance, in all material respects, with the best practices contained in the Codes as applicable to the Bank for the year ended December 31, 2022.

Further, we highlight below instances of non-compliance with the requirements of the Codes as reflected in the note / paragraph reference where these are stated in the Statement of Compliance:

	Reference	Description
i	III (9(i))	It is mandatory that the Board shall have at least one female director. However, there was no female director holding the office of Directors after the retirement of Ms. Sadaffe Abid from the Board.
ii	IV (1)	After the retirement of Mr. Zubyr Soomro as Chairman of the Board, President / CEO (A) presided over the meetings of the Board, in absence of the chairman.
iii	IV (2)	The performance evaluation of members of the Board including the Chairman and the Chief Executive shall be undertaken annually by the Government. However, no performance evaluation was undertaken of the above stated personnel.

Yousuf Adil
Chartered Accountants
Place: Karachi
Date: March 6, 2023
UDIN: CR2022100914svoxIUAq

A.F. Ferguson & Co.
Chartered Accountants
Place: Karachi
Date: March 6, 2023
UDIN: CR202210068q1JIKSyei

Statement of Internal Controls 2022

Reporting of Internal Control System

The Bank's management has established and is managing system of internal controls as approved by the Board of Directors to achieve effective and efficient operations, while complying with applicable laws and regulations and preserving the reliability of financial reporting. The internal control system comprises of various interrelated components to gauge the overall control environment, including the availability of well-documented policies and procedures and their compliance, risk assessment, identification of risks and mitigating controls, technology breaches, information leakages, governance and management reporting.

The management and the employees at all levels within the Bank are required to perform their duties as per defined guidelines. The internal control system also requires effective and efficient external and internal reporting, maintenance of proper records and processes, operational loss database, compliance with applicable laws and regulations, and internal policies with respect to the conduct of business. The Bank remains cognizant of its responsibility to continuously improve and strengthen its system of internal control on an on-going basis.

The Bank has completed the implementation of roadmap regarding Internal Control Over Financial Reporting ("ICFR") and the Long Form report on the assessment of the Bank's ICFR for the year 2021 was issued by the statutory auditor in compliance with the SBP directive. Last year, the Bank engaged external consultant to assist in the scoping and diagnostic exercise for the ICFR program with view to its on-going environment.

The Bank's internal control system has been designed to manage rather than eliminate risk of failure to achieve objectives under a changing environment. There are inherent limitations in the effectiveness of any system, including the possibility of human error or system failure, circumvention and overriding of control. Accordingly, even an effective internal control system can only provide reasonable assurance with respect to achievement of program objectives.

Evaluation of Internal Controls

Besides the monitoring of the implementation of internal control system at the management level, the Bank has an independent Internal Audit function namely the Audit & Inspection Group with three Area Audit & Inspection Offices that conduct audits of Branches, Regions, and Groups at the Head Office on an on-going basis to evaluate the efficiency and effectiveness of internal control system. In addition, an Internal Control function is established under Operations Group for testing & monitoring key controls across operations. Adequate compliance systems and

processes are available to evaluate and assess the adequacy of customers' onboarding, sanctions screening and transactions monitoring.

For the year 2022, the management continues its efforts to strengthen the internal control system of the Bank. The observations made by the external/ internal auditors and regulators in their respective audits/ inspections are reviewed and measures are being taken by the management (by respective groups and tracking at management level forums), Board Sub-Committees, and Board of Directors for rectification of such observations and their non-recurrence.

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

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

Nauman Muzaffar
Chief Risk Officer

Abdul Wahid Sethi
Chief Financial Officer

Nauman Riaz
Chief Compliance Officer

Imran Farooqui
Group Chief Operations

Umair Wasti
Chief Internal Auditor

Shariah Board's Annual Report NBP Aitemaad - 2022

بسم الله الرحمن الرحيم

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

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

In the Capacity of Shariah Board, we have reviewed the overall Shariah compliance level and environment within the NBP Aitemaad Islamic Banking as of December 31, 2022.

Shariah Board Opinion

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

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

1. Compliance with Directives issued by Shariah Board

NBP Aitemaad's overall environment, products, and agreements comply with the Shariah directives issued by Shariah Board.

2. Compliance with Shariah related regulatory directives issued by State Bank of Pakistan (SBP)

The management ensures zero tolerance on Shariah non-compliance instances with regard to the SBP directives. In this context, NBP Aitemaad has an exclusive Shariah Non-Compliance key performance indicating point in the staff appraisal system.

3. Shariah Compliance Mechanism

Alhamdulillah, NBP-Aitemaad Islamic Banking already had a comprehensive Shariah Compliance Policy and extensive checklist for Shariah compliance review of the transactions.

This year, SCD developed the check list along with assessment papers for Islamic Banking Windows (IBW) based on their field functionaries' experiences. Further, SCD has also visited the customers' delivery site in compliance with Shariah Board instructions to supervise and guide the staff on execution of financing transactions.

4. Mechanism ensuring prohibited Income to Charity Account

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

During the Shariah Review of financing portfolio, no Non-Shariah compliant transaction was discovered. Therefore, there was no income was declared as charity this year. During this year, rupees Two Hundred Eighty Six Thousand (286,000) was collected on account of late payments and deposited in the Charity account and charity amounting rupees One Hundred Fifty Thousand (150,000/-) was disbursed to Prime Minister's Flood Relief Fund 2022. Following is charity account position;

Charity Fund – 2022	**Rupees in '000**
Opening Balance	64
Received from customers on account of delayed payment (2022)	286
Profit on charity saving account	3
Payments/utilization during the period	150
Closing Balance	203

5. Profit and Loss Distribution and Pool Management

NBP Aitemaad Islamic Banking Pool Management Wing is staffed with adequate human resource ensuring compliance with the SBP and Shariah Board guidelines. SCD has reviewed profit and loss calculation prior to distribution among depositors on monthly basis in addition to yearly Shariah compliance review of pool management. Further, Internal Shariah audit wing also conducted Shariah Audit of pool management on quarterly basis. All these layers of control have strengthened the profit & loss distribution and pool management.

6. Staff and Customer understanding of Islamic Banking and Finance

The Bank has arranged fifty seven (57) in house training sessions on different topics of Islamic Banking's basic concepts, products and services, and customer services where seven hundred and sixty four (764) staff (including IBB staff and conventional staff designated to IBW) were trained during the year.

This year, SCD in coordination with IBW and Learning and Management Development Division (LM&DD) has developed three (03) and five (05) days online course modules for IBW staff along with final assessment for the Islamic Banking certification.

For addressing public queries related to Shariah and Islamic Banking, the Bank is managing an "ask Shariah" portal i.e. askshariah@nbp.com.pk. The Portal serves as a platform for staffs' on job training and guidance on their day-to-day operations and awareness of customer in the field of Islamic Banking.

7. Promotion and Awareness of Islamic Banking and Finance

SCD in coordination with AIBG operations and marketing has initiated Islamic Banking awareness sessions for the promotion of Islamic Banking for general public. In this regard, total sixteen (16) awareness sessions were organized all over country, out of which three (03) were specifically designed for women only in line with SBP's comprehensive National Financial Inclusion Strategy (NIFS). Moreover, two (02) sessions were arranged online for the vast coverage of Islamic Finance concepts among the masses.

Apart from customer awareness sessions, SCD has also started giving guest lectures on Islamic Banking and Finance in different Universities and Madaris.

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

SCD, in order to operate with reasonable head counts, has initiated requisition request for staff hiring. In this regard, one of the Shariah Scholar has joined in secretariat of Shariah Board. Further, two Shariah Scholars are in joining process. SCD shall anticipate the requirement of staff for SCD for the future windows operation and inform the management with the same, if any.

9. Other Developments

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

The Shariah Compliance Department has conducted review of 86 deposit branches, 10 Islamic Banking Windows (IBW), treasury transactions and financing portfolio, on sample basis, during the calendar year. SCD has also reviewed the different marketing campaigns to ensure strict adherence with Shariah Board guidelines.

ii. Branch Network & Expansion

Alhamdulillah, the branch network of NBP Aitemaad Islamic Banking stands at 188 dedicated Islamic banking branches and 50 IBWs. NBP has initiated the process to open more, approximately, 100 Islamic Banking Windows next year targeting the greater reach of Islamic Banking.

iii. Product Development

Alhamdulillah in 2022, NBP Aitemaad has taken following initiatives with respect to products development and obtained approvals from Shariah Board:

- A new specialized deposit product namely 'Aitemaad Amirah Account' has been launched which is designed exclusively for women. This product is playing a vital role to enhance women's financial inclusion and to bring a shift towards women friendly business practices by providing complete bouquet of banking services including current/saving account options, competitive profit rates, discounted rates on consumer finance, 24/7 digital banking, Debit Card with over 20,000 Golootlo merchant discounts, locker, cheque book etc.
- Enabled ADC services including Green PIN through NBP ATMs, RAAST P2P and Debit Card Management via Mobile App for new card request, change card status & PIN and non-cardholder onboarding.
- Developed Policy and SOPs on Sale of Third Party Products.

- Developed Policy for digital onboarding of customers.
- Developed refinancing policies and manuals including ILTFF and IERS.
- Revamped policies and manuals of deposit products, financing products and charity.

NBP Aitemaad has diversified range of products as it is offering seventeen (17) Deposit products and Eight (08) financing products for its valued Customers.

iv. Asset Review

The overall earning assets of NBP Aitemaad have increased by 9.1% amounting PKR 101.1 Billion in comparison with PKR 92.7 Billion of previous year. Total Financing has reached at PKR 47.0 Billion with an increase of 9.3% maintaining NBP Aitemaad's Finance to Deposit Ratio rounding to 50%. Total Investments including Bai Muajjal stood at PKR 54.1 Billion in comparison with PKR 49.7 Billion preceding year with an increase of 8.9%.

v. Liability Review

Aitemaad total deposits have increased by 10.1% to PKR 93.6 Billion in comparison with PKR 84.8 Billion last year.

vi. Shariah Board Meetings

SB has conducted four (04) meetings during the year. Major SB approvals are summarized as below;

- ISAW Annual Plan – 2022
- ISAW Annual Plan – 2023
- SCD Annual Plan - 2023
- Sale of Third Party Products Policy
- Training Policy - Revised
- Marketing Policy
- Customer's Digital Onboarding Policy
- Staff Financing Policy - Revised
- Charity Policy - Revised
- Women Account Manual
- Deposit Product Policy - Revised
- Locker Policy
- Documentation of Running Musharakah
- Islamic Export Refinance – IERS
- Istisna Product Manual - Revised
- Salam Product Manual - Revised
- Ijarah Product Manual - Revise
- DM Product Manual - Revise
- Tijarah Product Manual - Revised
- Running Musharakah Manual – Revised
- Musawamah Product Manual
- Murabaha Product Manual - Revised
- E-Learning courses as an alternative for mandatory/refresher training sessions – IBW Training Material & Quiz
- Terms and Conditions of Digital Onboarding (Urdu & English)
- Charity Manual - Revised
- Standing Operations Manuals
- Corrective Actions on SCD, ISAW & External Shariah Audit Reports
- Wheat Procurement by Government and payment facilitation by Aitemaad Islamic Branches
- Sale of third-party products (bancatakaful) - SOP

Recommendations

We recommend the Bank on the following matters:

1. The Bank has automated the liability side of the Core Banking whereas the asset side is still pending, which needs to be automated.
2. Bank has implemented Shariah Compliant Staff Financing Policy (Housing Module) with limited features, we recommend to implement all remaining modules.
3. Bank is required to introduce a comprehensive Islamic banking training policy that must include elementary and advance level specialized training courses for all staff across the Bank.

والله سبحانه وتعالى اعلم

ربنا لا تؤاخذنا ان نسينا او اخطانا ج ربنا ولا تحمل علينا اصرا كما حملته على الذين من قبلنا ج ربنا ولا تحملنا ما لا طاقة لنا به ج واعف عنا وقفه واغفرلنا وقفه وارحمنا وقفه انت مولنا فانصرنا على القوم الكفرين ۝

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

Mufti Muhammad Ahmed Khan **Member Shariah Board**	**Mufti Muhammad Sajjad Usmani** **Member Shariah Board**
Mufti Muhammad Imran **Resident Shariah Board Member**	**Dr. Mufti Khalil Ahmad Aazami** **Member Shariah Board**

Mufti Ehsan Waquar Ahmad
Chairman Shariah Board

NOTICE FOR 74th ANNUAL GENERAL MEETING

Notice is hereby given that 74th Annual General Meeting ("AGM") of National Bank of Pakistan (the **"Bank"**) will be held on **Thursday, March 30, 2023 at 11:30 A.M. (PST) physically and through electronic means.**

Physical gathering of the shareholders shall be held at Mövenpick Hotel, Club Road, Karachi, by strictly following the SOPs advised by the Government.

The following business will be transacted in the Meeting:

Ordinary Business:

1. To confirm minutes of the 73rd Annual General Meeting (AGM) of Shareholders held on March 30, 2022.

2. To receive, consider and adopt the annual audited financial statements of National Bank of Pakistan and consolidated accounts of National Bank of Pakistan and its subsidiaries for the year ended December 31, 2022, together with the Directors' Report, Auditors' Report and Chairman's Review Report thereon.

3. To appoint auditors for the year ending December 31, 2023, and fix their remuneration. The Board of Directors has recommended re-appointment of Messrs PwC A.F. Ferguson & Co., Chartered Accountants at a fee of Rs. 21.183 million (i.e., an increase of 22.5% including some statutory certification) and appointment of Messrs BDO Ebrahim & Co., Chartered Accountants at a fee of Rs. 17.293 million (i.e., at same audit fee as paid to the retiring auditors, Messrs Yousuf Adil, Chartered Accountants, including some statutory certification), to be auditors of the Bank for the year ending December 31, 2023.

Special Business:

4. To consider and approve remuneration of non-executive / independent Directors and non-executive Chairman of NBP.

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

By Order of the Board

Karachi
Dated: March 09, 2023

S.M. Ali Zamin
Secretary (Board)

NOTES:

The share transfer books of the Bank shall remain closed from March 22, 2023 to March 30, 2023 (both days inclusive). Transfers received at Messrs. CDC Share Registrar Services Limited, CDC House 99-B, Block "B", SMCHS, Main Shahrah-e-Faisal, Karachi – 74400, the

Bank's Share Registrar and Transfer Agent, at the close of business on March 21, 2023 will be treated in time for the purpose of attending the meeting.

PARTICIPATION IN ANNUAL GENERAL MEETING:

In the light of relevant guidelines issued by Securities and Exchange Commission of Pakistan ("SECP") vide Letter No. SMD/SE/2(20)/2021/117 dated December 15, 2021, the members are encouraged to participate in the AGM through electronic facility organized by the Bank.

A. Attending Meeting through Electronic Means

In order to attend the AGM through electronic facility, the members are requested to get themselves registered with CDC Share Registrar Services Limited upto March 29, 2023 till 05:00 P.M. at cdcsr@cdcsrsl.com or through WhatsApp number +92-321-8200864 and they are requested to provide the information as per below format:

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

The details of electronic facility will be sent to the members at the email address provided by them. The login facility will be opened at 11:00 A.M. on March 30, 2023 enabling the participants to join the proceedings after identification and verification process before joining the meeting, which will start at 11:30 A.M. sharp.

B. Attending Meeting Physically

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

C. Attending Meeting through Proxies

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

ii) The proxy instrument must be complete in all respect and in order to be effective should be deposited at Office of the Share Registrar or Office of the Secretary Board, 2nd floor, NBP Head Office, I.I. Chundrigar Road, Karachi not later than 48 hours before the time of holding the meeting.

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

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

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

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

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

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

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

(Proxy Form is being mailed with the Notice and is also available on NBP website: www.nbp.com.pk)

- Members having their shareholding in physical form are requested to immediately notify any change in their address to the Bank's Registrar/Shares Transfer Agent i.e., Messrs. CDC Share Registrar Services Limited. CDC House, 99-B, Block "B", S.M.C.H.S., Main Shahrah-e-Faisal, Karachi. Whereas, members having shareholding in book-entry form are requested to please notify their concerned Stock Broker/ CDC-Investor Account Services.

PROCEDURE FOR VOTING FOR SPECIAL AGENDA ITEMS

It is hereby notified that pursuant to the Companies (Postal Ballot) Regulations, 2018 and its amendments notified vide SRO 2192(I)/2022 dated December 05, 2022 members will be allowed to exercise their right to vote for the special business in the Annual General Meeting (AGM), in accordance with the condition mentioned in the aforesaid regulations, the Bank shall provide its members with the following options for voting:

E-Voting Procedure

a) The Bank's Share Registrar in accordance with the Companies (Postal Ballot) Regulations, 2018 will send complete information to the members, including but not limited to, web address, login detail, password, date of casting e-vote and other necessary detail through email; and security code through SMS on their registered email and mobile number available in the members' register.

b) Identity of the member intending to cast vote through e-voting shall be authenticated through electronic signature or authentication for login.

c) Individual interested to cast his/her vote through e-voting, availability of his/her CNIC, mobile number and email address and in case of a corporate entity NTN in company's record is mandatory.

d) It is mandatory for all CDS account holders to up-date their records with their participants and physical shareholders with Bank's Share Registrar i.e., CDCSRL before book closure date.

e) Voting lines for Special Agenda items will be opened for the Shareholders from March 24, 2023 at 09:00 a.m. till March 29, 2023 at 5:00 p.m.

Postal Ballot

The Shareholders shall ensure duly-filled and signed ballot paper along with copy of CNIC, in case of individual and in case of a body corporate, acceptable identification documents i.e., original or duly authenticated Board of Directors' resolution / power of attorney along with valid copies of CNIC of authorized signatories etc. should reach through post to the Chairman, National Bank of Pakistan, Head Office Building, 2nd floor, I. I. Chundrigar Road, Karachi or by email at agm@nbp.com.pk till 5:00 p.m. before the day of Poll i.e., March 29, 2023 till 05:00 p.m.

Vote Casting In-Person or Through Proxy

Polling booth will be established at the place of physical gathering of the AGM for voting.

SPECIAL NOTES TO THE SHAREHOLDERS

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

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

2. **CONVERSION OF PHYSICAL SHARES INTO BOOK-ENTRY FORM:**

The SECP through its letter No. CSD/ED/Misc./2016-639-640 dated March 26, 2021 has advised listed companies to adhere to the provision of Section-72 of the Companies Act, 2017 (the "Act") requiring all the existing companies to replace shares issued by them in physical form with shares into book-entry form in a manner as may be specified and from the date notified by the SECP but not exceeding four (04) years from the date of

promulgation of the Act. Considering the aforesaid directive, NBP has also published a request on October 28, 2021 to ensure compliance with the Act and advised to open Investor Account directly with the Central Depository Company of Pakistan Limited ("CDC") or CDC-Sub-Account with any TREC Holder registered with Pakistan Stock Exchange Limited (PSX) to place their physical shares into book-entry form. It will not only ensure the compliance of relevant rules and regulations but will also speed up the process of disbursement of entitlement to the respective shareholders.

3. **AVAILABILITY OF AUDITED FINANCIAL STATEMENTS ON BANK'S WEBSITE:**
The Bank is placing the Audited Annual Financial Statements for the year ended December 31, 2022 along with Auditors' Report, Directors' Report and Chairman's Review Report thereon on its website: www.nbp.com.pk

STATEMENT OF MATERIAL FACT UNDER SECTION 134(3) OF THE COMPANIES ACT, 2017

This statement sets out the material facts concerning the special business to be transacted at the Annual General Meeting of the Bank to be held on March 30, 2023.

Item 4:

TO CONSIDER AND APPROVE REMUNERATION OF NON-EXECUTIVE / INDEPENDENT DIRECTORS AND NON-EXECUTIVE CHAIRMAN OF NBP:

The shareholders, in their 61st AGM, held on March 31, 2010 had approved revision in Directors' fee/expense package. Subsequently, the shareholders in their EOGM held on May 15, 2017 revised the Directors' fee. Since then, there has been no revision in the Directors' fee/expense package. In view of the Board's responsibilities and enhanced role, the Directors have to devote considerable time and expertise in the overall stewardship of the Bank. The Board of Directors, on recommendation of BHRRC and keeping in view the SBP's Corporate Governance Regulatory Framework (CGRF), has recommended the remuneration of Non-Executive / Independent Directors and Non-Executive Chairman at Rs. 400,000/- for attending Board / Committee meetings plus 20% of the fee for holding the Office of the Board Chairman. It is worth-mentioning here that this fee is on the lowest scale of remuneration among the peer banks. The Board has also recommended enhancement in the Directors' daily allowance from Rs. 15,000/- per diem to Rs. 35,000/- per diem, in lieu of hotel accommodation. In case of journey by road, other expenses and mileage allowance enhanced from Rs. 30/- per kilometer to Rs. 50/- per kilometer.

The Federal Government in terms of Internal Finance Wing, Notification No. F.1(11) Bkg-III /2017-90 dated January 18, 2023 has appointed Mr. Ashraf Mahmood Wathra, as Chairman, Board of Directors of NBP for a term of three (03) years w.e.f. January 18, 2023.

The State Bank of Pakistan vide Regulation G-14 of Corporate Governance Regulatory Framework (CGRF) has directed the banks to "pay a reasonable and appropriate remuneration to their board members". Moreover, the Board Remuneration Policy, approved by the shareholders in EOGM held on July 27, 2020 also envisages that the Board shall, from time to time, determine and approve such level of remuneration for the Board members as may be within the limits prescribed by SBP from time to time. The remuneration shall always be approved from shareholders in a General Meeting (AGM /

EOGM). This is also a requirement under Section 11(3)(a) of The Banks' (Nationalization) Act, 1974.

It is requested that remuneration of the non-executive / independent Directors and Mr. Ashraf Mahmood Wathra, non-executive Chairman, Board of Directors of the Bank be approved as recommended by the Board of Directors of the Bank and in pursuance thereof, the following resolutions may be passed:

"***RESOLVED THAT*** the following package of Directors' meeting fee and other expenses, for attending Board/Committee meetings as allowed under the Board Remuneration Policy of the Bank, to Non-Executive / Independent Directors, as recommended by the Board of Directors of the Bank in its 344th meeting held on February 28, 2023, be and is hereby approved:

a)	Travel (In case meeting is held at stations other than that of directors' residence)	One return business class airfare (Already approved by the shareholders in 61st AGM held on March 31, 2010). (*unchanged*)
b)	Accommodation/Daily Allowance	Actual hotel bill or daily allowance @ Rs. 35,000/- per diem, in lieu of hotel accommodation and other expenses, for a maximum period of 3 days in either case. Actual meal expenses paid in cash by the Director will be reimbursed. (*increased from existing Rs. 15,000/-*).
c)	Mileage Allowance (In case of journey by road)	Rs. 50/- (Rupees Fifty only) per kilometer. (*increased from existing Rs. 30/- per kilometer*).
d)	Fee per meeting for each Non-Executive / Independent Director for attending Board / Committee meeting.	Rs. 400,000/- for attending each meeting of Board / Board Committee + 20% of the meeting fee for holding the Office of the Chairman, Board of Directors. (*increased from existing Rs. 150,000/-*)."

"***FURTHER RESOLVED THAT*** in terms of Section 11(3)(a) of The Banks' (Nationalization) Act, 1974, the following remuneration for Mr. Ashraf Mahmood Wathra, as non-executive Chairman, Board of Directors, NBP, as recommended by the Board of Directors of the Bank in its 344th meeting held on February 28, 2023, be and is hereby approved for a term of three (3) years:

HEAD	**REMUNERATION DETAIL**
Tenure	From 18-01-2023 to 17-01-2026
Meeting Fee	Rs. 400,000/- for attending each meeting of Board / Board Committee + 20% of the meeting fee for holding the Office of the Chairman, Board of Directors.
Fixed Remuneration	Nil
Travelling (Domestic)	As per policy / package already approved by the

for Board meetings / Official work	shareholders for all Board members.
Hotel / Per Diem (in lieu of hotel accommodation)	Actual / Rs. 35,000/-
Travelling (Overseas)	Business Class
Hotel / Per Diem (in lieu of hotel accommodation) - International	Actual / US$ 400
Office facility	Yes
Secretarial staff	5 (Max. upto Rs. 2.0 million per month)
Security guards at Residence	2 security guards each on 12 hours shift including one mobile gunman.
Security guards for providing security at Chairman's Office	Adequate security arrangements at Office premises.
Office work expenses	In Chamber: Actual Out of Chamber: Actual
Vehicle	1800cc. "

Disclosure: In terms of Section 134(3) of The Companies Act, 2017, all directors and Chairman, except the President, are interested in this special resolution.

UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Directors' Report to the Members

Dear Shareholders,

The Board of Directors are pleased to present the Annual Report of National Bank of Pakistan "NBP" "the Bank" together with the audited financial statements for the year-ended December 31, 2022 and the independent Auditors' Report thereon. Proper books of account have been maintained and these financial statements fairly present its state of affairs, the result of its operations, cash flows and changes in equity during the year.

Operating Context

The global economy continues to face slowing growth, high inflationary pressures and geo-political tensions which, it seems will persist in the near-to-short term. In most countries (especially the developed economies), central banks are responding aggressively to manage the rising inflationary pressures with a tight monetary stance and the consequence of exchange rate pressures on most emerging market currencies. Consequently, most countries are facing a multi-year slow growth trend in which rising debt burdens and weak investment are being observed.

Pakistan's economy is also beset by multidimensional challenges due to long-term macro imbalances and policy uncertainties. In early FY23, Pakistan's economy had just recovered from the COVID-19 pandemic and was undergoing structural adjustments. Supported by accommodative macroeconomic policies, the GDP grew by 6.0% in FY22. However, strong domestic demand, coupled with low productivity growth, high world commodity prices, and the global economic slowdown has exacerbated the external imbalances. To stabilize the economy, the Government began implementing a range of corrective policy measures to constrain aggregate demand, including a contractionary budget, increase in the local energy prices and a free floating exchange rate. As a result of these stabilization measures, growth is expected to slowdown, the exchange rate to stabilize and appropriate macroeconomic space would be created to adjust the size of the public debt, while the country's foreign exchange reserves were expected to gradually rise.

However, the economy suffered a setback due to catastrophic floods which have left nearly 33 million people devastated in the country and severely raised the economy's requirement of funding (domestic and foreign) to cope with the relief and rehabilitation of the flood affected as well the adverse impact on the domestic economy. The Government faces difficulty in continuing its social protection programs for these relief & rehabilitation efforts while maintaining progress towards achieving macroeconomic stabilization that was needed on its own merits. Based on currently available information, GDP growth could fall to around 2% in FY23, compared to the previous forecast of 3-4% before the floods. Meanwhile, higher food prices have raised the headline inflation around 25% YoY, somewhat above the pre-flood projection of 18-20%. In the prevailing inflationary environment, the State Bank of Pakistan has increased the policy rate from 9.75% at the beginning of 2022 to currently 17.0%. SBP has projected Large Scale Manufacturing to further slow down due to supply constraints and production cuts.

While removal of Pakistan from the FATF grey list was a positive development, the current account deficit, the external sector remains under stress due to delay in realization of official financial inflows and debt repayments. The Government is taking effective policy measures to address domestic and external imbalances. Key priorities include strengthening the fiscal position, continuing social protection to the poor, allowing free floating exchange rate and shifting from general subsidies (especially in terms of energy pricing) to a regime where subsidies are targeted. The timely implementation of these macro measures along with the revival of the IMF's Extended Fund Facility should resume the flow of multilateral support which is critical for Pakistan to successfully regain macroeconomic stability and advance its sustainable development agenda.

Performance and Outlook of the Banking Sector

Pakistan's banking sector has performed well and remained resilient during 2022. Spreads have improved on the back of higher average policy rate. However, continuity of the stress in the macroeconomic environment may have adverse implications on asset quality and overall banking industry's performance in 2023. Performance may also be affected by certain policy decisions like incremental tax regime (with particular reference to Advance-to-Deposit Ratio based tax) and the implementation of the Treasury Single Account. These fiscal measures can push the banks either to follow aggressive lending strategies, or to shed their deposits to avoid higher tax rates.

In the meanwhile, as per the SBP directives, IFRS 9 stands implemented effective January 01, 2023 which will change the computation of credit cost for banks - based on expected losses, resulting in, (i) a one-time provision on existing assets, routed through Equity and (ii) recurring provisions cost on P&L depending on each bank's asset book quality, and reclassification of certain investment. Also, it will lead to reclassification of certain investments with related income routed through 'Other Comprehensive Income' instead of the Profit & Loss Account. However, no major impact is expected on capital adequacy of the banks, as SBP has allowed banks to opt for a 'transitional arrangement' staggering the impact over 5 years.

However, effective internal controls, customer confidence and robust regulatory monitoring by the SBP makes the Pakistan banking industry agile and resilient enough to adjust to changing regulatory requirements and emerging economic & regulatory environment.

NBP's Strong Financial Delivery in 2022

The following financial discussion and analysis is based on statutory information unless otherwise stated. Despite the continued challenging environment, the Bank has delivered strong financial results for the year ended December 31, 2022. For the year under review, NBP has recorded after-tax profit of PKR 30.4 bn.

- Profitability (PKR 'Bn)

No.	Key Items	2022	2021	Better / (Worse)	
				Amount	%
1	NII	116.8	97.6	19.2	19.7% ▲
2	NFI	36.7	36.9	(0.3)	(0.7%) ▼
3	**Total Income**	**153.5**	**134.6**	**19.0**	14.1% ▲
4	Admin Exp.	78.2	60.0	(18.2)	30.3% ▲
5	Pre-Prov. Profit	75.3	74.6	0.8	1.0% ▲
6	Provision Charge	12.6	11.9	(0.7)	5.7% ▲
7	Extraordinary Item	-	9.8	(9.8)	(100.0%) ▼
8	**Pre-tax profit**	**62.7**	**52.9**	**9.9**	**18.7% ▲**
9	Tax	32.3	24.9	(7.5)	30.1% ▲
10	**After-tax profit**	**30.4**	**28.0**	**2.4**	**8.6% ▲**
11	EPS (Rs.)	14.29	13.16	1.13	8.6% ▲

In the backdrop of higher average policy rates coupled with a major volumetric growth in interest bearing assets, the Bank generated a gross mark-up/interest income of PKR 503.3 Bn which is more than double the PKR 231.9 Bn of prior year. Likewise, interest/mark-up expense amounted to PKR 386.5 Bn, of which PKR 209.6 Bn or 54.2% was paid to the depositors. Consequently, net interest/mark-up income "NII" closed at PKR 116.8 Bn which is 19.7% higher, YoY. Despite a lacklustre trade & business activity during the year, the Bank succeeded in maintaining its non-mark-up / interest earning "NFI" stream that closed at PKR 36.7 Bn (2021:PKR 36.9 Bn). Accordingly, total revenue of the Bank closed 14.1% high YoY at PKR 153.5 Bn (2021:PKR 134.6 Bn).

Operating & other expenses for the year amounted to PKR 78.2 Bn depicting a YoY increase 30.3%. HR costs that constitute around 62.5% of the total operating expenses, amounted to PKR 48.8 Bn i.e. 31.8% up against PKR 37.0 Bn in 2021. Pertinent to mention this YoY increase in HR costs is mainly due to the fact that the year 2021 cost was on a lower side as compared to 2020 due to reversals of certain accruals created in the prior years which were no longer required. Excluding the impact of such reversals, the cumulative average growth in staff cost stood 11%.

The Bank invests appropriate funds in the uplift and maintenance of its business premises, providing a secure & healthy work environment to its workforce and customers. This year we spent a sum of PKR 1.1 'Bn on repair and maintenance of our business premises. Overall property-related expenses amounted to PKR 10.7 'Bn, which is 26.7% more than the prior year. Since Information Technology is pivotal for the Bank to achieve its strategic goals, we continue to invest in upgrading our core banking application, systems, and applications architecture. In 2022, we spent PKR 2.0 'Bn on software maintenance and PKR 0.8 'Bn on network enhancement. In line with our prudent strategy to buttress the Bank's balance sheet against possible stress, PKR 12.6 Bn provisions have been taken, of which PKR 8.1 Bn are against advances (mostly being general provisions in view of the credit risks associated with certain sectoral pressures which are becoming evident) and PKR 3.8 Bn against investments. Consequently, profit before tax amounted to PKR 62.7 Bn which is 18.7% higher YoY.

With the recent changes in taxation laws, the effective tax rate stood at 51.5% (2021:47.0%) and amounted to PKR 32.3 Bn. While the banking industry is already subject to a super tax charge of 10% with incremental 4% statutory tax rate, this additional tax has impacted after-tax profitability of the banks (including NBP). Furthermore, the Finance Act-2022 imposed 10% additional tax on banks if their Advances to Deposit Ratio falls below 50%; and 16% if the ADR goes below 40%. Accordingly, the Bank has in this regard recognized a prior year tax charge of PKR 3.8 Bn.

Accordingly, the Bank's after-tax profit closed at PKR 30.4 Bn which is 8.6% higher than PKR 28.0 Bn of previous year (in which the applicable tax rates and charges on banks were significantly lower).

- Balance Sheet Growth

The Bank's end of year total assets closed at PKR 5,240.4 Bn which is a massive 36.2% increase from PKR 3,846.7 Bn at the end of 2022. Capital & reserve closed at PKR 300.8 Bn i.e. PKR 14.6 Bn or 5.1% up from PKR 286.2 Bn on December 31, 2021.

Key Item	2022	2021	Growth
Investments – Net	3,477.4	1,938.2	79.4%
Advances (net)	1,230.5	1,113.4	10.5%
Total Assets	5,240.4	3,846.7	36.2%
Deposits	2,666.2	3,019.2	(11.7%)
Borrowings	1,940.5	312.9	520.1%
Net Assets	300.8	286.2	5.1%
Break-up Value Per Share	141.4	134.5	5.1%
Islamic Baking Total Assets	109.3	100.9	8.3%

Gross loans & advances stood at PKR 1,438.6 Bn depicting a modest YoY increase of 10.2% or PKR 133.4 Bn; whereas, net advances stood at PKR 1,230.5 Bn. Growth in advances was achieved in most of our products including corporate, commodity, agriculture and Islamic. Consequently, the advance-to-deposit ratio improved to 54.0% at the end of 2022 as compared to 43.2% at the end of 2021. Non-performing loans recorded a small increase of 3.7% and amounted to PKR 205.3 Bn (2021:PKR 197.9 Bn). With PKR 190.7 Bn of specific provisions held, NPL coverage ratio stood high at 93%.

The Bank's investments (at cost) amounted to PKR 3,509.0 Bn (2021:PKR 1,924.2 Bn) with a carrying value of PKR 3,477.4 Bn (2021:PKR 1,938.2 Bn). Pursuant to an effective yield/interest rate risk and liquidity

management strategy, the Bank is maintaining a diversified investment portfolio across zero risk weighted GoP instruments, high dividend yielding equities and other interest-bearing financial assets with interest sensitive maturity pattern.

As of December 31, 2022, total deposits with the Bank amounted to PKR 2,666.2 Bn as compared to PKR 3,019.2 billion at the end of 2021. This reduction in deposits is based on a focussed strategy to reduce the ADR based tax imposition so as to deliver a higher after-tax profit to our shareholders. Major share of the Bank's funding comes from sticky customer deposits that contribute 98.1% of the total deposits. With current deposits amounting to PKR 1,310.2 Bn or 49.1% of the total deposits, the Bank maintains a strong liquidity profile. The Bank maintained its CASA ratio high at 79.4%. Detailed coverage of the financial performance and other organizational development is also given elsewhere in this Annual Report. The Bank has enough resources to meet all its financial obligations and hasn't defaulted in payment of any debt or other financial obligation.

Appropriation of Profit

Profit for the year ended December 31, 2022 after carry forward of accumulated profit of 2021 is proposed to be appropriated as follows:

	(PKR 'Mn)
Profit after tax for the year ended December31, 2022	30,410.3
Unappropriated profit brought forward	140,073.8
Other comprehensive income - net of tax	(3,129.1)
Transfer from surplus on revaluation of fixed assets-net of tax	197.7
Transfer from general loan loss reserve	8,000.0
Profit available for appropriations	175,552.7
Appropriation:	
Transfer to Statutory Reserve	(3,041.0)
Un-appropriated profit carried forward	**172,511.7**

- ## Capital Adequacy & Strength

The Bank's financial soundness continues to improve significantly annually. While Common Equity Tier 1 (CET1) Capital ratio stood at 16.30% (2021:15.42%), the Total Capital Ratio stood at 21.59% (2021:20.39%). The Bank's Leverage ratio was 3.08% at the end of 2022 (2021:3.47%). The Bank's liquidity coverage and net stable funding ratios also improved to 195% (2021:164%) and 251% (2021:278%) respectively against their regulatory requirement of 100%.

Credit Ratings

NBP is rated as 'AAA' by both the recognised credit rating agencies in Pakistan. In June 2022, M/s VIS Credit Rating Company re-affirmed the Bank's standalone credit rating as "AAA", the highest credit rating awarded by the company for a bank in Pakistan. Similarly, M/s PACRA Credit Rating Company also assigned the Bank long-term entity rating as 'AAA' (Triple AAA) and short-term credit rating as 'A1+' (A-one Plus).

Principal Activities

Principal activities of NBP during the year remained same as in prior year and included general banking services, credit, ATM and debit cards facilities, investment banking advisory, treasury and capital markets, housing and general finance, transaction banking, cash management, digital banking, international trade &

remittances, etc. The Bank's subsidiaries offer financial services to their customers including currency exchange, modaraba, fund management and securities brokerage services.

Governance & Stewardship by the Board

The Board remained focused on delivering its role of stewardship through providing effective leadership and strategic insight. As an integral part of the country's financial ecosystem, we are cognizant of our duties as a corporate citizen to act in a manner that benefits the Nation at large. A detailed overview of the functioning of the Board is given in the Corporate Governance section of this Report. Also a statement has been separately made regarding Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019. For better corporate governance, the Board forms sub-committees, currently including:

i. Board Audit Committee
ii. Board Risk & Compliance Committee
iii. Board HR & Remunerations Committee
iv. Board Technology & Development Committee
v. Board Inclusive Development Finance Committee

Changes in the Board of Directors

Details of the changes in the Board of Directors during the year are given under Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013, And the Listed Companies (Code of Corporate Governance) Regulations, 2019 included in this Annual Report.

Meeting of the BoD and BoD Committees Held during 2022

Details of the meetings of the Board and the Board Committees held during the year are included in this Annual Report.

Remuneration to the Directors

Remuneration Policy for the non-executive independent Directors for attending the Board and Board Committee meetings was approved by the shareholders in their general meeting held on July 27, 2020. The Policy is compliant with the applicable laws including NBP's bye-laws, the Banks' (Nationalisation) Act 1974, and instructions of the State Bank of Pakistan. In terms of this Policy, the Board shall, from time to time, determine and approve such level of remuneration for the members of the Board, for attending meetings of the Board or meetings of the Committees thereof, as may be within the limits for such remuneration as prescribed by the SBP from time to time and determined to be an adequate measure of remuneration for the performance of relevant duties by such members. In terms of the policy, the Board shall also ensure that such remuneration is not determined in a manner that may undermine the independence of the Board or Committee members. The details of compensation paid to the Directors in 2022 are disclosed in Note 41 to the unconsolidated financial statements.

Explanation with regards to emphasis of mater in the Auditors' Report

The external Auditors of the Bank have included emphasis of matter by drawing attention to Note 25.3.4.1 to the financial statements which explains the contingency in relation to litigation by retired employees of the Bank for pension benefits. As opined by its legal counsels, the Bank has reasonably strong legal grounds to convince the Honourable Supreme Court of Pakistan for reviewing its earlier judgement. Therefore, pending the decision on the review petitions, the financial impact of the subject case has not been included in the financial statements for the year ended December 31, 2022.

Proposed Dividend for The Year Ended December 31, 2021

As explained in note 48 of the annual audited unconsolidated financial statements of the Bank for the year ended December 31, 2021, the recommended cash dividend of Re.1 per share which amounted to Rs. 2,128 million, was not approved in the annual general meeting held on March 30, 2022.

Material changes subsequent to the Balance Sheet Date

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

Contribution in SBP-led Initiatives

In pursuit of its Vision to enable inclusive development, NBP has been actively supporting the Government and SBP-led initiatives for increasing financial inclusion and has extended financings under various refinance schemes and initiatives.

Impact of the Government Policies on the Bank Performance

Certain policies of the Government, while these create challenges as well as opportunities for the Bank, have a considerable impact on its performance. Key relevant policies include, e.g. mandatory participation in subsidised lending schemes, higher tax rates in relation to ADR, deposit protection premium, commission/fee income on government treasury business, and implementation of the treasury single account. Also, the Bank is a major lender to certain public sector companies which have been unable to meet their debt obligations to the Bank in a timely manner or in some cases are unable to service their debt at all. This causes a significant drag on the Bank's income. However, the Bank remains committed to fulfilling its role as a national institution and supporting the government and its initiatives in a manner that it also delivers profitability to its other shareholders.

Major Developments During the Year

Major progress was made during the year in the area of business & product development, market outreach, IT systems & infrastructure, human capital management, etc. Such development initiatives and their outcomes are discussed under respective sections elsewhere in this annual report.

Principal Risks & Uncertainties Facing the Bank

By the very nature of its business model, the Bank is exposed to certain principal risks. As part of its oversight, the Board ensures that adequate policies and risk management frameworks are in place to recognize all significant/material risks to which the Bank is or may be exposed to and that adequate resources and strategies have been deployed to mitigate such risks. The Bank is continuously reviewing its credit portfolio, to identify accounts and industries susceptible to higher risk, in these challenging times. Further, with respect to information security risk management arising as a result of Covid-19 and recent incident of cyber-attack on NBP servers, the Bank took appropriate actions to respond & monitor the evolving cybersecurity risks. Key risks to which the Bank is or may be exposed to include (i) Credit Risk; (ii) Treasury & Capital Risk; (iii) Market Risk; (iv) Operational Risk, and (v) Cybersecurity Risk. With increasing magnitude of floods and its impact on the agricultural sector, NBP's exposure to environmental risk is also becoming considerable because of its portfolio exposure to both carbon transition and physical climate risks as the largest and a most-diversified bank in Pakistan. A detailed indication of the principal risks and uncertainties as well as the future prospects is discussed in Note 47 to the financial statements.

Governance & Risk

Progressing with the Board's HR strategy, the Bank has continued to induct talent at senior levels. Also, the outdated Staff Service Rules (1973) have been repealed pursuant to the approval of the Federal Cabinet on April 01, 2021 and replaced by the Staff Service Rules-2021 which are more in consonance with the contemporary HR practices and procedures. This will set the foundation for promoting a culture of

accountability & meritocracy in the Bank. This Board acknowledges and appreciates the support of the Federal Government in this regard.

The Bank remains committed to ensure compliance with all the applicable laws, rules, regulations, and codes in the spirit of good governance, and recognises the need to continually improve its compliance & control capacity within its domestic as well as overseas network. A major revamping of the network structure has been implemented in 2021 to strengthen the control & compliance. Also, significant funds have been invested in acquiring new technological platforms for effective internal controls, , Anti Money Laundering /Know Your Customers, data accuracy & authenticity and generating quality MIS for efficient decision making.

Compliance & Risk Matters in the New York Branch

The Bank continues to remain committed to ensure compliance with all the applicable laws, rules, regulations, and codes in the spirit of good governance. To this end, the Board continued to effectively challenge management to ensure strategic directions to investments throughout the Bank's operations in new technological platforms for effective AML/CFT/CPF controls, data accuracy and authenticity, internal controls, etc. were well-throughout. As widely reported and disclosed in previous reporting periods, in February 2022, the Bank entered into consent orders with The Federal Reserve Bank of New York, and the New York State Department of Financial Services (NYDFS), the US regulators of NBP's New York branch. These orders included two civil money penalties totalling USD 55.4 Mn (PKR 9.8 Bn) that focused on historical weaknesses in the Compliance Program that persisted from 2016 and beyond, which were paid within the deadline. It is important to note that the US Regulators made no findings of improper transactions or wilful misconduct. Since then, substantial improvements have been made to comply with the orders and to the branch's controls. Going forward, the Board remains fully committed to satisfying the regulators' expectations.

Ongoing Investigation by the FIA

In July, 2021, the Federal Investigation Agency initiated an enquiry in the matter of M/s Hascol Petroleum's 'HPL' banking arrangements with the NBP as well as several private and other public sector banks. On January 21, 2022, several serving/former employees of the Bank were incriminated under various charges. At NBP, credit decisions were based on a set of published audited financial statements of HPL, and were made as per the applicable policies of the Bank and SBP regulations. NBP extended its full cooperation with the FIA on this investigation and has made available all relevant records required by the FIA. NBP's own stance on this matter was documented in submissions made to the State Bank of Pakistan and also to the FIA. Subsequently, the FIA cleared several of the Bank's serving employees on the grounds that 'no element of wrongdoing or illegal gratification was found on their part'. It is pertinent to mention that HPL has acknowledged its indebtedness to NBP for the full amount of outstanding loans and the same reflected in the books of accounts of the Bank.

IT Network & System Security

Subsequent to a major cyberattack on October 30th, 2021, that impacted some of the Bank's services, major steps were taken during 2022 to strengthen the IT Network & Systems security. Expert cyber security consultants were engaged in various capacities to contain the damage and formulate an incident response posture, based on which projects procurements and implementations were planned.

Visible improvement has taken place on the major technology initiative approved by the Board in 2022 for upgradation of the Bank's Core Baking Application. As stated in our prior year's report, for 2022 and 2023, focus remains on the task of upgrading the Core Banking Application and all necessary processes and procedures are being followed by the Bank to ensure its timely implementation. With the upgrade to the latest version, the Bank will have the latest technology, updated functionalities and performance improvements the vendor has built into the succeeding versions. The Core Banking Application upgrade will position the Bank well against its competitors to better serve its customers in today's increasingly digital environment.

Progress on Closure of Foreign Subsidiaries/Branches

In line with our strategy on international franchises of consolidation, the NBP Board has approved closure of presence in Central Asia Operations which comprised of two overseas Subsidiaries being in Almaty (Kazakhstan) and Dushanbe (Tajikistan) along with three overseas branches located in Baku (Azerbaijan), Bishkek (Kyrgyzstan) and Ashgabat (Turkmenistan). It also included closure of the representative office at Tashkent (Uzbekistan). Further, closure of the representative office at Toronto (Canada) and branches in Sylhet (Bangladesh), Jalalabad (Afghanistan) was also approved.

As of year-end 2022, NBP entities in Dushanbe Subsidiary (Tajikistan) and Ashgabat branch (Turkmenistan) stand closed whereas closure of Baku (Azerbaijan), Bishkek (Kyrgyzstan), Almaty (Kazakhstan) is under process. Further, Bank had already closed Jalalabad (Afghanistan) and Sylhet (Bangladesh) and 2 Rep. Offices, Tashkent (Uzbekistan) and Toronto (Canada) during the year 2021. Additionally, the BoD in their meeting dated January 17, 2022 had also approved the closure of the Paris Branch which is under process.

Contingency Regarding the Pension Case

Status of the case is the same as disclosed in Note 25.3.4.1 to the Annual Financial Statements for the year ended December 31, 2021. The Bank estimates an overall increase in pension liability, based on the independent actuarial firm report, amounted to PKR 89.7 Bn, excluding any penal interest / profit payment (if any) due to delayed payment. Further, the potential pension expense for the year 2022 onward will also increase by PKR 12.1 Bn due to an adverse decision. Based on the opinion of legal counsel, no provision for any additional pension liability has been made in these annual financial statements for the above mentioned amount as the Bank is confident about a favourable outcome on the matter. External auditors of the Bank have inserted an emphasis of matter para in their Audit report.

Impact of the Bank's Business on the Environment

The Bank is cognizant of the environmental consequences of its operations and its obligation to safeguard against environmental vulnerabilities. While the Bank's business operations do not have a direct impact on the environment, the Bank has taken measures for implementation of the Green Banking initiatives under the SBP's Green Banking Guidelines to provide finance to transform the economy into a resource efficient and climate resilient one. We have embedded the consideration of social, economic and environmental impacts into our business strategy and decision-making processes. In line with the Environmental & Social Risk Management Implementation Manual issued by the State Bank of Pakistan, the Board and the Management are committed to develop an Environmental and Social Management System to understand, monitor and manage its social, environmental and economic impact to enable it to contribute to society's wider goal of sustainable development. A detailed report on the activities undertaken by the Bank with regard to corporate social responsibility during the year is given separately elsewhere in this report.

Appointment of Auditors

The existing auditors of the Bank M/s Yousuf Adil Chartered Accountants and M/s A. F. Ferguson & Co. Chartered Accountants will be retiring this year. The Board is pleased to endorse the recommendation of the Board Audit Committee for re-appointment of M/s PwC A. F. Ferguson & Co. Chartered Accountants, and appointment of M/s BDO Ebrahim & Co. Chartered Accountants to be the auditors of the Bank for the year ending December 31, 2023, in place of the retiring auditors namely M/s Yousuf Adil, Chartered Accountants. M/s PwC A.F. Ferguson being eligible and have offered themselves for re-appointment as external auditors of the Bank for the year ending December 31, 2023; whereas Yousuf Adil Chartered Accountants shall have completed their 5 years at the end of 74th AGM.

Endorsement

The following information has been provided elsewhere in this Annual Report. The Board is pleased to endorse the same:

i) Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013, And the Listed Companies (Code of Corporate Governance) Regulations, 2019 included in this Annual Report.
ii) The Management Statement of Internal Controls
iii) Risk Management Overview
iv) Review of the performance of various business and support functions
v) Report on Corporate Social Responsibility initiatives
vi) Pattern of Shareholding
vii) Credit Rating and Awards.

Future Outlook

We anticipate 2023 to be challenging as the macroeconomic expectations are that effects of the large-scale flooding and aftershocks of the COVID-19 pandemic will be long lasting and the pace of economic recovery remains uncertain. This, coupled with the policy uncertainties, may have a significant impact on how businesses are run in 2023 and beyond. It may also have the effect on the Bank's portfolio risk profile, earning potentials and resilience.

Despite such headwinds, your Bank will continue to play its due role in supporting a robust economic recovery in the country, while also maintaining a strong & resilient balance sheet to sustainably create value for its shareholders. The Bank's business strategy will remain focused on financing and supporting underserved sectors including SME, Microfinance, Agriculture finance and the Government initiated subsidised schemes as well as Islamic financing.

Acknowledgement & Appreciation

We appreciate the continued efforts & dedication of our employees towards ensuring continuity of uninterrupted service to the Nation. We would like to acknowledge the Government of Pakistan, the State Bank of Pakistan, the SECP and other regulatory bodies for their continued support in enabling the Bank to achieve its true potential and contribute towards the socio-economic development of Pakistan.

We would also like to thank our present teammates and the retiring Chairman Mr. Zubyr Soomro and retiring President/CEO Mr. Arif Usmani for their contributions towards making the Bank resilient and capable of creating inclusive growth opportunities for the Nation.

For and on behalf of the Board of Directors

Rehmat Ali Hasnie
President & CEO (A)

Farid Malik
Director

Karachi
Dated: February 28, 2023

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

A.F. Ferguson & Co.
Chartered Accountants
State Life Building No. 1-C
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Karachi - 74000

INDEPENDENT AUDITORS' REPORT

To the members of National Bank of Pakistan

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of National Bank of Pakistan (the Bank), which comprise the unconsolidated statement of financial position as at December 31, 2022, and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement for the year then ended, along with unaudited certified returns received from the branches except for 98 branches which have been audited by us and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2022 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note 25.3.4.1 to the unconsolidated financial statements which explains the contingency in relation to the pension obligation of the Bank. The Bank, based on the opinion of its legal counsel, is confident about a favorable outcome on this matter and hence, no provision has been made in these unconsolidated financial statements. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the unconsolidated financial statements of the current period. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key Audit Matters:

S.No.	Key Audit Matter	How the matter was addressed in our audit
1	**Provision against advances** (Refer notes 5.6 and 11.4 to the unconsolidated financial statements)	
	The Bank makes provision against advances extended in Pakistan on a time-based criteria that involves ensuring that all non-performing advances are classified in accordance with the ageing criteria specified in the Prudential Regulations (PRs) issued by the State Bank of Pakistan (SBP). In addition to the above time-based criteria, the PRs require a subjective evaluation of the credit worthiness of borrowers to determine the classification of advances. The PRs also require the creation of general provision for certain categories of advances. Provision against advances of overseas locations is made as per the requirements of the respective regulatory regimes. The Bank has recognized a net provision against advances amounting to Rs. 8,060 million in the unconsolidated profit and loss account in the current year. As at December 31, 2022, the Bank holds a provision of Rs 208,059 million against advances. This includes a general provision against the underperforming portfolio on a prudent basis. The determination of provision against advances based on the above criteria remains a significant area of judgement and estimation. Because of the significance of the impact of these judgements / estimations and the materiality of advances relative to the overall unconsolidated financial statements of the Bank, we considered the area of provision against advances as a key audit matter.	Our audit procedures to verify provision against domestic advances included, amongst others, the following: ▪ Obtained an understanding of the management process to record provision and ensure that it is consistent with the requirements of PRs; ▪ Evaluated the design and tested the operating effectiveness of the relevant controls established by the Bank to identify loss events and for determining the extent of provisioning required against non-performing advances; and ▪ Selected a sample of loan accounts and performed the following substantive procedures to evaluate the appropriateness of specific and general provision: i) Checked credit documentation, repayments of loan / mark-up instalments, tested classification of non-performing advances based on the number of days overdue; ii) Evaluated the management's assessment for classification of a customer's loan facilities as performing or non-performing based on review of repayment pattern, inspection of credit documentation and thorough discussions with the management; iii) In case of restructured loans, we reviewed the detailed documentation of restructuring including approvals, legal opinions, terms of restructuring, payment records and any other relevant documents to ensure that restructuring was made in accordance with the PRs; iv) We also reviewed minutes of the meeting of credit, risk and compliance and audit committees to identify risky exposures; and v) We had discussions with management to challenge assumptions and judgements used in performing portfolio review and recording provisions. We issued instructions to auditors of those overseas branches which were selected for audit, highlighting 'Provision against advances' as a significant risk. The auditors of those branches performed audit procedures to check compliance with regulatory requirements and reported the results thereof to us. We, as auditors of the Bank, evaluated the work performed by the component auditors and the results thereof.

S.No.	Key Audit Matter	How the matter was addressed in our audit
2	**Valuation of listed equity shares, units of mutual funds and term finance certificates classified as available-for-sale** (Refer notes 5.2 and 10.1 to the unconsolidated financial statements)	
	The Bank has significant investments in equity shares, units of mutual funds and term finance certificates (TFCs) classified as Available for Sale (AFS). As per the Bank's policy, listed equity shares and units of mutual funds are required to be considered for impairment when there is a significant or prolonged decline in the fair value of investments. Further, TFCs are required to be assessed for impairment as per the SBP's Prudential Regulations which involves subjective criteria. The significance of the investment amount, subjectivity involved, and assumptions used in impairment make it significant to the unconsolidated financial statements. Therefore, we have considered this as a key audit matter.	On a sample basis, we have performed the following procedures: ▪ Each investment's cost was compared to its market value wherever available to determine decline / surplus in valuation; ▪ Checked whether, in case of listed equity shares and units of mutual funds classified as available for sale, impact of significant or prolonged decline was recognized consistently as per the policy of the Bank as disclosed in note 5.25(c); and ▪ For TFCs, checked that listed TFCs were valued as per the quoted prices and unlisted TFCs were valued at cost less provision. Further, TFCs were also evaluated based on evidence of deterioration in the financial health of the investee and repayment pattern.

Information Other than the Unconsolidated and Consolidated Financial Statements and Auditors' Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the unconsolidated and consolidated financial statements and our auditors' reports thereon.

Our opinion on the unconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the unconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the unconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

The Board of directors is responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Unconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the unconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these unconsolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the unconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the unconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. Based on our audit, we further report that in our opinion:

   a) proper books of account have been kept by the Bank as required by the Companies Act, 2017 (XIX of 2017) and the returns referred above from the branches have been found adequate for the purpose of our audit;

   b) the unconsolidated statement of financial position, the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;

   c) investments made, expenditure incurred and guarantees extended during the year were in accordance with the objects and powers of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank; and

   d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

2. We confirm that for the purpose of our audit we have covered more than sixty per cent of the total loans and advances of the Bank.

The engagement partners on the audit resulting in this independent auditors' report are Nadeem Yousuf Adil and Shahbaz Akbar on behalf of Yousuf Adil and A. F. Ferguson & Co. respectively.

Yousuf Adil
Chartered Accountants
Karachi
Dated: March 6, 2023
UDIN: AR2022100918F4Ga1TJ5

A. F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: March 6, 2023
UDIN: AR202210068sOvnUz1bH

NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

2021	2022		Note	2022	2021
---------- (US Dollars in '000) ----------				---------- (Rupees in '000) ----------	
		ASSETS			
1,231,047	**1,015,369**	Cash and balances with treasury banks	7	**229,910,949**	278,747,059
78,024	**82,117**	Balances with other banks	8	**18,593,800**	17,667,067
1,481,541	**138,110**	Lendings to financial institutions	9	**31,272,467**	335,466,675
8,559,656	**15,357,241**	Investments	10	**3,477,353,874**	1,938,170,642
4,917,140	**5,434,425**	Advances	11	**1,230,521,804**	1,113,392,485
238,953	**252,200**	Fixed assets	12	**57,105,842**	54,106,376
2,862	**6,134**	Intangible assets	13	**1,388,947**	647,970
29,172	**29,627**	Right of use assets	14	**6,708,404**	6,605,400
7,179	**98,482**	Deferred tax assets	15	**22,299,403**	1,625,647
442,765	**729,887**	Other assets	16	**165,269,056**	100,255,148
16,988,339	**23,143,592**			**5,240,424,546**	3,846,684,469
		LIABILITIES			
96,490	**244,083**	Bills payable	17	**55,268,019**	21,848,270
1,381,989	**8,569,881**	Borrowings	18	**1,940,485,787**	312,925,106
13,333,671	**11,774,826**	Deposits and other accounts	19	**2,666,184,360**	3,019,155,045
34,863	**36,514**	Lease liability against right of use assets	20	**8,267,949**	7,893,960
877,352	**1,189,636**	Other liabilities	21	**269,370,672**	198,659,523
15,724,365	**21,814,940**			**4,939,576,787**	3,560,481,904
1,263,974	**1,328,652**	**NET ASSETS**		**300,847,759**	286,202,565
		REPRESENTED BY			
93,959	**93,959**	Share capital	22	**21,275,131**	21,275,131
266,622	**283,283**	Reserves	23	**64,144,050**	60,371,495
284,776	**189,536**	Surplus on revaluation of assets	24	**42,916,902**	64,482,122
618,617	**761,874**	Unappropriated profit		**172,511,676**	140,073,817
1,263,974	**1,328,652**			**300,847,759**	286,202,565
		CONTINGENCIES AND COMMITMENTS	25		

The annexed notes 1 to 51 and annexures I and II form an integral part of these unconsolidated financial statements.

Chairman	President / Chief Executive Officer (A)	Chief Financial Officer	Director	Director

NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2022

2021	2022		Note	2022	2021
--------- (US Dollars in '000) ---------				---------- (Rupees in '000) ----------	
1,024,077	**2,222,799**	Mark-up / return / interest earned	26	**503,310,285**	231,882,702
592,962	**1,706,851**	Mark-up / return / interest expensed	27	**386,483,771**	134,264,896
431,115	**515,948**	Net mark-up / interest income		**116,826,514**	97,617,806
		NON MARK-UP / INTEREST INCOME			
78,628	**93,415**	Fee and commission income	28	**21,152,110**	17,803,801
20,291	**22,995**	Dividend income		**5,206,811**	4,594,593
28,753	**32,900**	Foreign exchange income		**7,449,563**	6,510,668
27,330	**5,026**	Gain on securities - net	29	**1,137,947**	6,188,319
8,145	**7,673**	Other income	30	**1,737,445**	1,844,236
163,147	**162,009**	Total non-mark-up / interest income		**36,683,876**	36,941,617
594,262	**677,957**	Total income		**153,510,390**	134,559,423
		NON MARK-UP / INTEREST EXPENSES			
263,468	**344,918**	Operating expenses	31	**78,099,994**	59,657,321
1,530	**321**	Other charges	32	**72,626**	346,463
264,998	**345,239**	Total non-markup / interest expenses		**78,172,620**	60,003,784
329,264	**332,718**	Profit before provisions		**75,337,770**	74,555,639
52,627	**55,649**	Provisions and write offs - net	33	**12,600,607**	11,916,383
43,187	**-**	Extra ordinary item	25.5	**-**	9,778,848
233,450	**277,069**	**PROFIT BEFORE TAXATION**		**62,737,163**	52,860,408
109,757	**142,767**	Taxation	34	**32,326,863**	24,852,420
123,693	**134,302**	**PROFIT AFTER TAXATION**		**30,410,300**	28,007,988
---------- (US Dollars) ----------				---------- (Rupees) ----------	
0.06	**0.06**	**Basic earnings per share**	35	**14.29**	13.16
0.06	**0.06**	**Diluted earnings per share**	36	**14.29**	13.16

The annexed notes 1 to 51 and annexures I and II form an integral part of these unconsolidated financial statements.

Chairman	President / Chief Executive Officer (A)	Chief Financial Officer	Director	Director

NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022

2021	2022		2022	2021
----- (US Dollars in '000) -----			--------- (Rupees in '000) ---------	
123,693	**134,302**	Profit after taxation for the year	**30,410,300**	28,007,988
		Other comprehensive income / (loss)		
		Items that may be reclassified to profit and loss account in subsequent periods:		
4,451	**38,474**	Effect of translation of net investments in foreign branches	**8,711,721**	1,007,763
(38,038)	**(106,619)**	Movement in deficit on revaluation of investments - net of tax	**(24,141,899)**	(8,613,053)
(33,587)	**(68,145)**		**(15,430,178)**	(7,605,290)
		Items that will not be reclassified to profit and loss account in subsequent periods:		
(6,019)	**(13,819)**	Remeasurement loss on defined benefit obligations - net of tax	**(3,129,095)**	(1,362,794)
(2,185)	**13,634**	Movement in surplus / (deficit) on revaluation of fixed assets - net of tax	**3,087,269**	(494,741)
436	**(1,382)**	Movement in (deficit) / surplus on revaluation of non-banking assets - net of tax	**(312,906)**	98,660
(7,768)	**(1,567)**		**(354,732)**	(1,758,875)
82,338	**64,590**	**Total comprehensive income**	**14,625,390**	18,643,823

The annexed notes 1 to 51 and annexures I and II form an integral part of these unconsolidated financial statements.

Chairman	President / Chief Executive Officer (A)	Chief Financial Officer	Director	Director

NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022

	Share capital	Reserves						Surplus / (deficit) on revaluation of assets			Unappropriated profit	Total
		Exchange translation	Statutory reserve	Merger reserve	General loan loss reserve	Revenue general reserve	Total	Investments	Fixed / Non-Banking Assets	Total		
	(Rupees in '000)											
Balances as at January 01, 2021	21,275,131	11,570,091	36,127,702	343,802	8,000,000	521,338	56,562,933	28,501,270	45,198,074	73,699,344	116,021,334	267,558,742
Profit after taxation for the year ended December 31, 2021	-	-	-	-	-	-	-	-	-	-	28,007,988	28,007,988
Other comprehensive income - net of tax	-	1,007,763	-	-	-	-	1,007,763	(8,613,053)	(396,081)	(9,009,134)	(1,362,794)	(9,364,165)
Transfer to statutory reserve	-	-	2,800,799	-	-	-	2,800,799	-	-	-	(2,800,799)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(208,088)	(208,088)	208,088	-
Transactions with owners, recorded directly in equity												
Cash dividend paid (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2021	**21,275,131**	**12,577,854**	**38,928,501**	**343,802**	**8,000,000**	**521,338**	**60,371,495**	**19,888,217**	**44,593,905**	**64,482,122**	**140,073,817**	**286,202,565**
Profit after taxation for the year ended December 31, 2022	-	-	-	-	-	-	-	-	-	-	**30,410,300**	**30,410,300**
Other comprehensive income - net of tax	-	**8,711,721**	-	-	-	-	**8,711,721**	**(24,141,899)**	**2,774,363**	**(21,367,536)**	**(3,129,095)**	**(15,784,910)**
Transfer to statutory reserve	-	-	**3,041,030**	-	-	-	**3,041,030**	-	-	-	**(3,041,030)**	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-		-	-	-	-	-	**197,684**	-
Transfer to unappropriated profit	-	-	-	-	**(8,000,000)**	-	**(8,000,000)**	-	-	-	**8,000,000**	-
Adjustment of Merger Reserve	-	-	-	**19,804**	-	-	**19,804**	-	-	-	-	**19,804**
Transactions with owners, recorded directly in equity												
Cash dividend paid (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2022	**21,275,131**	**21,289,575**	**41,969,531**	**363,606**	**-**	**521,338**	**64,144,050**	**(4,253,682)**	**47,170,584**	**42,916,902**	**172,511,676**	**300,847,759**

The annexed notes 1 to 51 and annexures I and II form an integral part of these unconsolidated financial statements.

Chairman | **President / Chief Executive Officer(A)** | **Chief Financial Officer** | **Director** | **Director**

NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022

2021	2022		Note	2022	2021
------- (US Dollars in '000) -------				---------- (Rupees in '000) ----------	
		CASH FLOW FROM OPERATING ACTIVITIES			
233,450	**277,069**	Profit before taxation		**62,737,163**	52,860,408
(20,291)	**(22,995)**	Less: Dividend income		**(5,206,811)**	(4,594,593)
213,159	**254,074**			**57,530,352**	48,265,815
		Adjustments:			
19,519	**19,749**	Depreciation		**4,471,704**	4,419,746
1,499	**1,427**	Amortization		**323,149**	339,382
52,627	**55,649**	Provision and write-offs	33	**12,600,607**	11,916,383
-	**(190)**	Gain on disposal of subsidiary and branch		**(42,933)**	-
(278)	**(20)**	Gain on sale of fixed assets		**(4,441)**	(62,945)
3,590	**4,031**	Finance charges on leased assets		**912,754**	812,964
533	**2,705**	Unrealized loss on revaluation of investments classified as held-for-trading		**612,481**	120,675
32,710	**36,895**	Charge for defined benefit plans - net		**8,354,267**	7,406,457
110,200	**120,246**			**27,227,588**	24,952,662
323,359	**374,320**			**84,757,940**	73,218,477
		(Increase) / decrease in operating assets			
(837,753)	**1,250,687**	Lendings to financial institutions		**283,194,208**	(189,693,077)
(101,936)	**155,551**	Held-for-trading securities		**35,221,594**	(23,081,441)
(642,956)	**(590,185)**	Advances		**(133,636,179)**	(145,585,209)
26,523	**(296,820)**	Other assets (excluding advance taxation)		**(67,209,195)**	6,005,588
(1,556,122)	**519,233**			**117,570,428**	(352,354,139)
		Increase / (decrease) in operating liabilities			
22,316	**147,594**	Bills payable		**33,419,749**	5,053,084
581,337	**7,277,222**	Borrowings from financial institutions		**1,647,788,025**	131,632,640
2,650,648	**(1,558,845)**	Deposits and other accounts		**(352,970,685)**	600,188,566
170,168	**301,380**	Other liabilities		**68,241,777**	38,531,195
3,424,469	**6,167,351**			**1,396,478,866**	775,405,485
(99,524)	**(147,899)**	Income tax adjusted / paid		**(33,488,980)**	(22,535,380)
(13,391)	**(16,054)**	Payments on account of staff retirement benefits		**(3,635,107)**	(3,032,126)
2,078,791	**6,896,951**	Net cash flow generated from operating activities		**1,561,683,147**	470,702,317
		CASH FLOW FROM INVESTING ACTIVITIES			
(1,353,335)	**(6,773,806)**	Net investments in available-for-sale securities		**(1,533,799,090)**	(306,436,769)
(694,084)	**(385,407)**	Net investments in held-to-maturity securities		**(87,267,953)**	(157,162,049)
20,291	**22,995**	Dividends received		**5,206,811**	4,594,593
(8,340)	**(11,638)**	Investments in fixed assets and intangibles		**(2,635,099)**	(1,888,345)
438	**247**	Proceeds from sale of fixed assets		**55,915**	99,147
7,452	**41,783**	Effect of translation of net investment in foreign branches		**9,461,011**	1,687,352
-	**6,726**	Proceed from closure of subsidiary and branch		**1,041,531**	-
(2,027,578)	**(7,099,100)**	Net cash flow used in investing activities		**(1,607,936,874)**	(459,106,071)
		CASH FLOW FROM FINANCING ACTIVITIES			
(10,820)	**(10,724)**	Payments of lease obligations		**(2,428,160)**	(2,450,084)
(16)	**(1)**	Dividend paid		**(146)**	(3,519)
(10,836)	**(10,725)**	Net cash flow used in financing activities	37.1	**(2,428,306)**	(2,453,603)
40,377	**(212,874)**	**(Decrease) / increase in cash and cash equivalents**		**(48,682,033)**	9,142,643
1,158,162	**1,198,539**	Cash and cash equivalents at beginning of the year		**271,386,360**	262,243,717
1,198,539	**985,665**	Cash and cash equivalents at end of the year	37	**222,704,327**	271,386,360

The annexed notes 1 to 51 and annexures I and II form an integral part of these unconsolidated financial statements.

Chairman	President / Chief Executive Officer (A)	Chief Financial Officer	Director	Director

NATIONAL BANK OF PAKISTAN
NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

1. STATUS AND NATURE OF BUSINESS

National Bank of Pakistan (the Bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on the Pakistan Stock Exchange (PSX). Its registered and head office is situated at I.I. Chundrigar Road, Karachi. The Federal Government through State Bank of Pakistan (SBP) holds controlling interest (75.6% shareholding) in the Bank. The Bank is engaged in providing commercial banking and related services in Pakistan and overseas. The Bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the SBP. The Bank operates 1,512 (2021: 1,513) branches in Pakistan including 188 (2021: 189) Islamic Banking branches and 18 (2021: 19) overseas branches (including the Export Processing Zone branch, Karachi). The Bank also provides services in respect of Endowment Fund for students loan scheme and IPS accounts.

2. BASIS OF PRESENTATION

2.1 In accordance with the directives of the Federal Government of Pakistan regarding the shifting of the banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible forms of trade related mode of financing include purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these unconsolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

Key financial figures of the Islamic banking branches of the Bank have been disclosed in annexure II to these unconsolidated financial statements.

2.2 These are the unconsolidated financial statements of the Bank in which the investments in subsidiaries, associates and joint ventures are stated at cost and have not been accounted for on the basis of reported results and net assets of the investees which are done in the consolidated financial statements.

2.3 The US Dollar amounts shown on the statement of financial position, profit and loss account, statement of comprehensive income and cash flow statement are stated as additional information solely for the convenience of readers. For the purpose of conversion to US Dollars, the rate of Rs. 226.4309 to 1 US Dollar has been used for 2022 and 2021 as it was the prevalent rate as on December 31, 2022.

3. STATEMENT OF COMPLIANCE

3.1 These unconsolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Islamic Financial Accounting Standards (IFAS), issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017;
- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

Where the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017, or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

3.2 SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. Moreover, SBP vide BPRD circular no. 4, dated February 25, 2015, has deferred the applicability of Islamic Financial Accounting Standards (IFAS) 3, Profit and Loss Sharing on Deposits. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these unconsolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

3.3 The SECP vide SRO 56 (1) / 2016 dated January 28, 2016, has notified that the requirements of IFRS 10 (Consolidated Financial Statements) and section 228 of the Companies Act, 2017 will not be applicable with respect to the investment in mutual funds established under trust structure.

3.4 Application of new and revised International Financial Reporting Standards (IFRSs)

3.4.1 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year.

The following standards, amendments and interpretations are effective for the year ended December 31, 2022. These standards, amendments and interpretations are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's unconsolidated financial statements other than certain additional disclosures:

- Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021
- Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework
- Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract
- Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)

Certain annual improvements have also been made to a number of IFRSs.

3.4.2 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective.

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's unconsolidated financial statements other than certain additional disclosures:

	Effective from accounting period beginning on or after
- Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
- Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023
- Amendments to IFRS 16 ' Leases' -Clarification on how seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
- Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
- Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely

There are certain new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2022 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these unconsolidated financial statements.

3.4.3 The SBP vide its BPRD Circular No. 02 of 2023 dated February 9, 2023 has specified the new reporting format for financial statements of Banking Companies. The new format has revised the disclosure requirements and will become applicable for the financial statements of the Bank for the quarter ending March 31, 2023.

3.4.4 Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

3.4.5 The management anticipates that these new standards, interpretations and amendments will be adopted in the Bank's unconsolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on these unconsolidated financial statements of the Bank in the period of initial application.

3.4.6 IFRS 9 Financial Instruments:

As directed by SBP via BPRD Circular no 3 of 2022, IFRS 9 Financial Instruments is effective for periods beginning on or after 1 January 2023 for banks having asset base of more than Rs. 500 billion as at 31 December 2021. SBP via same circular has finalized the instructions on IFRS 9 (Application Instructions) for ensuring smooth and consistent implementation of the standard in the banks.

During the 2022, the management of the Bank has performed an impact assessment of IFRS 9 taking into account the SBP's IFRS 9 application instructions. The assessment is based on available information and may be subject to changes arising from further reasonable and supportable information being made available to the Bank at the time of finalizing the impact for initial application of IFRS 9. In addition, the Bank will implement changes in classification of certain financial instruments. These changes and impacts are discussed below:

An overview of the IFRS 9 requirements that are expected to have significant impact are discussed below along with the additional requirements introduced by the SBP:

Governance, ownership and responsibilities

The Bank has adopted a governance framework requiring the Risk, Finance, Operations, Internal Audit and IT functions to effectively work together to ensure input from all business lines. IFRS 9 requires robust credit risk models that can predict Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

Risk Management Division has develop Models/ methodologies for PD, LGD and Credit Conversion Factor (CCF). These models shall be validated on annual basis considering the following aspects:

- Quantitative Validation: Expected credit loss (ECL) model design validation, data quality validation and benchmarking with external best practices.

- Quantitative Validation: Calibration testing which ensures the accuracy of the observed PDs.

Finance Division will ensure preparation of disclosures and incorporation of the impacts on the financial statements of the Bank. The function shall identify, prepare and extract the data required for the risk parameters modelling and ECL calculations. Finance Division shall ensure that all disclosures as required by the accounting standard and the SBP formats and guidelines are made.

The risk management division will perform the back testing of ECL at least on yearly basis and will be responsible for the independent validation of the risk parameters / risk models; including PD, LGD and CCF etc., that are used to compute the ECL which would be carried out as per the policy.

Internal Audit will carry out periodic review of IFRS 9 methodology and impacts calculated by the Management.

Classification and measurement

The classification and measurement of financial assets will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. Financial assets that do not meet the SPPI criteria are measured at FVTPL regardless of the business model in which they are held. The Bank's s business model in which financial assets are held will determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL'). The classification of equity instruments is generally measured as Fair Value through Profit & Loss (FVTPL) unless the Bank elects for Fair Value through Other Comprehensive Income (FVTOCI) at initial recognition. The Bank has analyzed the impact of initial application of IFRS 9 on its financial assets as follows:

Equity Securities

The Bank expects to continue measuring at fair value all financial assets currently held at fair value.

For certain listed equity securities currently classified as available-for-sale (AFS) with gains and losses recorded in OCI, the Bank will apply the option to classify them as FVOCI. Therefore, the application of IFRS 9 will not have an impact on initial adoption. However, in accordance with the requirements of the standard, gains and losses recognized in OCI will not be recycled through the profit and loss account on derecognition of these securities.

The remaining listed equity securities will be measured at FVTPL. The AFS reserve related to those securities is currently part of Surplus on Revaluation of Assets and will be reclassified to retained earnings hence, there will be no impact on overall equity.

Unquoted equity securities are required to be measured at fair value under IFRS 9. However, the SBP has allowed banks to carry these investments under the current Prudential Regulations, i.e. at the lower of cost and break-up value, till accounting periods beginning on or after January 1, 2024.

Debt securities and Loans and advances

Debt securities currently classified as AFS and those passes SPPI test, are expected to be measured at fair value through OCI under IFRS 9 as the Bank's business model is to hold the assets to collect contractual cash flows, but also to sell those investment. Debt securities currently classified as HTM and those passes SPPI test are expected to be measured at measured at amortized costs under IFRS 9 as the Group business model is to hold the assets to collect contractual cash flows.

Cashflows of certain debt instruments classified in AFS or / and HTM categories, do not expect to give risk to cash flows representing solely payments of principal and interest and accordingly, these would be measured at fair value through profit and loss.

Impairment

The impairment requirements apply to financial assets measured at amortised cost and FVOCI (other than equity instruments), lease receivables, and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are in 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment, so are considered to be in default or otherwise credit impaired, are in 'stage 3'.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

Based on the requirement of IFRS 9 and SBP's IFRS 9 application instructions, the Bank has performed an ECL assessment taking into account the key elements such as assessment of SCIR, Probability of Default, Loss Given Default and Exposure at Default. These elements are described below:

- PD: The probability that a counterparty will default, calibrated over the 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2) and incorporating forward looking information.

- LGD: An estimate of the loss incurred on a facility upon default by a customer. LGD is calculated as the difference between contractual cash flows due and those that the Bank expects to receive, including from the liquidation of any form of collateral. It is expressed as a percentage of the exposure outstanding on the date of classification of an obligor.

- EAD: the expected balance sheet exposure at the time of default, incorporating expectations on drawdowns, amortisation, pre-payments and forward-looking information where relevant.

For the purpose of calculation of ECL, the Bank has used 5 years data till 31 December 2022 and going forward, one more year's data shall be included until the Bank has at least 10 years data. For calculating ECL, the Bank shall classify its financial assets under three following categories:

a) Stage 1: Performing Assets: Financial assets where there has not been a SICR since initial recognition, the Bank shall recognize an allowance based on the 12-month ECL.

b) Stage 2: Under-Performing Assets: For financial assets where there has been a SICR since initial recognition, but which are not credit impaired, the Bank shall recognize an allowance based on lifetime ECL for all exposures categorized in this stage based on the actual maturity profile.

c) Stage 3: Non-Performing Assets: For financial assets which have objective evidence of impairment at the reporting date, the Bank shall recognize ECL on these financial assets using the higher off approach, which means that lifetime ECL computed under IFRS 9 is compared with regulatory provision required as per Prudential

As required by the Application Instructions, financial assets may be reclassified out of stage 3 if they meet the requirements of Prudential Regulations (PR) issued by SBP. Financial assets in stage 2 may be reclassified to stage 1 if the conditions that led to a SICR no longer apply.

Significant increase in credit risk (SICR)

A SICR is assessed in the context of an increase in the risk of a default occurring over the life of the financial instrument when compared to that expected at the time of initial recognition. It is not assessed in the context of an increase in the ECL. The Bank uses a number of qualitative and quantitative measures in assessing SICR. Quantitative measures relate to deterioration of Obligor Risk Ratings (ORR) or where principal and / or interest payments are 60 days or more past due. Qualitative factors include unavailability of financial information and pending litigations.

Based on the level of increase in credit risk, the Bank shall calculate 12 month ECL for assets which did not have a SICR i.e., Stage 1 or a lifetime expected loss for the life of the asset (for assets which demonstrated a SICR) i.e., Stage 2.

At every reporting date, the Bank shall assess whether there has been a SICR since the initial recognition of the asset. If there is a SICR, the asset must be assigned to the appropriate stage of credit impairment (Stage 2 or 3).

Under the SBP's instructions, credit exposure (in local currency) guaranteed by the Government and Government Securities are exempted from the application of ECL Framework. Moreover, until implementation of IFRS 9 has stabilized, Stage 1 and stage 2 provisions would be made as per IFRS 9 ECL and stage 3 provision would be made considering higher of IFRS 9 ECL or provision computed under existing PRs' requirements.

Presentation and disclosure

IFRS 9 also introduces expanded disclosure requirements and changes in presentation which will be incorporated as per the SBP's revised format.

Loan / financing related fee

Loan origination / commitment fees that are regarded as compensation to the lender for an ongoing involvement with the acquisition of a financial instrument would be recognized over the life of the related loan. However, if the commitment expires without the lender making the loan, the fee would be recognised as revenue as earned.

Impact of adoption of IFRS 9

The actual impact of adopting IFRS 9 on the Bank's financial statements in the year 2023 may not be accurately estimated because it will be dependent on the financial instruments that the Bank would hold during 2023 and economic conditions at that time as well as accounting elections and judgements that it will make in future. Nevertheless, the Bank has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its statement of financial position as at December 31, 2022.

Classification and measurement

Based on the bank's assessment, the IFRS 9 requirements are expected to have the following impact on the classification and measurement of its financial assets and financial liabilities:

1. Debt instruments amounting to Rs 12,805 million have been reclassified from Available for Sale to Fair Value through Profit or Loss.

2. Equity instruments amounting to Rs 20,024 million have been reclassified from Available for Sale to Fair Value through Profit or Loss.

Impairment

The total estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Bank's equity at 1 January 2023 is reduction in equity of approximately Rs. 10,555 million, representing corresponding impact related to impairment requirements;

Impact on regulatory capital

The implementation of IFRS 9 is expected to result in reduced regulatory capital of the Bank, which is likely to reduce their lending capacity and ability to support their clients. In order to mitigate the impact of expected credit loss (ECL) models on capital, SBP has determined that it may be appropriate for the Financial Institutions (FIs) to follow a transitional arrangement for the impact on regulatory capital from the application of ECL accounting. Annexure B of the 'Application Instructions' issued by SBP vide BPRD Circular No.3 of 2022 dated July 05, 2022, have detailed the transitional arrangement.

The transitional arrangement must apply only to provisions for stage 1 and 2 financial assets. The transitional arrangement must only adjust CET1 capital. Where there is a reduction in CET1 capital due to new provisions, net of tax effect, upon adoption of an ECL accounting model, the decline in CET1 capital (the "transitional adjustment amount") must be partially included (i.e. added back) to CET1 capital over the "transition period" of five years.

The impact of adoption of IFRS 9 on the capital ratios of the Bank are as follows:

	As per adopted IFRS 9	As per current ARS
Common Equity Tier 1 Capital Adequacy ratio	16.26%	16.30%
Tier 1 Capital Adequacy Ratio	16.26%	16.30%
Total Capital Adequacy Ratio	21.55%	21.59%
CET1 available to meet buffers (as a percentage of risk weighted assets)	7.26%	7.30%

4. BASIS OF MEASUREMENT

These unconsolidated financial statements have been prepared under the historical cost convention except for revaluation of land and buildings and non-banking assets acquired in satisfaction of claims which are stated at revalued amount and certain investments and derivative financial instruments that are carried at fair value. In addition, obligations in respect of defined benefit plan are carried at the present values.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policy adopted in preparation of these unconsolidated financial statements are consistent with those of the previous financial year.

5.1 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks, balances with other banks and call money lendings, less call borrowings and overdrawn nostro accounts.

5.2 Investments

Investments other than those categorised as held-for-trading are initially recognised at fair value which includes transaction costs associated with the investments. Investments classified as held-for-trading are initially recognised at fair value, and transaction costs are expensed in the profit and loss account.

All regular way purchases / sales of investments are recognised on the trade date, i.e., the date the Bank commits to purchase / sell the investments. Regular way purchases or sales of investments require delivery of securities within the time frame generally established by regulation or convention in the market place.

The Bank has classified its investment portfolio, except for investments in subsidiaries, associates and joint ventures into ‘held-for-trading’, ‘held-to-maturity’ and ‘available-for-sale’ as follows:

- Held-for-trading – These are securities which are acquired with the intention to trade by taking advantage of short-term market / interest rate movements and are to be sold within ninety (90) days. These are carried at market value, with the related unrealised gain / (loss) on revaluation being taken to profit and loss account.

- Held-to-maturity – These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortised cost.

- Available-for-sale – These are investments that do not fall under the held-for-trading or held-to-maturity categories. These are carried at market value except in case of unquoted securities where market value is not available, which are carried at cost less provision for diminution in value, if any. Surplus / (deficit) on revaluation is taken to ‘surplus / (deficit) on revaluation of assets’ account shown in equity. Provision for diminution in value of investments in respect of unquoted shares is calculated with reference to break-up value of the same. On derecognition or impairment in quoted available-for-sale investments, the cumulative gain or loss previously reported as 'surplus / (deficit) on revaluation of assets' in equity is included in the profit and loss account for the year.

- Provision for diminution in value of investments in unquoted debt securities is calculated as per the SBP's Prudential Regulations.

- Held-for-trading and quoted available-for-sale securities are marked to market with reference to ready quotes on Reuters page or MUFAP (PKRV / PKISRV / PKFRV) or the Stock Exchanges, as the case may be.

- Investments in subsidiaries, associates and joint venture companies are stated at cost. Provision is made for impairment in value, if any.

5.3 Repurchase and resale agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of financial position and are measured in accordance with accounting policies for investment securities. The counterparty liability for amounts received under these agreements is included in borrowings. The difference between sale and repurchase price is treated as mark-up / return / interest expense and accrued over the life of the repo agreement using effective yield method.

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the statement of financial position, as the Bank does not obtain control over the securities. Amounts paid under these agreements are included in lendings to financial institutions. The difference between purchase and resale price is treated as mark-up / return / interest income and accrued over the life of the reverse repo agreement using effective yield method.

5.4 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the dates on which the derivative contracts are entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative instruments during the year is taken to the profit and loss account.

5.5 Financial instruments

All financial assets and financial liabilities are recognised at the time when the Bank becomes a party to the contractual provisions of the instrument. A financial asset is derecognised where (a) the rights to receive cash flows from the asset have expired; or (b) the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (i) the Bank has transferred substantially all the risks and rewards of the asset, or (ii) the Bank has neither transferred nor retained substantially all the risk and rewards of the asset, but has transferred control of the asset. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account.

5.6 Advances

Advances are stated net of specific and general provisions. Provisions are made in accordance with the requirements of Prudential Regulations issued by the SBP and charged to the profit and loss account. These regulations prescribe a time based criteria (as supplemented by subjective evaluation of advances by the banks) for classification of non-performing loans and advances and computing provision there against. Such regulations also require the Bank to maintain general provision against consumer and Small and Medium Enterprises (SME) advances at specified percentage of such portfolio. General provision for loan losses of overseas branches is made as per the requirements of the respective central banks. Advances are written off where there are no realistic prospects of recovery. The amounts so written off is a book entry and does not neccesarily prejudice the Bank's right of recovery against the customers. The Bank determines write-offs in accordance with the criteria as prescribed by SBP vide BPRD circular no. 06 dated June 05, 2007.

5.6.1 Islamic financing and related assets

Under Murabaha financing, funds disbursed for the purchase of goods are recorded as advance against Murabaha finance and the financing is recorded at the deferred sale price. Goods purchased but remaining unsold at the statement of financial position date are recorded as inventories.

Assets given on Ijarah are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Ijarah assets are depreciated on a reducing balance basis over the term of the Ijarah after taking into account the estimated residual value. Impairment of Ijarah assets is recognised in line with the Prudential Regulations or upon the occurrence of an impairment event which indicates that the carrying value of the Ijarah asset may exceed its recoverable amount.

In Running Musharakah, the Bank and the customer enter into a Musharakah agreement where the Bank agrees to finance the operating activities of the customer's business and share in the profit or loss in proportion to an agreed ratio at an agreed frequency.

Under Diminishing Musharakah financing, the Bank creates joint ownership with the customer over the tangible assets to fulfill capital expenditure / project requirements. The Bank receives periodic payments from the customer against the gradual transfer of its share of ownership to the customer.

In Istisna transactions, the Bank finances the cost of goods manufactured by the customer. Once the goods are manufactured, these are sold by the customer as an agent of the Bank to recover the cost plus the agreed profit.

Under Tijarah, the Bank purchases the finished goods from the customer against payment, takes possession and appoint customer as an agent to sell these goods to ultimate buyer on deferred payment basis. Profit is recognized on accrual basis over the period of transaction.

Wakalah is an agency contract in which Bank provides funds to the customer who invests it in a Shariah compliant manner.

In Musawamah financing, the Bank purchases the goods and after taking the possession, sells them to the customer either in spot or credit transaction, without disclosing the cost.

5.7 Fixed assets and depreciation

5.7.1 Property and equipment

5.7.1.1 Owned assets

Property and equipment, except land and buildings, are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Land is stated at revalued amount. Buildings are stated at revalued amount less accumulated depreciation and impairment, if any. The cost and the accumulated depreciation of property and equipment of foreign branches include exchange differences arising on currency translation at the year-end rates. Depreciation is charged to profit and loss account applying the straight line method except buildings, which are depreciated on diminishing balance method at the rates stated in note 12.2. Depreciation on addition is charged from the month in which the assets are available for use and no depreciation is charged in the month the assets are disposed off.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

Assets are derecognised when disposed off or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property and equipment are included in profit and loss account.

The assets' residual values and useful lives are reviewed annually, and adjusted if appropriate, at statement of financial position date.

Land and buildings' valuations are carried out by professionally qualified valuers with sufficient regularity to ensure that their carrying amounts do not differ materially from their fair value.

- Any revaluation increase arising on the revaluation of such assets is recognised in the statement of comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit and loss account, in which case the increase is credited to profit and loss account to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such assets is recognised in profit and loss account to the extent that it exceeds the balance, if any, held in "Surplus on Revaluation of Fixed Assets" relating to a previous revaluation of that asset.

- Depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account.

- An amount equal to incremental depreciation for the year net of associated deferred tax is transferred from "Surplus on Revaluation of Fixed Assets" to unappropriated profit through statement of changes in equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

- On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to unappropriated profit.

5.7.2 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. These are transferred to specific assets as and when assets are available for use.

5.7.3 Impairment

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, fixed assets are written down to their recoverable amounts.

The resulting impairment loss is taken to profit and loss account except for impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of assets. Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognised as income in profit and loss account.

5.8 Lease liability and right-of-use assets

The lease liabilities are initially measured at the present value of lease payments that includes:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees, if any;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are to be discounted using the incremental borrowing rate being the rate that the Bank would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

On initial recognition, right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs incurred; and
- an estimate of restoration costs.

The Bank leases various offices / branches for the purpose of its operational activities. Rental contracts are typically made for fixed periods of 3 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

5.9 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. The cost and the accumulated amortisation of intangible assets of foreign branches include exchange differences arising on currency translation at the year-end rates. Amortisation is charged to profit and loss account applying the straight-line method at the rates stated in note 13. Amortisation on addition is charged from the month in which the assets are available for use and no amortisation is charged in the month the intangible assets are disposed off. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

5.10 Non-banking assets acquired in satisfaction of claims

In accordance with the requirements of the 'Regulations for Debt Property Swap' (the regulations) issued by SBP vide its BPRD Circular No. 1 of 2016, dated January 1, 2016, the non-banking assets acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation is credited to the 'surplus on revaluation of assets' account and any deficit arising on revaluation is taken to the profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property is charged to profit and loss account and not capitalized. Depreciation on non-banking assets acquired in satisfaction of claims is charged to the profit and loss account on the same basis as depreciation charged on the Bank's owned fixed assets.

5.11 Deposits and their cost

Deposits are recorded at the fair value of proceeds received.

Deposit costs are recognised as an expense in the period in which these are incurred using effective yield method.

5.12 Taxation

5.12.1 Current

Provision of current taxation is based on taxable income for the year determined in accordance with the prevailing laws of taxation on income earned for local as well as foreign operations, as applicable to the respective jurisdictions. The charge for the current tax also includes adjustments wherever considered necessary relating to prior years, arising from assessments framed during the year.

5.12.2 Deferred

Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilized. Deferred tax is not recognised on differences relating to investment in subsidiaries and branches to the extent the deductible temporary difference probably will not reverse in the foreseeable future.

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit or deductible temporary differences will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to gain / loss recognised on surplus on revaluation of assets is charged / credited to such account.

5.13 Employee benefits

5.13.1 Defined benefit plans

The Bank operates an approved funded pension scheme, an un-funded post retirement medical benefits scheme and an un-funded benevolent scheme for its eligible employees. The Bank also operates an un-funded gratuity scheme for its eligible contractual employees. An actuarial valuation of all defined benefit schemes is conducted every year. The valuation uses the Projected Unit Credit method. Remeasurements of the net defined benefit liability / assets which comprise actuarial gains and losses, return on plan assets (excluding interest) and the effect of asset ceiling (if any, excluding interest) are recognised immediately in other comprehensive income. Past-service costs are recognised immediately in profit and loss account when the plan amendment occurs.

5.13.2 Other employee benefits

Employees' compensated absences

The Bank also makes provision in the financial statements for its liability towards compensated absences. This liability is estimated on the basis of actuarial advice under the Projected Unit Credit method.

5.14 Revenue recognition

Income on loans and advances and debt security investments are recognised on a time proportion basis that takes into account effective yield on the asset. In case of advances and investments classified under the Prudential Regulations, interest / mark-up is recognised on receipt basis.

Interest / mark-up on rescheduled / restructured advances and investments is recognized in accordance with the Prudential Regulations issued by SBP.

Fee, brokerage and commission income other than commission on letter of credit and guarantees is recognised upon performance of services.

Commission on letters of credit and guarantees is recognized on time proportion basis.

Dividend income on equity investments and mutual funds is recognised when right to receive is established.

Premium or discount on debt securities classified as held-for-trading, available-for-sale and held-to-maturity securities is amortised using the effective interest method and taken to profit and loss account.

Gains and losses on disposal of investments and fixed assets are dealt with through the profit and loss account in the year in which they arise.

Income from lease financing is accounted for using the financing method. Under this method, the unearned lease income (defined as the sum of total lease rentals and estimated residual value less the cost of the leased assets) is deferred and taken to income over the term of the lease so as to produce a constant periodic rate of return on the outstanding net investment in the lease. Gains or losses on termination of lease contracts are recognised through the profit and loss account when these are realised. Unrealised lease income and other fees on classified leases are recognised on a receipt basis.

5.15 Net investment in finance lease

Leases where the bank transfers substantially all the risk and rewards incidental to ownership of the assets to the lessee are classified as finance leases. Net investment in finance lease is recognised at an amount equal to the aggregate of present value of minimum lease payment including any guaranteed residual value and excluding unearned finance income, write-offs and provision for doubtful lease finances, if any.

5.16 Foreign currencies translation

The Bank's financial statements are presented in Pak Rupees (Rs.) which is the Bank's functional and presentation currency.

Foreign currency transactions are converted into Rupees applying the exchange rate at the date of the respective transactions. Monetary assets and liabilities in foreign currencies and assets / liabilities of foreign branches are translated into Rupees at the rates of exchange prevailing at the statement of financial position date. Forward foreign exchange contracts are valued at the rates applicable to their respective maturities. All gains or losses on dealing in foreign currencies are taken to the profit and loss account.

Profit and loss account balances of foreign branches are translated at average exchange rate prevailing during the year. Gains and losses on translation are included in the profit and loss account except gains / losses arising on translation of net assets of foreign branches, which is credited to the statement of comprehensive income.

Statement of financial position balances of foreign branches are translated at exchange rate prevailing at statement of financial position date. Gains and losses on translation are included in the profit and loss account except gains / losses arising on translation of net assets of foreign branches, which is credited to the statement of comprehensive income.

Commitments for outstanding forward foreign exchange contracts are disclosed in these unconsolidated financial statements at committed amounts. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the statement of financial position date.

5.17 Provision for off balance sheet obligations

Provision for guarantees, claims and other off balance sheet obligations is made when the Bank has legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of amount can be made. Charge to profit and loss account is stated net of expected recoveries.

5.18 Off setting

Financial assets and financial liabilities are only set off and the net amount is reported in the unconsolidated financial statements when there is a legally enforceable right to set off and the Bank intends either to settle on a net basis, or to realise the assets and to settle the liabilities simultaneously.

5.19 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Bank in the statement of financial position.

5.20 Dividend and other appropriations

Dividend and other appropriation to reserves, except appropriations which are required by the law, are recognised in the Bank's unconsolidated financial statements in the year in which these are approved.

5.21 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no dilutive potential ordinary shares in issue at December 31, 2022.

5.22 Bai Muajjal

Bai Muajjal transactions represent sales of Sukuks on a deferred payment basis and are shown in lendings to financial institutions except for transactions undertaken directly with the Government of Pakistan which are disclosed as investments.

The difference between the deferred payment amount receivable and the carrying value at the time of sale is accrued and recorded as income over the life of the transaction.

5.23 Acceptances

Acceptances comprise undertakings by the Bank to pay bill of exchange drawn on customers. Acceptances are recognised as financial liability in the statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as on balance sheet financial assets and financial liabilities.

5.24 Segment reporting

A segment is a distinguishable component of the Bank that is subject to risks and rewards that are different from those of other segments. A business segment is one that is engaged either in providing certain products or services, where as a geographical segment is one engaged in providing certain products or services within a particular economic environment. Segment information is presented as per the Bank's functional and management reporting structure.

Business segments

The Bank's primary segment reporting is based on the following business segments:

I. **Retail Banking Group** includes retail lending and deposits, banking services, cards and branchless banking.

II. **Inclusive Development Group** consists of loans to individuals, agriculture, SME, commodity and commercial customers.

III. **Corporate and Investment Banking Group** offers a wide range of financial services to medium and large sized public and private sector entities. These services include, providing and arranging tenured financing, corporate advisory, underwriting, cash management, trade products, corporate finance products and customer services.

IV. **Treasury** includes fixed income, equity, foreign exchange, credit, funding, own position securities, lendings and borrowings and derivatives for hedging and market making.

V. **International Financial Institution and Remittance Group** includes the results of all international branches, correspondent banking business and global remittances. This represents Bank's operations in 13 countries including Pakistan and 18 branches including one branch in export processing zone in Pakistan.

VI. **Aitemaad and Islamic Banking Group** provides shariah compliant services to customers including loans, deposits and other transactions.

VII. **Head Office / Others** includes the head office related activities and other functions which cannot be classified in any of the above segments.

Geographical segments

The Bank is managed along the following geographic lines for monitoring and reporting purposes:

I. Pakistan (including branch in Export Processing Zone)
II. Asia Pacific (including South Asia)
III. Europe
IV. United States of America
V. Middle East

5.25 Accounting estimates and judgments

The preparation of the unconsolidated financial statements in conformity with the approved accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Bank's accounting polices. The estimates, judgments and associated assumptions used in the preparation of the unconsolidated financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas of estimates and judgments in relation to these unconsolidated financial statements are as follows:

a) Provision against non-performing loans and advances

The Bank reviews its loan portfolio to assess amount of non-performing loans and determine provision required there against on a quarterly basis. While assessing this requirement, various factors including the past dues, delinquency in the account, financial position and future business / financial plan of the borrower, value of collateral held and requirements of Prudential Regulations are considered. The Bank also considers the effect of Forced Sale Value (FSV) of collaterals in determining the amount of provision, however, no benefit of FSV of collateral has been taken during the year in determining provisioning amount.

General provision for loan losses of overseas branches is made as per the requirements of the respective central banks.

The amount of general provision against domestic consumer and SME advances is determined in accordance with the relevant Prudential Regulations and SBP directives.

In addition, the Bank has also made general provision in respect of its corporate portfolio on prudent basis. This general provision is in addition to the requirements of Prudential Regulations.

b) Fair value of derivatives

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant interest and exchange rates over the term of the contract.

c) Impairment of available-for-sale investments

The Bank considers that available-for-sale equity investments and mutual funds are impaired when there has been a significant or prolonged decline in the fair value below its cost except for investments where relaxation has been allowed by SBP. This determination of what is significant or prolonged requires judgment. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

Further the Bank has developed internal criteria according to which a decline of 30% in the market value of any scrip below its cost shall constitute as a significant decline and where market value remains below the cost for a period of one year shall constitute as a prolonged decline.

d) Held-to-maturity investments

The Bank follows the guidance provided in the SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. In making this judgment, the Bank evaluates its intention and ability to hold such investments till maturity.

e) Income taxes

In making the estimates for current and deferred taxes, the management looks at the income tax law and the decisions of appellate authorities on certain issues in the past. There are certain matters where the Bank's view differs with the view taken by the income tax department and such amounts are shown as contingent liabilities.

f) Fixed assets and intangible assets, revaluation, depreciation and amortisation

In making estimates of the depreciation / amortisation method, the management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Bank. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the change in pattern.

The Bank also revalues its properties on a periodic basis. Such revaluations are carried out by independent valuer and involves estimates / assumptions and various market factors and conditions.

g) Employees' benefit plans

The liabilities for employees' benefits plans are determined using actuarial valuations. The actuarial valuations involve assumptions about discount rates, expected rates of return on assets, future salary increases, future inflation rates and future pension increases as disclosed in note 39. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

h) Provision against contingencies

Provision against contingencies is determined based on the management judgement regarding the probability of future outflows of resources embodying economic benefits to settle an obligation arising from past events.

6. CLOSURE OF FOREIGN SUBSIDIARIES AND OPERATIONS

In line with SBP Governance Framework 2018, the Board of Directors (BoD) in its 302nd meeting held on January 20 & 21, 2020 has accorded the approval of International Strategy. As per approved Strategy, the BoD allowed closure of six (06) Central Asian (CA) locations i.e. Azerbaijan (Baku), Kyrgyzstan (Bishkek); Kazakhstan (Almaty); Tajikistan (Dushanbe); Uzbekistan (Tashkent); Turkmenistan (Ashgabat) and Afghanistan (Jalalabad). The Board of Directors in its 316th meeting held on January 6 & 11, 2021 has accorded its approval to scale down Bangladesh operations by closing Sylhet, Chittagong and Gulshan branches.

The BoD in its 317th meeting held on February 24, 2021 has also given its recommendation to the shareholders to approve voluntary closure and delegation of powers to President / CEO. Further, the shareholders in their 72nd meeting held on March 29, 2021 also accorded their concurrence for closure of operations at above locations.

While processing the Bank's request of capital injection of Euro 3.08 Million to Paris Branch, SBP directed the Bank to close its operations at Paris Branch. On the basis of SBP's directive, the BoD in its 327th meeting held on January 17, 2022 accorded their approval. Subsequently, SBP per their letter dated April 20, 2022 also approved the capital injection of Euro 3.08 Million to Paris Branch.

On the basis of the aforementioned framework and after completing all the requirements of SBP and as well as the requirement of host countries' regulators, operations at following international locations have been closed on the dates mentioned there against.

S.No.	Name of International Locations	Date of Closure
1	Toronto Representative Office, Canada	31.12.2020
2	Jalalabad Branch, Afghanistan	15.08.2021
3	Tashkent Representative Office, Uzbekistan	31.08.2021
4	Sylhet Branch, Bangladesh	30.09.2021
5	CJSC Subsidiary Bank of NBP in Dushanbe, Tajikistan	28.09.2022
6	Ashgabat Branch, Turkmenistan	07.11.2022

Closure process at Central Asian locations have been delayed due to settlement of NPLs portfolio. Operations at the following locations are under the process of closure. Tentative closure dates are also mentioned there against.

S.No.	Name of International Locations	Tentative Date of Closure
1	CJSC Subsidiary Bank of NBP in Almaty, Kazakhstan	31.12.2023
2	Bishkek Branch, Kyrgyzstan	30.09.2023
3	Baku Branch, Azerbaijan	31.12.2023
4	Paris Branch, France	31.03.2023
5	Chittagong Branch, Bangladesh	31.12.2023

Particulars	As at December 31, 2022					
	CJSC Subsidiary Bank of NBP in Almaty (Kazakhstan)	Chittagong Branch, (Bangladesh)	Baku (Azerbaijan)	Bishkek (Kyrgyzstan)	Paris (France)	Total
	(Subsidiary)	---------- (Branches) ----------				
	---------- (Rs in '000) ----------					
Cost of investment - net of impairment	1,003,778	-	-	-	-	1,003,778
Total Assets	-	749,876	1,182,751	2,223,156	1,645,595	5,801,378
Total Liabilities	-	839,113	30,452	15,539	598,472	1,483,576
Profit / (Loss) for the year	-	(89,672)	(40,606)	84,920	(517,193)	(562,551)

	Note	2022	2021
		---------- (Rupees in '000) ------	
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
Local currency		**52,704,335**	55,956,579
Foreign currency		**7,192,805**	6,885,815
		59,897,140	62,842,394
With State Bank of Pakistan in:			
Local currency current accounts	7.1	**106,909,308**	133,688,664
Foreign currency current accounts	7.2	**15,661,453**	11,738,428
Foreign currency deposit accounts	7.2	**15,623,732**	24,098,591
Foreign currency collection accounts		**1,135,059**	1,226,824
		139,329,552	170,752,507
With other central banks in:			
Foreign currency current accounts	7.3	**26,631,693**	40,265,103
Foreign currency deposit accounts	7.3	**3,725,602**	2,920,706
		30,357,295	43,185,809
Prize bonds		**326,962**	1,966,349
		229,910,949	278,747,059

7.1 This includes statutory liquidity reserves maintained with the SBP under Section 22 of the Banking Companies Ordinance, 1962.

7.2 These represent mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.

7.3 These balances pertain to the foreign branches and are held with central banks of respective countries. These include balances to meet the statutory and regulatory requirements in respect of liquidity and capital requirements of respective countries. The deposit accounts carry interest at the rate of 0% to 4.5% per annum (2021: 0% to 6.3% per annum).

	Note	2022	2021
		--------- (Rupees in '000) ---------	

8. BALANCES WITH OTHER BANKS

In Pakistan:			
In deposit accounts	8.1	**13,766**	12,531
		13,766	12,531
Outside Pakistan:			
In current accounts		**12,391,006**	12,008,146
In deposit accounts	8.2	**6,189,028**	5,646,390
		18,580,034	17,654,536
		18,593,800	17,667,067

8.1 These include various deposits with banks and carry interest at the rates ranging from 3.5% to 9.5% per annum (2021: 2.5% to 8% per annum).

8.2 These include various deposits with correspondent banks outside Pakistan and carry interest at the rates ranging from 0% to 4% per annum (2021: 0% to 1.5% per annum).

	Note	2022	2021
		--------- (Rupees in '000) -------	

9. LENDINGS TO FINANCIAL INSTITUTIONS

Call / clean money lendings	9.1	**9,723**	21,009,723
Repurchase agreement lendings (reverse repo)	9.2 & 9.8	**31,262,744**	282,051,308
Musharaka Lending	9.3	**-**	30,000,000
Placements with State Bank of Pakistan	9.4	**-**	2,405,644
Letters of placement	9.5	**174,150**	174,150
	9.6	**31,446,617**	335,640,825
Less: provision held against lendings to financial institutions	9.7 & 9.9	**(174,150)**	(174,150)
Lendings to financial institutions - net of provision		**31,272,467**	335,466,675

9.1 This includes zero rate lending to a financial institution amounting to Rs. 9.7 million (2021: Rs. 9.7 million) which is guaranteed by the SBP.

9.2 These carry mark-up at rates ranging from 16% to 16.5% per annum (2021: 8.7% to 10.7% per annum) with maturities ranging from January 3, 2023 to January 12, 2023.

9.3 This represents Musharaka agreements entered into with Meezan Bank Limited and carrying profit at the rate of Nil (2021: 10.65%) per annum.

9.4 These represent placements made with the SBP as a result of shortfall in respect of time-based mandatory targets of disbursements under Government's scheme "Mera Pakistan Mera Ghar". However, the government has ceased the low-cost housing scheme in July 2022 and announced through the State Bank of Pakistan to continue it for the customers after necessary amendments and revisions of its features.

9.5 These are overdue placements and full provision has been made against these placements as at December 31, 2022.

	2022	2021
	--------- (Rupees in '000) -------	

9.6 Particulars of lending

In local currency	**31,446,617**	335,640,825
In foreign currencies	**-**	-
	31,446,617	335,640,825

9.7 Movement in provision held against lendings is as follows:

Opening balance	**174,150**	176,150
Reversal for the year	**-**	(2,000)
Closing balance	**174,150**	174,150

9.8 Securities held as collateral against lendings to financial institutions

	2022			2021		
	Held by Bank	**Further given as collateral**	**Total**	Held by Bank	Further given as collateral	Total
	---------- (Rupees in '000) ----------					
Market Treasury Bills	**18,699,589**	**-**	**18,699,589**	163,594,180	-	163,594,180
Pakistan Investment Bonds	**12,563,155**	**-**	**12,563,155**	118,457,128	-	118,457,128
Total	**31,262,744**	**-**	**31,262,744**	282,051,308	-	282,051,308

9.8.1 Market value of the securities under repurchase agreement lendings amounts to Rs. 31,027 million (2021: Rs. 279,633 million).

9.9 Category of classification

	2022		2021	
	Classified lending	**Provision held**	Classified lending	Provision held
	---------- (Rupees in '000) ----------			
Domestic				
Loss	**174,150**	**174,150**	174,150	174,150
Total	**174,150**	**174,150**	174,150	174,150

10. INVESTMENTS

10.1 Investments by type:

	Note	2022				2021			
		Cost / amortised cost	**Provision for diminution**	**Surplus / (deficit)**	**Carrying value**	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
		---------- (Rupees in '000) ----------							
Held-for-trading securities									
Market treasury bills		**22,269,343**	**-**	**(2,665)**	**22,266,678**	90,744,281	-	(55,659)	90,688,622
Pakistan investment bonds		**61,942,656**	**-**	**(1,031,197)**	**60,911,459**	29,114,020	-	(65,016)	29,049,004
Ordinary shares of listed companies		**424,708**	**-**	**(20,939)**	**403,769**	-	-	-	-
		84,636,707	**-**	**(1,054,801)**	**83,581,906**	119,858,301	-	(120,675)	119,737,626
Available-for-sale securities									
Pakistan investment bonds		**1,972,276,787**	**-**	**(27,509,276)**	**1,944,767,511**	571,528,321	-	(8,147,316)	563,381,005
Market treasury bills		**828,851,708**	**-**	**(2,354,400)**	**826,497,308**	721,635,763	-	(430,492)	721,205,271
Ijarah sukuks		**20,518,238**	**-**	**(339,589)**	**20,178,649**	14,000,979	-	(31,279)	13,969,700
Ordinary shares of listed companies	10.12 / 10.13	**41,601,347**	**(10,159,936)**	**4,813,864**	**36,255,275**	34,146,109	(6,110,939)	11,749,467	39,784,637
Ordinary shares of unlisted companies		**1,882,198**	**(427,951)**	**-**	**1,454,247**	1,882,198	(410,893)	-	1,471,305
Preference shares		**2,006,756**	**(845,730)**	**209,451**	**1,370,477**	1,706,823	(539,708)	98,614	1,265,729
Investments in mutual funds		**2,219,646**	**(41,167)**	**941,952**	**3,120,431**	619,646	(41,167)	1,289,705	1,868,184
Ordinary shares of a bank outside Pakistar	10.6	**463,294**	**-**	**34,380,951**	**34,844,245**	463,294	-	27,060,912	27,524,206
Term finance certificates / Musharika and Sukuk bonds		**52,125,171**	**(5,990,161)**	**1,047,326**	**47,182,336**	55,463,127	(5,200,180)	961,220	51,224,167
GoP foreign currency bonds		**33,045,353**	**-**	**(18,622,514)**	**14,422,839**	20,778,528	-	26,435	20,804,963
Foreign Government securities		**1,914,312**	**-**	**(30,359)**	**1,883,953**	880,932	-	26,372	907,304
		2,956,904,810	**(17,464,945)**	**(7,462,594)**	**2,931,977,271**	1,423,105,720	(12,302,887)	32,603,638	1,443,406,471
Held-to-maturity securities	10.5.1								
Pakistan investment bonds		**375,236,903**	**-**	**-**	**375,236,903**	324,556,862	-	-	324,556,862
Market treasury bills		**29,376,461**	**-**	**-**	**29,376,461**	-	-	-	-
Ijarah sukuks		**13,130,709**	**-**	**-**	**13,130,709**	-	-	-	-
Debentures, bonds, sukuks, participation term certificates and term finance certificates		**404,585**	**(404,585)**	**-**	**-**	407,164	(407,134)	-	30
Bai muajjal with Government of Pakistan		**-**	**-**	**-**	**-**	10,914,185	-	-	10,914,185
GoP foreign currency bonds		**2,992,408**	**-**	**-**	**2,992,408**	-	-	-	-
Foreign Government securities		**36,096,507**	**-**	**-**	**36,096,507**	34,091,600	-	-	34,091,600
Foreign currency debt securities		**871**	**-**	**-**	**871**	680	-	-	680
		457,238,444	**(404,585)**	**-**	**456,833,859**	369,970,491	(407,134)	-	369,563,357

	Note	2022 Cost / amortised cost	2022 Provision for diminution	2022 Surplus / (deficit)	2022 Carrying value	2021 Cost / amortised cost	2021 Provision for diminution	2021 Surplus / (deficit)	2021 Carrying value
		(Rupees in '000)							
Associates	10.8/10.14	**4,926,048**	**(3,942,498)**	**-**	**983,550**	4,970,863	(3,938,595)	-	1,032,268
Joint Venture	10.11	**2,362,433**	**-**	**-**	**2,362,433**	2,362,433	-	-	2,362,433
Subsidiaries	10.2.4	**2,952,967**	**(1,338,112)**	**-**	**1,614,855**	3,906,750	(1,838,263)	-	2,068,487
Total investments		**3,509,021,409**	**(23,150,140)**	**(8,517,395)**	**3,477,353,874**	1,924,174,558	(18,486,879)	32,482,963	1,938,170,642

10.2 Investments by segments:

Federal Government Securities									
Market Treasury Bills		**880,497,512**	**-**	**(2,357,065)**	**878,140,447**	812,380,044	-	(486,151)	811,893,893
Pakistan Investment Bonds		**2,409,456,346**	**-**	**(28,540,473)**	**2,380,915,873**	925,199,203	-	(8,212,332)	916,986,871
Bai Muajjal with Government of Pakistan		**-**	**-**	**-**	**-**	10,914,185	-	-	10,914,185
Ijarah Sukuks		**33,648,948**	**-**	**(339,589)**	**33,309,359**	14,000,979	-	(31,279)	13,969,700
		3,323,602,806	**-**	**(31,237,127)**	**3,292,365,679**	1,762,494,411	-	(8,729,762)	1,753,764,649
Shares									
Listed Companies	10.12 / 10.13 / 10.14	**42,026,055**	**(10,159,936)**	**4,792,925**	**36,659,044**	34,146,109	(6,110,939)	11,749,467	39,784,637
Unlisted Companies		**1,882,198**	**(427,951)**	**-**	**1,454,247**	1,882,198	(410,893)	-	1,471,305
		43,908,253	**(10,587,887)**	**4,792,925**	**38,113,291**	36,028,307	(6,521,832)	11,749,467	41,255,942
Non Government Debt Securities Term Finance Certificates / Musharika / Bonds / Debentures and Sukuk Bonds									
Listed		**14,940,898**	**(130,027)**	**335,083**	**15,145,954**	15,629,231	(130,027)	517,227	16,016,431
Unlisted		**37,588,859**	**(6,264,720)**	**712,243**	**32,036,382**	40,241,060	(5,477,287)	443,993	35,207,766
		52,529,757	**(6,394,747)**	**1,047,326**	**47,182,336**	55,870,291	(5,607,314)	961,220	51,224,197
Foreign Securities									
Government securities									
GoP Foreign Currency Bonds		**36,037,761**	**-**	**(18,622,514)**	**17,415,247**	20,778,528	-	26,435	20,804,963
Foreign Government Securities		**38,010,819**	**-**	**(30,359)**	**37,980,460**	34,972,532	-	26,372	34,998,904
Non Government Debt securities									
Foreign Currency Debt Securities		**871**	**-**	**-**	**871**	680	-	-	680
		74,049,451	**-**	**(18,652,873)**	**55,396,578**	55,751,740	-	52,807	55,804,547
Preference shares		**2,006,756**	**(845,730)**	**209,451**	**1,370,477**	1,706,823	(539,708)	98,614	1,265,729

	Note	2022				2021			
		Cost / amortised cost	**Provision for diminution**	**Surplus / (deficit)**	**Carrying value**	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
		(Rupees in '000)							
Investments in mutual funds		**2,219,646**	**(41,167)**	**941,952**	**3,120,431**	619,646	(41,167)	1,289,705	1,868,184
Ordinary shares of a bank outside Pakistan	10.6	**463,294**	**-**	**34,380,951**	**34,844,245**	463,294	-	27,060,912	27,524,206
Associates	10.9								
- Listed									
First Credit and Investment Bank Limited	10.14	**157,429**	**(47,429)**	**-**	**110,000**	157,429	(17,229)	-	140,200
Land Mark Spinning Mills Limited		**39,710**	**(39,710)**	**-**	**-**	39,710	(39,710)	-	-
S.G. Allied Business Limited		**218,535**	**(218,535)**	**-**	**-**	218,535	(218,535)	-	-
Nina Industries Limited		**49,060**	**(49,060)**	**-**	**-**	49,060	(49,060)	-	-
NBP Stock Fund		**600,000**	**(191,856)**	**-**	**408,144**	600,000	(109,728)	-	490,272
Agritech Limited	10.7	**3,665,605**	**(3,200,201)**	**-**	**465,404**	3,665,605	(3,263,810)	-	401,795
	10.8	**4,730,339**	**(3,746,791)**	**-**	**983,548**	4,730,339	(3,698,072)	-	1,032,267
- Unlisted									
Pakistan Emerging Venture Limited		**50,563**	**(50,563)**	**-**	**-**	50,563	(50,563)	-	-
National Fructose Company Limited		**6,500**	**(6,500)**	**-**	**-**	6,500	(6,500)	-	-
National Assets Insurance Company Limited		**-**	**-**	**-**	**-**	44,817	(44,817)	-	-
Dadabhoy Energy Supply Company Limited		**32,105**	**(32,105)**	**-**	**-**	32,105	(32,105)	-	-
Pakistan Mercantile Exchange Limited		**106,539**	**(106,539)**	**-**	**-**	106,539	(106,539)	-	-
	10.10	**195,707**	**(195,707)**	**-**	**-**	240,524	(240,524)	-	-
		4,926,046	**(3,942,498)**	**-**	**983,548**	4,970,863	(3,938,596)	-	1,032,267
Joint Venture									
United National Bank Limited	10.11	**2,362,433**	**-**	**-**	**2,362,433**	2,362,433	-	-	2,362,433
Subsidiaries									
CJSC Subsidiary Bank of NBP in Kazakhstan		**2,185,644**	**(1,181,866)**	**-**	**1,003,778**	2,185,644	(1,181,866)	-	1,003,778
CJSC Subsidiary Bank of NBP in Tajikistan		**-**	**-**	**-**	**-**	953,783	(500,151)	-	453,632
NBP Exchange Company Limited		**300,000**	**-**	**-**	**300,000**	300,000	-	-	300,000
NBP Modaraba Management Company Limited		**105,000**	**(105,000)**	**-**	**-**	105,000	(105,000)	-	-
Taurus Securities Limited		**24,725**	**-**	**-**	**24,725**	24,725	-	-	24,725
Cast-N-Link Products Limited		**1,245**	**(1,245)**	**-**	**-**	1,245	(1,245)	-	-
NBP Funds Management Limited		**336,353**	**(50,000)**	**-**	**286,353**	336,353	(50,000)	-	286,353
		2,952,967	**(1,338,111)**	**-**	**1,614,856**	3,906,750	(1,838,262)	-	2,068,488
Total investments		**3,509,021,409**	**(23,150,140)**	**(8,517,395)**	**3,477,353,874**	1,924,174,558	(18,486,879)	32,482,963	1,938,170,642

	2022	2021
	---------- (Rupees in '000) ----------	
10.2.1 Investments given as collateral		
Pakistan Investment Bonds	**1,136,497,472**	30,682,290
Market Treasury Bills	**689,709,291**	96,128,050
	1,826,206,763	126,810,340

10.2.2 Associates

	Number of shares	Percentage of holding	Country of incorporation	Based on the financial statements as at	Assets	Liabilities	Revenue	Profit / (loss) after taxation	Total comprehensive income / (loss)
					---------- (Rupees in '000) ----------				
Listed									
First Credit and Investment Bank Limited	20,000,000	30.77	Pakistan	June 30, 2022	2,052,274	1,330,436	134,082	8,189	(26,210)
National Fibres Limited	17,030,231	20.19	Pakistan	N/A	-	-	-	-	-
Land Mark Spinning Mills Limited	3,970,859	32.79	Pakistan	June 30, 2022	144,598	254,888	-	(14,291)	(14,291)
SG Allied Businesses Limited	3,754,900	25.03	Pakistan	June 30, 2022	1,233,803	552,420	14,247	(10,794)	(9,407)
Nina Industries Limited	4,906,000	20.27	Pakistan	N/A	-	-	-	-	-
Agritech Limited	106,014,565	27.01	Pakistan	December 31, 2021	67,216,574	63,460,781	10,100,924	(2,681,238)	(2,684,871)
NBP Stock Fund	31,347,444	3.16	Pakistan	June 30, 2022	13,817,269	149,653	(1,801,489)	(2,370,780)	(2,370,780)
Unlisted									
Pakistan Emerging Venture Limited	12,500,000	33.33	Pakistan	June 30, 2022	478	404	56	(385)	(385)
National Fructose Company Limited	1,300,000	39.50	Pakistan	N/A	-	-	-	-	-
Venture Capital Fund Management	33,333	33.33	Pakistan	N/A	-	-	-	-	-
Kamal Enterprises Limited	11,000	20.37	Pakistan	N/A	-	-	-	-	-
Mehran Industries Limited	37,500	32.05	Pakistan	N/A	-	-	-	-	-
Tharparkar Sugar Mills Limited	2,500,000	21.52	Pakistan	N/A	-	-	-	-	-
Youth Investment Promotion Society	644,508	25.00	Pakistan	N/A	-	-	-	-	-
Dadabhoy Energy Supply Company Limited	9,900,000	23.11	Pakistan	N/A	-	-	-	-	-
K-Agricole Limited	5,000	20.00	Pakistan	N/A	-	-	-	-	-
New Pak Limited	200,000	20.00	Pakistan	N/A	-	-	-	-	-

	Number of shares	Percentage of holding	Country of incorporation	Based on the financial statements as at	Assets	Liabilities	Revenue	Profit / (loss) after taxation	Total comprehensive income / (loss)
					(Rupees in '000)				
Pakistan Mercantile Exchange Limited	10,653,860	33.98	Pakistan	June 30, 2022	3,019,257	2,912,866	373,107	56,725	56,725
Prudential Fund Management Limited	150,000	20.00	Pakistan	N/A	-	-	-	-	-
10.2.3 Joint Venture									
United National Bank Limited	20,250,000	45.00	United Kingdom	December 31, 2021	159,345,751	140,263,527	3,617,398	657,400	894,233
10.2.4 Subsidiaries									
CJSC Subsidiary Bank of NBP in Kazakhstan	8,650	100.00	Kazakhstan	December 31, 2021	1,700,218	1,566	103,760	(57,131)	(57,131)
NBP Exchange Company Limited	99,999,999	100.00	Pakistan	December 31, 2021	1,497,043	133,401	375,415	141,719	141,719
NBP Modaraba Management Company Limited	10,500,000	100.00	Pakistan	December 31, 2021	105,325	99,139	8,828	(13,317)	(13,317)
Taurus Securities Limited	7,875,002	58.32	Pakistan	December 31, 2021	1,329,436	1,015,638	155,636	11,018	11,270
Cast-N-Link Products Limited	1,245,000	76.51	Pakistan	N/A*	-	-	-	-	-
NBP Fund Management Limited	13,499,996	54.00	Pakistan	June 30, 2022	2,897,230	1,535,503	1,210,137	238,221	235,015

* Not available

	2022	2021
	(Rupees in '000)	
10.3 Provision for diminution in value of investments		
Opening balance	**18,486,879**	17,823,660
Charge / (reversals)		
Charge for the year	**4,662,589**	1,382,192
Reversals for the year	**(850,070)**	(718,973)
	3,812,519	663,219
Transfers - net	**850,742**	-
Closing balance	**23,150,140**	18,486,879

10.3.1 Particulars of provision against debt securities

Category of classification	2022		2021	
	NPI	Provision	NPI	Provision
	(Rupees in '000)			
Domestic				
Loss	**6,525,731**	**6,394,746**	5,607,314	5,607,314
Total	**6,525,731**	**6,394,746**	5,607,314	5,607,314

	2022	2021
	---------- (Rupees in '000) ----------	

10.4 Quality of available for sale securities

Details regarding quality of available for sale securities are as follows:

Federal government securities - government guaranteed		
Market treasury bills	**828,851,708**	721,635,763
Pakistan investment bonds	**1,972,276,787**	571,528,321
Ijarah sukuks	**20,518,238**	14,000,979
Cost	**2,821,646,733**	1,307,165,063
Shares		
Listed companies sector - wise		
Automobile Assembler	**1,775,528**	614,233
Automobile Parts and Accessories	**1,115,685**	1,113,967
Cable and Electrical Goods	**384,069**	295,523
Cement	**4,249,593**	2,919,974
Chemical	**627,704**	788,003
Commercial Banks	**6,575,004**	3,648,181
Engineering	**1,422,047**	1,096,335
Fertilizer	**2,985,056**	1,929,148
Food and Personal Care	**1,208,649**	1,218,036
Glass and Ceramics	**64,314**	72,522
Insurance	**1,642,671**	1,642,720
Investment Banks / Investment companies / Securities companies	**508,688**	508,688
Leasing Companies	**12,594**	13,738
Leather and Tanneries	**214,868**	297,568
Oil and Gas Exploration Companies	**2,686,730**	2,702,776
Oil and Gas Marketing Companies	**5,719,991**	6,117,686
Paper and Board	**718,972**	675,319
Pharmaceuticals	**1,000,104**	995,798
Power Generation and Distribution	**3,046,397**	3,000,787
Real Estate Investment Trust	**305,972**	305,972
Refinery	**756,715**	447,422
Sugar and Allied Industries	**259,483**	260,476
Synthetic and Rayon	**15,499**	32,622
Technology and Communication	**1,040,079**	754,027
Textile Composite	**1,918,908**	1,552,549
Textile Spinning	**655,195**	655,364
Transport	**236,225**	32,068
Miscellaneous	**454,607**	454,607
Cost	**41,601,347**	34,146,109

Unlisted companies entity - wise	2022		2021	
	Cost	**Breakup value**	Cost	Breakup value
	---------- (Rupees in '000) ----------			
Digri Sugar Mills Limited	**4,063**	**135,585**	4,063	135,585
Gelcaps Pakistan Limited	**4,665**	**2,961**	4,665	8,842
Pakistan Agriculture Storage Service Corporation	**5,500**	**3,551,928**	5,500	3,557,522
Al Ameen Textile	**328**	**N/A** *	328	N/A
Professional Management Modaraba (Formerly Al Zamin Modarba Management (Private) Limited)	**1,000**	**2,134**	1,000	2,134
AMZ Venture Limited Class A	**123**	**N/A**	123	N/A
Arabian Sea Country Club	**6,500**	**(7,664)**	6,500	(6,810)
Atlas Power Limited	**375,000**	**1,282,850**	375,000	1,544,905
Attock Textile Mills Limited	**200**	**N/A**	200	N/A
Pakistan Mortgage Refinance Company Limited	**600,000**	**1,510,050**	600,000	1,006,700
F.T.C. Management Company Private Limited	**250**	**42,759**	250	40,094
Fauji Akbar Portia Marines Terminal Limited	**321,076**	**593,184**	321,076	570,681
Fauji Oil Terminals and Distribution Limited	**10,886**	**130,687**	10,886	119,741
First Women Bank Limited	**21,100**	**79,733**	21,100	79,733
Fortune Securities Limited	**5,000**	**8,804**	5,000	11,411
Frontier Textile Mills Limited	**500**	**272**	500	272
Gulistan Power Generation Limited	**2,200**	**8,096**	2,200	8,096
Hazara Woolen Mills Limited	**200**	**N/A**	200	N/A
Industrial Development Bank of Pakistan	**107**	**N/A**	107	N/A
Inter Asia Leasing Company Limited	**500**	**N/A**	500	N/A
ISE Towers REIT Management Company Limited	**30,346**	**52,988**	30,346	50,902
Junaid Cotton Mills Limited	**327**	**N/A**	327	N/A
Kaisar Arts and Krafts Limited	**8,395**	**N/A**	8,395	N/A
Kaytex Mills Limited	**3,778**	**N/A**	3,778	N/A
Mian Mohammad Sugar Mills Limited	**15**	**N/A**	15	N/A
Muslim Ghee Mills Limited	**1,810**	**N/A**	1,810	N/A
Myfip Video Industries Limited	**5,373**	**N/A**	5,373	N/A
National Asset Leasing Corporation Limited	**14**	**N/A**	14	N/A
National Construction Limited	**250**	**597**	250	597
National Institution of Facilitation Technology (Private) Limited	**1,526**	**64,687**	1,526	35,899
National Investment Trust Limited	**100**	**910,231**	100	1,003,283
National Woolen Mills Limited	**183**	**N/A**	183	N/A
Natover Lease and Refinance	**2,602**	**N/A**	2,602	N/A
Nowshehra Engineering Works Limited	**41**	**N/A**	41	N/A
Pakistan Export Finance Guarantee Agency Limited	**11,529**	**1,152**	11,529	1,152
Pakistan Paper Corporation Limited	**373**	**N/A**	373	N/A
Pakistan Telephone Cables	**143**	**N/A**	143	N/A
Pakistan Textile City	**100,000**	**12,410**	100,000	12,410

Unlisted companies entity - wise	2022 Cost	2022 Breakup value	2021 Cost	2021 Breakup value
	(Rupees in '000)			
Pakistan Tourism Development Corporation	**100**	**138**	100	83
People Steel Mills Limited	**3,276**	**N/A**	3,276	N/A
Qadri Textile Mills Limited	**500**	**N/A**	500	N/A
Rehman Cotton Mills Limited	**16,958**	**107,895**	16,958	107,895
Refrigerator Manufacturing Company Limited	**4,589**	**N/A**	4,589	N/A
Rousch Power Pakistan Limited	**132,888**	**1,089,730**	132,888	1,503,561
Ruby Rice and General Mills Limited	**750**	**N/A**	750	N/A
Sahrish Textile Mills	**21**	**N/A**	21	N/A
Shoaib Capital	**272**	**544**	272	544
SME Bank Limited	**26,950**	**(318)**	26,950	(318)
South Asia Regional Fund	**287**	**N/A**	287	N/A
Star Salica Industries Limited	**267**	**N/A**	267	N/A
Syed Match Industries	**2**	**N/A**	2	N/A
Union Insurance Company of Pakistan	**4**	**N/A**	4	N/A
Unity Modaraba	**28**	**N/A**	28	N/A
Zafar Textiles Mills Limited	**257**	**N/A**	257	N/A
Zulsham Engineering Works Limited	**330**	**N/A**	330	N/A
Information System Associates Limited	**1,719**	**N/A**	1,719	N/A
1 Link (Pvt) Limited	**50,000**	**428,290**	50,000	267,895
Pakistan Corporate Restructuring Company Limited	**96,000**	**N/A**	96,000	N/A
Pakvitae (Private) Limited	**21,000**	**N/A**	21,000	N/A
	1,882,198		1,882,198	

* Not available

	2022	2021
	(Rupees in '000)	
Non Government Debt Securities		
Listed		
- AA+, AA, AA-	**8,010,870**	8,665,870
- A+, A, A-	**800,000**	833,334
- Unrated	**6,130,027**	6,130,027
Cost	**14,940,897**	15,629,231
Unlisted		
- AAA	**18,927,154**	22,132,940
- AA+, AA, AA-	**5,151,626**	4,609,273
- A+, A, A-	**2,147,091**	2,745,811
- BBB+, BBB, BBB-	**299,760**	299,760
- Unrated	**10,658,643**	10,046,112
Cost	**37,184,274**	39,833,896

Foreign Securities

Government Securities	2022 Cost (Rupees in '000)	2022 Rating	2021 Cost (Rupees in '000)	2021 Rating
USA	**1,914,312**	AA+	880,932	AA+

	2022	2021
	---------- (Rupees in '000) ----------	
10.5 Particulars relating to Held to Maturity securities are as follows:		
Federal Government Securities - Government guaranteed		
Market Treasury Bills	**29,376,461**	-
Pakistan Investment Bonds	**375,236,903**	324,556,862
Ijarah sukuks	**13,130,709**	-
Bai muajjal with Government of Pakistan	**-**	10,914,185
Cost	**417,744,073**	335,471,047
Non Government Debt Securities		
Unlisted		
- Unrated	**404,585**	407,164
Cost	**404,585**	407,164

Foreign Securities

	2022 Cost (Rupees in '000)	2022 Rating	2021 Cost (Rupees in '000)	2021 Rating
Government Securities				
Azerbaijan	**826,514**	**BB+**	204,494	BB+
Bangladesh	**31,087,653**	**BB-**	29,672,064	Ba3
Kyrgyzstan	**814,349**	**B3**	841,944	B2
Kingdom of Saudi Arabia	**3,367,991**	**A+**	2,631,097	A
Korea	**-**	**-**	742,001	AA
	36,096,507		34,091,600	

	2022	2021
	---------- (Rupees in '000) ----------	
Non Government Debt Securities		
Listed		
- Unrated - Cost	**871**	680

10.5.1 The market value of securities classified as held-to-maturity as at December 31, 2022 amounted to Rs. 436,150 million (2021: Rs. 366,869 million).

10.6 Investment in shares of a bank incorporated outside Pakistan - Bank Al-Jazira

The Bank holds 30,333,333 (2021: 30,333,333) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 3.7% (2021: 3.7%) holding in total equity of BAJ. The investment has been marked to market using closing price as quoted on the Saudi Stock Exchange in accordance with SBP concurrence vide letter No. BSD/SU-13/331/685/2006 dated February 17, 2006. BAJ's Viability Rating is bb+ with short term and long term IDR at F2 and BBB+ respectivley by Fitch Rating Agency.

10.7 Out of 106,014,565 shares, 94,273,510 shares of Agritech Limited were acquired from Azgard Nine Limited as part of multiple agreements including the Master Restructuring Agreement (MRA). These shares were acquired at an agreed price of Rs. 35 per share. The market value of the shares at December 31, 2022 amounted to Rs. 4.39 per share resulting in an impairment of Rs. 3,200 million (2021: Rs. 3,264 million) which has been fully recorded in these unconsolidated financial statements.

10.8 Aggregate market value of investment in associates (quoted) on the basis of quoted prices amounts to Rs. 1,742 million (2021: Rs. 1,880 million).

10.9 Associates with zero carrying amount, represent the investments acquired from former National Development Finance Corporation (NDFC) which have negative equity or whose operations were closed at the time of amalgamation.

10.10 The details of break-up value based on latest available financial statements of unlisted investments in associates are as follows:

	Year / Period ended	Break-up value Rupees in '000
Pakistan Emerging Venture Limited	June 30, 2022	25
Mehran Industries Limited	June 30, 2001	5,681
Tharparkar Sugar Mills Limited	September 30, 2001	(83,140)
Prudential Fund Management	June 30, 2007	(2,482)
Dadabhoy Energy Supply Company Limited	June 30, 2007	103,952
Pakistan Mercantile Exchange Limited	June 30, 2022	36,149

	Note	2022	2021
		---------- (Rupees in '000) ----------	
10.11 Investments in joint venture			
United National Bank Limited (UNBL) (Incorporated in United Kingdom)	10.1 / 10.2 / 10.11.1	**2,362,433**	2,362,433

10.11.1 Under a joint venture agreement, the Bank holds 20.25 million ordinary shares (45%) and United Bank Limited (UBL) holds 23.25 million ordinary shares (55%) in UNBL. In addition to ordinary shares, four preference shares categories as "A", "B", "C" and "D" have been issued and allotted. The "B" and "D" category shares are held by the Bank and category "A" and "C" are held by UBL. Dividends payable on "A" and "B" shares are related to the ability of the venture to utilize tax losses that have been surrendered to it on transfer of business from the Bank or UBL as appropriate. Dividends payable on "C" and "D" shares are related to loans transferred to the venture by the Bank or UBL that have been written-off or provided for at the point of transfer and the ability of the venture to realize in excess of such loan value.

10.12 The investments also include shares acquired under tri-partite consent agreement dated June 29, 2011. These strategic investments comprise of the shares of Pakistan State Oil (38,055,247 shares), shares of Sui Northern Gas Pipeline Limited (18,805,318 shares) and Pakistan Engineering Company (135,242 shares). The cost of these shares amounts to Rs. 4,603 million and market value as at December 31, 2022 amounts to Rs. 6,224 million. These shares have been frozen by the Government of Pakistan for sale in the equity market due to their proposed privatization and can not be sold without concurrence of privatization commission.

10.13 The investments also include 31,665,000 shares of Pakistan Reinsurance. The cost of these shares amounts to Rs. 220 million and market value as at December 31, 2022 amounts to Rs. 217 million. These shares can not be sold without concurrence of privatization commission.

10.14 The investment also include 20,000,000 shares of First Credit and Investment Bank. The cost of these shares amounts to Rs. 157 million and market value as at Decemember 31, 2022 amounts to Rs. 110 million. These shares can not be disinvested without prior consultation with Ministry of Finance.

11. ADVANCES

	Note	Performing		Non Performing		Total	
		2022	2021	**2022**	2021	**2022**	2021
		(Rupees in '000)					
Loans, cash credits, running finances, etc.		**1,168,258,464**	1,045,675,022	**190,545,941**	183,077,586	**1,358,804,405**	1,228,752,608
Islamic financing and related assets		**46,381,315**	42,316,269	**654,980**	712,762	**47,036,295**	43,029,031
Net investment in finance lease	11.1	**35,384**	47,548	**-**	-	**35,384**	47,548
Bills discounted and purchased		**18,598,616**	19,199,730	**14,106,504**	14,147,881	**32,705,120**	33,347,611
Advances - gross	11.2	**1,233,273,779**	1,107,238,569	**205,307,425**	197,938,229	**1,438,581,204**	1,305,176,798
Provision against advances							
- Specific		**-**	-	**190,710,861**	179,311,722	**190,710,861**	179,311,722
- General		**17,348,539**	12,472,591	**-**	-	**17,348,539**	12,472,591
	11.4	**17,348,539**	12,472,591	**190,710,861**	179,311,722	**208,059,400**	191,784,313
Advances - net of provision		**1,215,925,240**	1,094,765,978	**14,596,564**	18,626,507	**1,230,521,804**	1,113,392,485

11.1 Net investment in finance lease

	2022				2021			
	Not later than one year	**Later than one and upto five years**	**Over five years**	**Total**	Not later than one year	Later than one and upto five years	Over five years	Total
	(Rupees in '000)							
Lease rentals receivable	**1,312**	**-**	**-**	**1,312**	955	64	-	1,020
Residual value	**34,237**	**-**	**-**	**34,237**	46,536	185	-	46,721
Minimum lease payments	**35,549**	**-**	**-**	**35,549**	47,491	249	-	47,740
Less: Financial charges for future periods	**165**	**-**	**-**	**165**	191	1		192
Present value of minimum lease payments	**35,384**	**-**	**-**	**35,384**	47,300	248	-	47,548

The leases executed are for a term of 1 to 5 years. Security deposit is generally obtained upto 10% of the cost of leased assets at the time of disbursement. The Bank requires the lessee to insure the leased assets in favor of the Bank. Additional surcharge is charged on delayed rentals. The average return implicit ranges from 10.19% to 14.85% (2021: 10.19% to 14.85%) per annum.

11.2 Particulars of advances (Gross)

	2022	2021
	(Rupees in '000)	
In local currency	**1,315,938,249**	1,178,151,941
In foreign currencies	**122,642,955**	127,024,857
	1,438,581,204	1,305,176,798

11.3 Advances include Rs. 205,307 million (excluding the NPLs which are government guaranteed) (2021: Rs.197,938 million) which have been placed under non-performing status as detailed below.

Category of Classification	2022 Non Performing Loans	2022 Provision	2021 Non Performing Loans	2021 Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	**1,780,995**	**73,114**	1,941,221	94,550
Substandard	**5,888,114**	**1,439,916**	5,245,094	1,230,458
Doubtful	**8,834,066**	**4,645,364**	16,998,929	8,453,057
Loss	**135,077,580**	**132,802,811**	127,459,837	124,795,990
	151,580,755	**138,961,205**	151,645,081	134,574,055
Overseas				
Not past due but impaired				
Overdue by:				
Upto 90 days	**-**	**-**	-	-
91 to 180 days	**-**	**-**	-	-
181 to 365 days	**331,133**	**165,566**	286,746	143,373
> 365 days	**53,395,537**	**51,584,090**	46,006,402	44,594,294
	53,726,670	**51,749,656**	46,293,148	44,737,667
Total	**205,307,425**	**190,710,861**	197,938,229	179,311,722

11.4 Particulars of provision against advances

	Note	2022 Specific	2022 General	2022 Total	2021 Specific	2021 General	2021 Total
		(Rupees in '000)					
Opening balance		**179,311,722**	**12,472,591**	**191,784,313**	154,145,472	22,473,748	176,619,220
Exchange adjustments		**8,339,198**	**107,952**	**8,447,150**	4,277,260	50,984	4,328,244
Charge for the year		**5,227,343**	**9,553,101**	**14,780,444**	15,655,578	513,602	16,169,180
Reversals		**(4,963,631)**	**(1,757,105)**	**(6,720,736)**	(4,097,388)	(952,785)	(5,050,173)
		263,712	**7,795,996**	**8,059,708**	11,558,190	(439,183)	11,119,007
Amounts written off	11.5.2	**(175,513)**	**-**	**(175,513)**	(171,425)	-	(171,425)
Amounts charged off-agriculture financing	11.4.1.3	**(56,258)**	**-**	**(56,258)**	(110,733)	-	(110,733)
Transfer from general to specific provision		**3,028,000**	**(3,028,000)**	**-**	9,612,958	(9,612,958)	-
Closing balance		**190,710,861**	**17,348,539**	**208,059,400**	179,311,722	12,472,591	191,784,313

11.4.1 Particulars of provision against advances

	2022 Specific	2022 General	2022 Total	2021 Specific	2021 General	2021 Total
	(Rupees in '000)					
In local currency	**138,961,205**	**16,741,242**	**155,702,447**	134,574,055	12,220,748	146,794,803
In foreign currencies	**51,749,656**	**607,297**	**52,356,953**	44,737,667	251,843	44,989,510
	190,710,861	**17,348,539**	**208,059,400**	179,311,722	12,472,591	191,784,313

11.4.1.1 General provision includes provision amounting to Rs. 5,211 million (2021: Rs. 5,618) against consumer & SME finance portfolio as required by the Prudential Regulations issued by the SBP. General provision also includes Rs. 607 million (2021: Rs. 252 million) pertaining to overseas advances to meet the requirements of regulatory authorities of the respective countries in which the Bank operates.

Keeping in view the portfolio assessment and the estimated impact of adoption of IFRS 9, the Bank has also maintained a general provision of Rs. 11,530 million (2021: Rs. 6,603 million) against underperforming portfolio on prudent basis, in view of prevailing economic conditions. This general provision is in addition to the requirements of Prudential Regulations.

11.4.1.2 The SBP has allowed specific relaxation to the Bank for non-classification of overdue loans of certain Public Sector Entities (PSEs) which are guaranteed by Government of Pakistan as non-performing loans up till December 31, 2022. No provision is required against these loans; however, mark-up is being suspended as required by the Prudential Regulations.

11.4.1.3 These represent non-performing advances for agriculture finance which have been classified as loss and fully provided for more than 3 years. These non-performing advances have been charged off by extinguishing them against the provision held in accordance with Prudential Regulations for Agriculture Financing issued by the SBP. This charge off does not, in any way, prejudice the Bank's right of recovery from these customers.

		Note	**2022**	2021
			--------- (Rupees in '000) ---------	
11.5	**Particulars of write-offs**			
11.5.1	Against provisions	11.5.2	**169,175**	171,425
11.5.2	Write-offs of Rs. 500,000 and above			
	- Domestic		**128,797**	44,536
	- Overseas		**-**	81,364
		11.6	**128,797**	125,900
	Write-offs of below Rs. 500,000		**40,378**	45,525
	Total Write offs		**169,175**	171,425
	Total Reversals		**6,338**	-

11.6 Details of loan write-off of Rs. 500,000/- and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance,1962, the statement in respect of written-off loans or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended December 31, 2022 is given in Annexure-I to the unconsolidated financial statements (except where such disclosure is restricted by overseas regulatory authorities).

11.7 Information related to islamic financing and related assets is given in note 2 of Annexure II and is an integral part of these unconsolidated financial statements.

		Note	**2022**	2021
			--------- (Rupees in '000) ---------	
12.	**FIXED ASSETS**			
	Capital work-in-progress	12.1	**1,080,087**	1,405,161
	Property and equipment	12.2	**56,025,755**	52,701,215
			57,105,842	54,106,376
12.1	**Capital work-in-progress**			
	Civil works		**1,010,529**	1,335,603
	Equipment		**10,825**	10,825
	Advances to suppliers and contractors		**58,733**	58,733
	Software implementation in progress		**-**	
			1,080,087	1,405,161

12.2 Property and equipment

	2022									
	Freehold land	Leasehold land	Building on freehold land	Building on leasehold land	Furniture and fixture	Computer and peripheral equipment	Electrical, office equipment	Vehicles	Assets held under finance lease - vehicles	Total
	(Rupees in '000)									
At January 1, 2022										
Cost / revalued amount	20,370,445	19,465,743	6,524,947	5,131,378	6,820,804	4,979,128	7,596,952	1,963,459	165,253	73,018,109
Accumulated depreciation	-	-	(1,522,702)	(1,230,090)	(5,263,350)	(4,536,294)	(6,505,609)	(1,093,597)	(165,252)	(20,316,894)
Net book value	20,370,445	19,465,743	5,002,245	3,901,288	1,557,454	442,834	1,091,343	869,862	1	52,701,215
Year ended December 2022										
Opening net book value	20,370,445	19,465,743	5,002,245	3,901,288	1,557,454	442,834	1,091,343	869,862	1	52,701,215
Additions	-	-	192,827	333,935	635,155	258,220	311,633	235,796	-	1,967,566
Movement in surplus on assets revalued	1,110,306	1,622,180	791,946	167,353	-	-	-	-	-	3,691,785
Disposals	-	-	-	-	(18,664)	(7,205)	(7,952)	(173,354)	-	(207,175)
Depreciation charge	-	-	(262,282)	(194,731)	(626,948)	(356,687)	(516,449)	(309,890)	-	(2,266,987)
Depreciation adjustment - disposal	-	-	-	-	15,425	7,205	7,899	125,172	-	155,701
Exchange rate adjustments	-	-	-	(11,024)	3,651	-	3,611	2,644	-	(1,118)
Other adjustments / transfers	(7,995)	-	(44,223)	(20,925)	-	-	57,911	-	-	(15,232)
Closing net book value	21,472,756	21,087,923	5,680,513	4,175,896	1,566,073	344,367	947,996	750,230	1	56,025,755
At December 31, 2022										
Cost / revalued amount	21,472,756	21,087,923	7,465,497	5,600,717	7,440,946	5,230,143	7,962,155	2,028,545	165,253	78,453,935
Accumulated depreciation	-	-	(1,784,985)	(1,424,821)	(5,874,872)	(4,885,776)	(7,014,159)	(1,278,315)	(165,252)	(22,428,180)
Net book value	21,472,756	21,087,923	5,680,512	4,175,896	1,566,074	344,367	947,996	750,230	1	56,025,755
Rate of depreciation (percentage)	Nil	Nil	5% on book value	5% on book value	20% on cost	33.33% on cost	20% - 50% on cost	20% on cost	20% on cost	

	2021									
	Freehold land	Lease hold land	Building on freehold land	Building on lease hold land	Furniture and fixture	Computer and peripheral equipment	Electrical, office equipment	Vehicles	Assets held under finance lease - vehicles	Total
	(Rupees in '000)									
At January 1, 2021										
Cost / Revalued amount	20,370,445	19,673,159	6,498,047	4,367,094	6,505,280	4,403,125	6,230,222	1,247,328	165,253	69,459,953
Accumulated depreciation	-	-	(1,241,903)	(902,703)	(4,623,656)	(4,213,981)	(5,177,945)	(875,204)	(165,252)	(17,200,644)
Net book value	20,370,445	19,673,159	5,256,144	3,464,391	1,881,624	189,144	1,052,277	372,124	1	52,259,309
Year ended December 2021										
Opening net book value	20,370,445	19,673,159	5,256,144	3,464,391	1,881,624	189,144	1,052,277	372,124	1	52,259,309
Additions	-	-	26,900	70,302	519,016	496,751	526,338	852,882	-	2,492,189
Cost - Adjustments	-	-	-	712,882	42,560	-	841,822	-	-	1,597,264
Accumulated Depreciation - Adjustments	-	-	-	(132,235)	(34,048)	-	(685,393)	-	-	(851,676)
Movement in surplus on assets revalued	-	(193,330)	-	-	-	-	-	-	-	(193,330)
Disposals	-	-	-	-	(13,654)	(15,197)	(4,156)	(138,728)	-	(171,735)
Depreciation charge	-	-	(280,799)	(195,152)	(616,873)	(332,792)	(645,415)	(329,074)	-	(2,400,105)
Depreciation adjustment - disposal	-	-	-	-	11,227	10,480	3,144	110,681	-	135,532
Exchange rate adjustments	-	-	-	(18,900)	46,337	26,726	2,726	1,977	-	58,866
Other adjustments / transfers	-	(14,086)	-	-	(278,735)	67,722	-	-	-	(225,099)
Closing net book value	20,370,445	19,465,743	5,002,245	3,901,288	1,557,454	442,834	1,091,343	869,862	1	52,701,215
At December 31, 2021										
Cost / Revalued amount	20,370,445	19,465,743	6,524,947	5,131,378	6,820,804	4,979,128	7,596,952	1,963,459	165,253	73,018,109
Accumulated depreciation	-	-	(1,522,702)	(1,230,090)	(5,263,350)	(4,536,294)	(6,505,609)	(1,093,597)	(165,252)	(20,316,894)
Net book value	20,370,445	19,465,743	5,002,245	3,901,288	1,557,454	442,834	1,091,343	869,862	1	52,701,215
Rate of depreciation (percentage)	Nil	Nil	5% on book value	5% on book value	20% on cost	33.33% on cost	20% - 50% on cost	20% on cost	20% on cost	

12.2.1 Revaluation of Properties

The properties of the Bank have been revalued by the independent professional valuer as at December 31, 2022. The revaluation was carried out by an independent professional valuer, RBS Associates (Private) Limited (PBA registered valuer) on the basis of professional assessment of present market values. The total surplus against revaluation of fixed assets as at December 31, 2022, amounts to Rs. 47,734 million. Had there been no revaluation, the carrying amount of the revalued assets at December 31, 2022, would have been as follows:

	2022	2021
	(Rupees in '000)	
Freehold land	**1,132,637**	1,132,637
Leasehold land	**890,025**	890,025
Building on freehold land	**1,013,440**	820,613
Building on leasehold land	**1,909,929**	1,575,994
	4,946,031	4,419,269
12.2.2 Carrying amount of temporarily idle property of the Bank	**5,319,961**	4,795,454
12.2.3 The cost of fully depreciated assets still in use		
Furniture and fixtures	**2,123,087**	2,118,855
Electrical and office equipment	**3,260,800**	3,254,854
Computer and peripheral equipment	**3,157,918**	3,153,503
Vehicles	**1,316,496**	1,316,496
	9,858,301	9,843,708

12.3 Details of disposals of fixed assets to related parties

The particulars of disposal of fixed assets to related parties are given below:

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Buyers name
	----------(Rupees in '000)----------						
Vehicles	1,969	394	394	-	As per Entitlement	Employee	Mr.Khawaja Amin Ul Azam
Vehicles	1,658	166	166	-	As per Entitlement	Employee	Mr.Ghulam Hussain Azhar
Vehicles	5,857	2,928	2,928	-	As per Entitlement	Ex-Employee	Mr.Muhammad Faraz Haider
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Imran Fayyaz
Vehicles	1,764	353	353	-	As per Entitlement	Employee	Mr.Saad Salman Dar
Vehicles	1,664	333	333	-	As per Entitlement	Ex-Employee	Mr.Sohail Hassan Butt
Vehicles	2,525	1,641	1,641	-	As per Entitlement	Ex-Employee	Mr.Manzur Ahmad
Vehicles	1,824	486	486	-	As per Entitlement	Ex-Employee	Mr.Jamil Ahmed
Vehicles	2,380	1,309	1,309	-	As per Entitlement	Ex-Employee	Ms.Rizwana Ammar
Vehicles	1,673	84	335	251	As per Entitlement	Employee	Muhammad Tariq Khattak
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Maj Shabbir Ahmed
Vehicles	1,764	353	353	-	As per Entitlement	Employee	Mr.Asir Hassan
Vehicles	18,450	1,845	1,845	-	As per Entitlement	Ex-President	Mr.Arif Usmani President
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.M.Masood Rizwan
Vehicles	5,857	1,171	1,171	-	As per Entitlement	Employee	Mr.Fouad Farrukh
Vehicles	5,857	1,171	1,171	-	As per Entitlement	Employee	Mr.Faisal Ahmed Topra
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Arshad Zia
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Asim Nizam Siddiqui
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Aurangzeb Ahmed Shaikh
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Jalil Ahmed Tariq
Vehicles	1,664	-	166	166	As per Entitlement	Ex-Employee	Mr.Muhammad Sultan Jaffer
Vehicles	2,229	743	743	-	As per Entitlement	Ex-Employee	Mr.Amin Qazi,
Vehicles	2,723	2,133	2,133	-	As per Entitlement	Employee	Mr.Muhammad Amjad
Vehicles	2,875	1,725	1,725	-	As per Entitlement	Ex-Employee	Mr.Hidayat Ali Shar
Vehicles	2,525	1,431	1,431	-	As per Entitlement	Employee	Mr.Muhammad Akram Khan
Vehicles	2,380	1,190	1,190	-	As per Entitlement	Employee	Mr.Muhammad Saleem Tahir
Vehicles	2,525	1,263	1,263	-	As per Entitlement	Employee	Mr.Syed Waseem Akhtar
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Rana Muhammad Asif Wakeel
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Nasir Mahmood
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Parkash
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Ghazanfar Abbas Khan
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Muhammad Shafqat Fateen
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Munir Khan
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Syed M.Shahid
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Nafees Ahmed
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Rasheed Ahmed
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Ibrahim M.Sadiq
Vehicles	2,380	1,150	1,150	-	As per Entitlement	Ex-Employee	Mr.Abdul Wajid
Vehicles	1,658	-	166	166	As per Entitlement	Ex-Employee	Mr.Wajid Ali
Vehicles	2,695	1,976	1,976	-	As per Entitlement	Employee	Mr.Kaleemullah Shaikh
Vehicles	2,525	1,305	1,305	-	As per Entitlement	Employee	Mr.Naveed Asghar
Vehicles	1,824	304	365	61	As per Entitlement	Employee	Mr.Abid Sharif
Vehicles	1,824	304	365	61	As per Entitlement	Employee	Mr.Syed Zamin Raza
Vehicles	1,824	304	365	61	As per Entitlement	Employee	Mr.Tariq Mehmood Rashid

12.3 Details of disposals of fixed assets to related parties

The particulars of disposal of fixed assets to related parties are given below:

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Buyers name
	----------(Rupees in '000)----------						
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Muhammad Farooq
Vehicles	1,824	334	365	30	As per Entitlement	Employee	Mr.Amir Faraz
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Zia Ul Haq
Vehicles	2,695	2,066	2,066	-	As per Entitlement	Ex-Employee	Mr.Muhammad Saifuddin
Vehicles	1,673	-	167	167	As per Entitlement	Employee	Mr.Faisal Haq Khan
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Ms.Fauzia Mumtaz
Vehicles	1,949	357	390	32	As per Entitlement	Employee	Mr.Khalid Pervaiz
Vehicles	1,899	348	380	32	As per Entitlement	Employee	Mr.M.Shoaib Qaisrani
Vehicles	1,824	334	365	30	As per Entitlement	Employee	Mr.Iqbal Wahid
Vehicles	2,029	406	406	-	As per Entitlement	Employee	Mr.Wajahat Aziz Qureshi
Vehicles	2,229	446	446	-	As per Entitlement	Employee	Mr.Abdul Rahim Haroon
Vehicles	1,949	390	390	-	As per Entitlement	Employee	Mr.Ahsan Raza
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Naeem Malik
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Mumtaz Ali Bhutto
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Tanvir Ahmad
Vehicles	1,824	334	365	30	As per Entitlement	Employee	Mr.Waqar Ahmed Zakori
Vehicles	1,899	348	380	32	As per Entitlement	Employee	Mr.Syed Imran Ghani
Vehicles	1,824	334	365	31	As per Entitlement	Employee	Ms.Munazza Abdul Majeed
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.M.Naseem Yousuf
Vehicles	2,029	304	406	101	As per Entitlement	Employee	Mr.Zubaid Ali Shaikh
Vehicles	2,029	372	406	34	As per Entitlement	Employee	Mr.Ehtesham Rashid
Vehicles	1,949	357	390	32	As per Entitlement	Employee	Mr.Chaudhry M.Waseef Aslam
Vehicles	2,695	1,931	1,931	-	As per Entitlement	Employee	Mr.Muhammad Arshad
Vehicles	2,703	1,982	1,982	-	As per Entitlement	Employee	Mr.Fouad Mohsin
Vehicles	2,525	1,094	1,094	-	As per Entitlement	Ex-Employee	Mr.Muhammad Iqbal Malik
Vehicles	2,229	483	483	-	As per Entitlement	Ex-Employee	Mr.Shahid Majeed,
Vehicles	2,855	1,142	1,142	-	As per Entitlement	Ex-Employee	Mr.Shahid Iqbal Dar
	171,299	48,182	49,500	1,318			
Computer & peripheral equipments	112	-	11	11	As per Entitlement	Ex-Employee	Mr.Muhammad Hassan Zahid
Computer & peripheral equipments	96	-	10	10	As per Entitlement	Ex-Employee	Mr.Syed Muhammad Raza
Computer & peripheral equipments	64	-	6	6	As per Entitlement	Employee	Mr. Mashood Shahid
Computer & peripheral equipments	107	-	11	11	As per Entitlement	Ex-Employee	Mr.Muhammad Noman Siddiqui
Computer & peripheral equipments	124	-	12	12	As per Entitlement	Employee	Mr.Khawar Saeed
Computer & peripheral equipments	99	-	10	10	As per Entitlement	Ex-Employee	Ms.Rizwana Ammar
Computer & peripheral equipments	106	-	11	11	As per Entitlement	Employee	Mr.Maj ® Shabbir Ahmed
Computer & peripheral equipments	123	-	12	12	As per Entitlement	Employee	Mr.Heera Nand Khatri
Computer & peripheral equipments	64	-	6	6	As per Entitlement	Employee	Mr.Waseem Azhar
Computer & peripheral equipments	94	-	9	9	As per Entitlement	Employee	Mr.Shoaib Ahmed Chaudry
Computer & peripheral equipments	104	-	10	10	As per Entitlement	Employee	Mr.Mukesh Kumar Jeswani
Computer & peripheral equipments	50	-	5	5	As per Entitlement	Employee	Mr.Tahir Sartaj
Computer & peripheral equipments	64	-	6	6	As per Entitlement	Employee	Mr.Awais Memon
Computer & peripheral equipments	123	-	12	12	As per Entitlement	Employee	Mr.Haris Muzaffar

12.3 Details of disposals of fixed assets to related parties

The particulars of disposal of fixed assets to related parties are given below:

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Buyers name
	----------(Rupees in '000)----------						
Computer & peripheral equipments	99	-	10	10	As per Entitlement	Employee	Mr.Syed Alay Raza
Computer & peripheral equipments	67	-	7	7	As per Entitlement	Employee	Mr.Fawad Ahsan
Computer & peripheral equipments	64	-	6	6	As per Entitlement	Employee	Mr.Asif Ishaq
Computer & peripheral equipments	114	-	11	11	As per Entitlement	Employee	Mr.Ahmed Naseem
Computer & peripheral equipments	106	-	11	11	As per Entitlement	Employee	Mr.Abdul Majid Sheikh
Computer & peripheral equipments	120	-	12	12	As per Entitlement	Employee	Mr.Muhammad Arshad Khan
Computer & peripheral equipments	109	-	11	11	As per Entitlement	Employee	Mr.Muhammad Shoaib
Computer & peripheral equipments	127	-	13	13	As per Entitlement	Employee	Mr.Arsalan Abdul Samad
Computer & peripheral equipments	122	-	12	12	As per Entitlement	Employee	Mr.Hakim Ali Laghari
Computer & peripheral equipments	64	-	6	6	As per Entitlement	Employee	Mr.Muhammad Hasnain Raza
Computer & peripheral equipments	100	-	10	10	As per Entitlement	Employee	Mr.Tanvir Ahmed
Computer & peripheral equipments	121	-	12	12	As per Entitlement	Employee	Mr.Shakir Ahmed Lakhana
Computer & peripheral equipments	64	-	6	6	As per Entitlement	Employee	Mr.Akif Badar
Computer & peripheral equipments	112	-	11	11	As per Entitlement	Employee	Mr.Muhammad Rizwan Yasin
Computer & peripheral equipments	100	-	10	10	As per Entitlement	Employee	Mr.Javed Ashraf
Computer & peripheral equipments	109	-	11	11	As per Entitlement	Employee	Mr.Qazafi Soomro
Computer & peripheral equipments	146	-	0	-	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Computer & peripheral equipments	95	-	0	-	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Computer & peripheral equipments	192	-	19	19	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Computer & peripheral equipments	101	-	10	10	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Computer & peripheral equipments	96	-	10	10	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Computer & peripheral equipments	285	-	29	28	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
	3,841	-	360	360			
Electrical & Office equipments	50	-	-	-	As per Entitlement	Ex-Employee	Mr.Muhammad Hassan Zahid
Electrical & Office equipments	50	-	-	-	As per Entitlement	Ex-Employee	Mr.Kaleemullah Shaikh
Electrical & Office equipments	50	-	-	-	As per Entitlement	Ex-Employee	Ms.Rizwana Ammar
Electrical & Office equipments	115	-	-	-	As per Entitlement	Ex-Employee	Mr.Amin Qazi,
Electrical & Office equipments	115	-	-	-	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Electrical & Office equipments	52	-	-	-	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Electrical & Office equipments	97	-	-	-	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Electrical & Office equipments	115	-	-	-	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Electrical & Office equipments	35	-	-	-	As per Entitlement	Ex-Employee	Mr.Parkash Lal Khetpal
	678	-	-	-			
Furniture and fixture	190	1	1	-	As per Entitlement	Ex-Employee	Mr.Muhammad Hanif
Furniture and fixture	190	43	43	-	As per Entitlement	Ex-Employee	Mr.Sajid Mirza
Furniture and fixture	160	68	68	-	As per Entitlement	Ex-Employee	Mr.Syed Shad Ahmed
Furniture and fixture	160	141	141	-	As per Entitlement	Ex-Employee	Mr.Atta Ullah Zia
Furniture and fixture	160	64	64	-	As per Entitlement	Ex-Employee	Mr.Muhammad Shoaib
Furniture and fixture	160	30	30	-	As per Entitlement	Ex-Employee	Mr.Sultan Ahmed

12.3 Details of disposals of fixed assets to related parties

The particulars of disposal of fixed assets to related parties are given below:

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Buyers name
	----------(Rupees in '000)----------						
Furniture and fixture	200	85	85	-	As per Entitlement	Ex-Employee	Mr.Sohail Hassan Butt
Furniture and fixture	160	69	69	-	As per Entitlement	Ex-Employee	Mr.Muhammad Iqbal
Furniture and fixture	200	-	-	-	As per Entitlement	Ex-Employee	Mr.Sohail Ahmed
Furniture and fixture	200	80	80	-	As per Entitlement	Ex-Employee	Mr.Rizwana Ammar
Furniture and fixture	200	52	52	-	As per Entitlement	Ex-Employee	Mr.Ghulam Hussain Azhar
Furniture and fixture	200	19	19	-	As per Entitlement	Ex-Employee	Mr.Jamil Ahmed
Furniture and fixture	160	68	68	-	As per Entitlement	Ex-Employee	Mr.Muhammad Khalid Awa
Furniture and fixture	160	47	47	-	As per Entitlement	Ex-Employee	Mr.Amjad Ali Abbasi
Furniture and fixture	190	32	32	-	As per Entitlement	Ex-Employee	Mr.Aftab Ghani
Furniture and fixture	200	58	58	-	As per Entitlement	Ex-Employee	Mr.Nadeem Khan
Furniture and fixture	160	61	61	-	As per Entitlement	Ex-Employee	Mr.Muhammad Younas Raz
Furniture and fixture	160	45	45	-	As per Entitlement	Ex-Employee	Mr.Noor Ahmed Memon
Furniture and fixture	190	13	13	-	As per Entitlement	Ex-Employee	Mr.Muhammad Qasim
Furniture and fixture	160	11	11	-	As per Entitlement	Ex-Employee	Mr.Hadi Bakhsh S Memon
Furniture and fixture	200	37	37	-	As per Entitlement	Ex-Employee	Mr.Muhammad Akram Khan
Furniture and fixture	200	20	20	-	As per Entitlement	Ex-Employee	Mr.Muhammad Amjad
Furniture and fixture	160	11	11	-	As per Entitlement	Ex-Employee	Mr.Humayun Naseer Khan
Furniture and fixture	190	12	12	-	As per Entitlement	Ex-Employee	Mr.Imtiaz Ahmed Arain
Furniture and fixture	160	69	69	-	As per Entitlement	Ex-Employee	Ms.Late Naheed Kausar
Furniture and fixture	190	9	9	-	As per Entitlement	Ex-Employee	Mr.Sadaqat Hussain Shah
Furniture and fixture	200	10	10	-	As per Entitlement	Ex-Employee	Mr.Muhammad Sultan Jaffar
Furniture and fixture	200	80	80	-	As per Entitlement	Ex-Employee	Mr.Nazir Ahmed Dayo
Furniture and fixture	160	79	79	-	As per Entitlement	Ex-Employee	Mr.Abdul Hameed
Furniture and fixture	160	79	79	-	As per Entitlement	Ex-Employee	Mr.Ghulam Qadir Chand
Furniture and fixture	200	33	33	-	As per Entitlement	Ex-Employee	Mr.Muhammad Saleem Tahir
Furniture and fixture	160	44	44	-	As per Entitlement	Ex-Employee	Mr.Muhammad Ashraf
Furniture and fixture	160	40	40	-	As per Entitlement	Ex-Employee	Mr.Fahimuddin
Furniture and fixture	200	73	73	-	As per Entitlement	Ex-Employee	Mr.Muhammad Saifuddin
Furniture and fixture	200	35	35	-	As per Entitlement	Ex-Employee	Mr.Abdul Wajid
Furniture and fixture	200	34	34	-	As per Entitlement	Ex-Employee	Mr.Syed Wasim Akhtar
Furniture and fixture	200	58	58	-	As per Entitlement	Ex-Employee	Mr.Syed Naveed Asghar
Furniture and fixture	200	32	32	-	As per Entitlement	Ex-Employee	Mr.Ijaz Ahmed
Furniture and fixture	190	48	48	-	As per Entitlement	Ex-Employee	Mr.Muhammad Naeem Baig
Furniture and fixture	200	75	75	-	As per Entitlement	Ex-Employee	Mr.Wajid Ali
Furniture and fixture	200	75	75	-	As per Entitlement	Ex-Employee	Mr.Allah Ditta Naul
Furniture and fixture	160	45	45	-	As per Entitlement	Ex-Employee	Mr.Badar Munir
Furniture and fixture	160	21	21	-	As per Entitlement	Ex-Employee	Mr.Zafar Ali
Furniture and fixture	160	36	36	-	As per Entitlement	Ex-Employee	Mr.Rooh Ullah Jan
Furniture and fixture	160	152	152	-	As per Entitlement	Ex-Employee	Ms.Saira Farman
Furniture and fixture	160	19	19	-	As per Entitlement	Ex-Employee	Mr.Humayun Shafiq
Furniture and fixture	160	7	7	-	As per Entitlement	Ex-Employee	Mr.Muhammad Fuad Mohsin
Furniture and fixture	160	60	60	-	As per Entitlement	Ex-Employee	Mr.Muhammad Taqi Leghari
Furniture and fixture	190	-	-	-	As per Entitlement	Ex-Employee	Mr.Akbar Hussain
Furniture and fixture	160	120	120	-	As per Entitlement	Ex-Employee	Mr.Syed Zafar Ali

12.3 Details of disposals of fixed assets to related parties

The particulars of disposal of fixed assets to related parties are given below:

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Buyers name
	----------(Rupees in '000)----------						
Furniture and fixture	160	51	51	-	As per Entitlement	Ex-Employee	Mr.Javed Iqbal
Furniture and fixture	335	45	45	-	As per Entitlement	Ex-Employee	Mr.Shahid Iqbal Bar
Furniture and fixture	160	35	35	-	As per Entitlement	Ex-Employee	Mr.Aftab Gul
Furniture and fixture	160	3	3	-	As per Entitlement	Ex-Employee	Mr.Merajuddin Shaikh
Furniture and fixture	335	5	5	-	As per Entitlement	Ex-Employee	Mr.Shahid Majeed
Furniture and fixture	200	6	6	-	As per Entitlement	Ex-Employee	Mr.Muhammad Iqbal Malik
Furniture and fixture	200	72	72	-	As per Entitlement	Ex-Employee	Mr.Muhammad Arshad
Furniture and fixture	160	71	71	-	As per Entitlement	Ex-Employee	Mr.Fazal Ur Rehman
Furniture and fixture	160	35	35	-	As per Entitlement	Ex-Employee	Mr.Jahangir Ahmad
Furniture and fixture	190	74	74	-	As per Entitlement	Ex-Employee	Mr.Tanveer Ahmad
Furniture and fixture	190	76	76	-	As per Entitlement	Ex-Employee	Mr.Shahid Iqbal
Furniture and fixture	190	42	42	-	As per Entitlement	Ex-Employee	Mr.Tahir Mahmood
Furniture and fixture	160	123	123	-	As per Entitlement	Ex-Employee	Mr.Sheraz Ashraf Bajwa
Furniture and fixture	160	33	33	-	As per Entitlement	Ex-Employee	Mr.Muhammad Afzal
Furniture and fixture	190	8	8	-	As per Entitlement	Ex-Employee	Mr.Muhammad Javed Hassan
Furniture and fixture	160	44	44	-	As per Entitlement	Ex-Employee	Mr.Muhammad Aftab
Furniture and fixture	190	3	3	-	As per Entitlement	Ex-Employee	Mr.Shoukat Ali
Furniture and fixture	160	53	53	-	As per Entitlement	Ex-Employee	Mr.Saddique Akbar
Furniture and fixture	200	49	49	-	As per Entitlement	Ex-Employee	Mr.Muhammad Sultan Jaffar Svp
Furniture and fixture	160	7	7	-	As per Entitlement	Ex-Employee	Ms.Naila Zafar
	12,780	3,236	3,236	-			
				-			
	188,598	51,418	53,096	1,678			

13. INTANGIBLE ASSETS

	Core Banking Application	Computer software	Total
	---------- (Rupees in '000) ----------		
At January 1, 2022			
Cost	**2,913,952**	**1,115,976**	**4,029,928**
Accumulated amortisation and impairment	**(2,913,952)**	**(613,186)**	**(3,527,138)**
Net book value	**-**	**502,790**	**502,790**
Year ended December 2022			
Opening net book value	**-**	**502,790**	**502,790**
Additions:			
- through acquisitions / purchase	**-**	**296,497**	**296,497**
Adjustments - addition	**-**	**28,750**	**28,750**
Amortisation charge	**-**	**(323,149)**	**(323,149)**
Exchange rate adjustments	**-**	**42,770**	**42,770**
Closing net book value	**-**	**547,658**	**547,658**
Capital work in progress - Intangibles		**841,289**	**841,289**
Total Intangibles		**1,388,947**	**1,388,947**
At December 31, 2022			
Cost	**2,913,952**	**1,483,993**	**4,397,945**
Accumulated amortisation and impairment	**(2,913,952)**	**(936,335)**	**(3,850,287)**
Net book value	**-**	**547,658**	**547,658**
Rate of amortisation (percentage)	**33.33 % on cost**	**33.33 % on cost**	
Useful life	**3 years**	**3 years**	
At January 1, 2021			
Cost	2,913,952	1,140,555	4,054,507
Accumulated amortisation and impairment	(2,913,952)	(836,742)	(3,750,694)
Net book value	-	303,813	303,813
Year ended December 2021			
Opening net book value	-	303,813	303,813
Additions:			
- developed internally	-	304,412	304,412
Amortisation charge	-	(339,382)	(339,382)
Adjustments - additions	-	223,556	223,556
Exchange rate adjustments	-	10,392	10,392
Closing net book value	-	502,791	502,791
Capital work in progress - Intangibles		145,179	145,179
Total Intangibles	-	647,970	647,970
At December 31, 2021			
Cost	2,913,952	1,115,976	4,029,928
Accumulated amortisation and impairment	(2,913,952)	(613,186)	(3,527,138)
Net book value	-	502,790	502,790
Rate of amortisation (percentage)	33.33 % on cost	33.33 % on cost	
Useful life	3 years	3 years	

13.1 The cost of fully amortised intangible assets that are still in use

	2022	2021
	---------- (Rupees in '000) ----------	
Core Banking Application	**2,913,952**	2,913,952
Computer software	**821,389**	414,906
	3,735,341	3,328,858

14. RIGHT OF USE ASSETS

	2022	2021
	---------- (Rupees in '000) ----------	
Opening balance	**6,605,400**	6,669,684
Additions during the year	**2,244,669**	1,894,476
Less: Derecognition during the year	**6,618**	27,387
Less: Depreciation charged for the year	**2,135,047**	1,931,373
Closing balance	**6,708,404**	6,605,400

15. DEFERRED TAX ASSETS

	At January 01, 2022	Recognised in profit and loss account	Recognised in other comprehensive income	At December 31, 2022
	---------- (Rupees in 000) ----------			
Deductible temporary differences on				
- Tax losses carried forward	**10,705**	**-**	**-**	**10,705**
- Post retirement employee benefits	**4,992,150**	**-**	**2,360,545**	**7,352,695**
- Provision for diminution in the value of investments	**236,751**	**-**	**-**	**236,751**
- Provision against loans and advances	**10,457,938**	**2,467,259**	**-**	**12,925,197**
- Provision against off-balance sheet obligations	**115,222**	**-**	**-**	**115,222**
- Fixed assets	**1,190,369**	**315,919**	**-**	**1,506,288**
- Other provisions	**105,416**	**-**	**-**	**105,416**
- Right of use assets	**502,538**	**168,066**	**-**	**670,604**
	17,611,089	**2,951,244**	**2,360,545**	**22,922,878**
Taxable temporary differences on				
- Surplus on revaluation of fixed assets	**(2,537,701)**	**149,127**	**(672,773)**	**(3,061,347)**
- Surplus on revaluation of investments	**(12,715,420)**	**-**	**15,924,333**	**3,208,913**
- Surplus on revaluation of non-banking assets	**(52,732)**	**-**	**30,980**	**(21,752)**
- Exchange translation reserve	**(679,589)**	**-**	**(69,700)**	**(749,289)**
	(15,985,442)	**149,127**	**15,212,840**	**(623,475)**
	1,625,647	**3,100,371**	**17,573,385**	**22,299,403**

	At January 01, 2021	Recognised in profit and loss account	Recognised in other comprehensive income	At December 31, 2021
	---------- (Rupees in 000) ----------			
Deductible Temporary Differences on				
- Tax losses carried forward	10,705	-	-	10,705
- Post retirement employee benefits	4,120,855	-	871,295	4,992,150
- Provision for diminution in the value of investments	236,751	-	-	236,751
- Provision against loan and advances	9,084,601	1,373,337	-	10,457,938
- Provision against off-balance sheet obligations	115,222	-	-	115,222
- Fixed assets	1,136,458	53,911	-	1,190,369
- Other provisions	105,416	-	-	105,416
- Right of use assets	-	502,538	-	502,538
	14,810,008	1,929,786	871,295	17,611,089
Taxable Temporary Differences on				
- Surplus on revaluation of fixed assets	(2,396,819)	133,040	(273,922)	(2,537,701)
- Surplus on revaluation of investments	(15,346,840)	-	2,631,420	(12,715,420)
- Surplus on revaluation of non-banking assets	(44,713)	-	(8,019)	(52,732)
- Exchange translation reserve	-	-	(679,589)	(679,589)
	(17,788,372)	133,040	1,669,890	(15,985,442)
	(2,978,364)	2,062,826	2,541,185	1,625,647

	Note	2022	2021
		---------- (Rupees in '000) ----------	
16. OTHER ASSETS			
Income / return / mark-up accrued in local currency - net of provision		**99,433,212**	41,779,183
Income / return / mark-up accrued in foreign currency - net of provision		**3,866,901**	2,842,699
Advances, deposits, advance rent and other prepayments	16.1	**2,987,346**	3,870,355
Advance taxation (payments less provisions) and Income tax refunds receivable	16.6	**10,952,064**	12,824,850
Compensation for delayed tax refunds		**20,809,580**	19,221,431
Non-banking assets acquired in satisfaction of claims	16.4	**1,179,943**	1,195,660
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)		**208,423**	208,423
Mark to market gain on forward foreign exchange contracts		**-**	3,058,205
Acceptances		**20,644,122**	10,311,259
Commission receivable on Government treasury transactions		**5,253,389**	5,006,019
Stationery and stamps on hand		**437,900**	470,402
Barter trade balances		**195,399**	195,399
Receivable on account of Government transactions	16.2	**323,172**	323,172
Receivable from Government under VHS scheme	16.3	**418,834**	418,834
Receivable against sale of shares		**156,755**	11,083
Others		**8,126,059**	7,355,244
		174,993,099	109,092,218
Less: Provision held against other assets	16.5	**12,244,043**	11,700,956
Other assets (net of provision)		**162,749,056**	97,391,262
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		**2,520,000**	2,863,886
Other assets - total		**165,269,056**	100,255,148

16.1 This includes Rs. 1,400 million (2021: Rs. 2,800 million) advance against Pre-IPO placement of Term Finance Certificates and REIT Fund.

16.2 This represents amount receivable from GoP on account of encashment of various instruments handled by the Bank for GoP as an agent of the SBP. Due to uncertainty about its recoverability, full amount has been provided for.

16.3 This represents payments made under the Voluntary Handshake Scheme (VHS), recoverable from GoP. Due to uncertainty about its recoverability, full amount has been provided for.

	2022	2021
	---------- (Rupees in '000) ----------	
16.4 Market value of Non-banking assets acquired in satisfaction of claims	**3,699,943**	4,059,546

An independent valuation of the Bank's non-banking assets was performed by an independent professional valuer to determine the fair value of the assets as at December 31, 2022. The valuation was carried out by RBS Associates (Private) Limited (PBA registered valuer) on the basis of an assessment of present market values.

	2022	2021
	---------- (Rupees in '000) ----------	
16.4.1 Non-banking assets acquired in satisfaction of claims		
Opening balance	**4,059,546**	3,968,329
Surplus / (deficit)	**(343,886)**	106,679
Depreciation	**(15,717)**	(15,462)
Closing balance	**3,699,943**	4,059,546

16.5 Provision held against other assets

Income / mark-up accrued in local currency	**152,607**	152,607
Advances, deposits, advance rent and other prepayments	**837,949**	837,949
Stationery and stamps on hand	**96,542**	96,542
Barter trade balances	**195,399**	195,399
Receivable on account of Government transactions	**323,172**	323,172
Receivable from Government under VHS scheme	**418,834**	418,834
Protested bills	**4,297,516**	4,164,485
Ex-MBL / NDFC	**770,398**	770,398
Assets acquired from corporate and industrial restructuring corporation asset (CIRC)	**208,423**	208,423
Others	**4,943,203**	4,533,147
	12,244,043	11,700,956

	2022	2021
	---------- (Rupees in '000) ----------	
16.5.1 Movement in provision held against other assets		
Opening balance	**11,700,956**	11,873,693
Charge for the year	**562,955**	72,205
Adjustment against provision	**(19,868)**	(244,942)
Closing balance	**12,244,043**	11,700,956

16.6 During the year, the Bank has adjusted an amount of Rs. 7,475 million (2021: Rs. 11,322 million) against its advance tax liability and demand of previous tax year against income tax refunds receivables. Further, refunds amounting to Rs. 5,404 million were also determined.

	Note	2022	2021
		---------- (Rupees in '000) ----------	
17. BILLS PAYABLE			
In Pakistan		**54,969,587**	21,775,348
Outside Pakistan		**298,432**	72,922
		55,268,019	21,848,270

18. BORROWINGS

	Note	2022	2021
Secured			
Borrowings from State Bank of Pakistan			
Under Export Refinance Scheme	18.2	**38,217,784**	34,250,502
Financing Scheme for Renewable Energy	18.3	**1,019,611**	740,493
Refinance Facility for Modernization of SMEs	18.4	**43,824**	130,288
Financing Facility for storage of Agriculture Produce (FFSAP)	18.5	**667,327**	526,479
Under Long Term Financing Facility (LTFF)	18.6	**20,254,808**	19,465,068
Refinance Scheme for Payment of Wages and Salaries	18.7	**35,950**	566,315
Temporary Economic Refinance Facility	18.8	**24,126,421**	12,122,947
Refinance Facility for Combating Covid-19	18.9	**66,159**	79,976
		84,431,884	67,882,068
Repurchase agreement borrowings	18.10	**1,826,206,763**	126,810,340
Bai Muajjal		**-**	72,195,209
Total secured		**1,910,638,647**	266,887,617
Unsecured			
Call borrowings	18.10	**25,810,145**	46,011,009
Overdrawn nostro accounts		**-**	26,480
Bai Muajjal		**4,036,995**	-
Total unsecured		**29,847,140**	46,037,489
		1,940,485,787	312,925,106

	2022	2021
	---------- (Rupees in '000) ----------	
18.1 Particulars of borrowings with respect to currencies		
In local currency	**1,923,848,931**	275,739,772
In foreign currencies	**16,636,856**	37,185,334
	1,940,485,787	312,925,106

18.2 The Bank has entered into an agreement with the SBP for extending export finance to customers. As per the terms of the agreement, the Bank has granted the SBP the right to recover the outstanding amounts from the Bank at the date of maturity of the finances by directly debiting the Bank's current account maintained with the SBP. These borrowings are repayable within 180 days. These carry mark-up at rates ranging from 0% to 12.00% (2021: 2.00%) per annum.

18.3 These borrowings have been obtained from the SBP for providing financing facilities to address challenges of energy shortage and climate change through promotion of renewable energy. These borrowings shall be repayable for a maximum period of twelve (12) years. These carry mark-up at rates ranging from 2.00% to 3.00% (2021: 2.00% to 3.00%) per annum.

18.4 These borrowings have been obtained from the SBP under a scheme to finance modernization of Small and Medium Enterprises by providing financing facilities for setting up of new units, purchase of new plant and machinery for Balancing, Modernization and Replacement (BMR) of existing units and financing for import / local purchase of new generators upto a maximum capacity of 500 KVA. These borrowings shall be repayable for a maximum period of ten years and carry mark-up at rates upto 2.00% (2021: 2.00%) per annum.

18.5 These borrowings have been obtained from the SBP for providing financing facilities to develop the agricultural produce marketing and enhance storage capacity, to encourage Private Sector to establish Silos, Warehouses and Cold Storages. These borrowings shall be repayable for a maximum period of ten years. These carry mark-up at rates ranging from 2.5% to 3.5% (2021: 2.5% to 3.5%) per annum.

18.6 These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These borrowings shall be repayable for a maximum period of ten years. These carry mark-up at rates ranging from 2.00% to 4.00% (2021: 1.50% to 3.00%) per annum.

18.7 These borrowings have been obtained from the SBP with a view to support businesses to continue payment of wages and salaries to their workers and employees in the aftermath corona virus (COVID-19) outbreak. These borrowings are repayable for a maximum period of 2.5 years. These carry mark-up at rates ranging from 1.00% to 2.00% (2021: 1.00% to 2.00%) per annum.

18.8 These borrowings have been obtained from the SBP under a scheme to provide concessionary refinance for setting up new industrial units in the backdrop of challenges faced by the industries during the pandemic. These borrowings are repayable for a maximum period of 10 years. These carry mark-up at rates ranging at 3.00% (2021: 3.00%) per annum.

18.9 These borrowings have been obtained from the SBP with a view to provide long term local currency finance for imported and locally manufactured medical equipment to be used for combating COVID – 19. The facility will be available to all the Hospitals and Medical Centres duly registered with respective provincial / federal agencies / commissions and engaged in controlling & eradication of COVID – 19. These borrowings are repayable for a maximum period of 5 years. These carry mark-up at rates at 0.00% (2021: 0.00%) per annum.

18.10 Mark-up / interest rates and other terms are as follows:

- Repurchase agreement borrowings carry mark-up ranging from 15.2% to 17% per annum (2021: 9.7% to 10.21% per annum) having maturity on January 03, 2023 to March 03, 2023.

- Call borrowings carry interest ranging from 3% to 16.5% per annum (2021: 0.63% to 4.15% per annum).

18.11 Bai Muajjal borrowings carry mark-up rate of 16.42% per annum (2021: Nil) having maturity on January 03, 2023.

18.12 Borrowings from the SBP under export oriented projects refinance schemes of the SBP are secured by the Bank's cash and security balances held by the SBP.

18.13 Pakistan Investment Bonds and Market Treasury Bills having maturity of 2 - 10 Years and 3 - 12 Months respectively, are pledged as security under borrowing having carrying amount of Rs. 1,826,206 million (2021: Rs.126,810 million).

19. DEPOSITS AND OTHER ACCOUNTS

	2022			2021		
	In local currency	**In foreign currencies**	**Total**	In local currency	In foreign currencies	Total
	---------- (Rupees in '000) ----------					
Customers						
Current deposits - remunerative	**733,037,562**	**-**	**733,037,562**	648,854,267	-	648,854,267
Current deposits - non-remunerative	**408,169,670**	**159,575,493**	**567,745,163**	476,510,388	145,931,064	622,441,452
Savings deposits	**681,287,543**	**108,029,851**	**789,317,394**	675,591,525	79,434,496	755,026,021
Term deposits	**400,618,865**	**116,541,863**	**517,160,728**	400,905,240	70,853,064	471,758,304
Others	**9,563,715**	**7,855**	**9,571,570**	-	6,463	6,463
	2,232,677,355	**384,155,062**	**2,616,832,417**	2,201,861,420	296,225,087	2,498,086,507
Financial Institutions						
Current deposits	**5,964,408**	**3,479,121**	**9,443,529**	445,782,844	1,155,463	446,938,307
Savings deposits	**15,190,328**	**2,924,782**	**18,115,110**	7,075,299	3,842,651	10,917,950
Term deposits	**10,472,787**	**6,442,283**	**16,915,070**	21,613,144	5,760,597	27,373,741
Others	**4,878,234**	**-**	**4,878,234**	35,838,540	-	35,838,540
	36,505,757	**12,846,186**	**49,351,943**	510,309,827	10,758,711	521,068,538
	2,269,183,112	**397,001,248**	**2,666,184,360**	2,712,171,247	306,983,798	3,019,155,045

19.1 Composition of deposits

	2022	2021
	---------- (Rupees in '000) ----------	
Individuals	**990,051,893**	1,032,316,946
Government (Federal and Provincial)	**1,101,408,344**	931,199,067
Public Sector Entities	**244,103,310**	279,984,059
Banking companies	**20,352,975**	460,090,410
Non-Banking Financial Institutions	**28,998,967**	60,978,126
Private sector	**281,268,871**	254,586,437
	2,666,184,360	3,019,155,045

19.2 Foreign currencies deposits includes deposit of foreign branches amounting to Rs. 75,917 million (2021: Rs. 75,485 million).

19.3 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 1,025,757 million (2021: Rs. 1,132,236 million) including islamic branches.

	Note	2022	2021
		---------- (Rupees in '000) ----------	

20. LEASE LIABILITY AGAINST RIGHT OF USE ASSETS

Lease liabilities included in the statement of financial position		
As at December 31	**8,267,949**	7,893,960
Of which are:		
Current lease liability	**1,590,849**	1,524,809
Non-current lease liability	**6,677,100**	6,369,151
	8,267,949	7,893,960

Maturity analysis - contractual undiscounted cash flows

Less than one year	**2,356,198**	2,199,012
One to five years	**6,557,449**	5,981,702
More than five years	**7,967,022**	6,500,876
Total undiscounted lease liabilities as at December 31	**16,880,669**	14,681,590

21. OTHER LIABILITIES

Mark-up / Return / Interest payable in local currency		**126,228,969**	48,801,768
Mark-up / Return / Interest payable in foreign currency		**655,802**	384,638
Unearned commission and income on bills discounted		**252,539**	428,443
Accrued expenses		**13,865,133**	21,027,250
Advance payments		**350,895**	370,807
Acceptances		**20,644,122**	10,311,259
Unclaimed dividends		**181,851**	181,997
Mark to market loss on forward foreign exchange contracts		**125,371**	-
Unrealised loss on put option		**-**	306,339
Branch adjustment account		**1,916,850**	1,342,640
Payable to defined benefit plan:			
Pension fund	39.4	**23,063,894**	17,834,945
Post retirement medical benefits	39.4	**29,176,898**	24,516,717
Benevolent scheme	39.4	**1,697,838**	1,778,825
Gratuity scheme	39.4	**3,767,858**	3,168,258
Compensated absences	39.4	**8,734,235**	9,952,554
Provision against off-balance sheet obligations		**627,494**	627,494
Provision against contingencies	21.1	**4,170,799**	3,805,376
Staff welfare fund		**371,257**	371,257
Liabilities relating to barter trade agreements		**3,629,389**	3,006,122
Payable to brokers		**350,446**	155,001
PIBs shortselling		**11,043,029**	34,144,415
Others		**18,516,003**	16,143,418
		269,370,672	198,659,523

	Note	2022	2021
		---------- (Rupees in '000) ----------	

21.1 Provision against contingencies

Opening balance		**3,805,376**	4,180,071
Charge during the year		**165,423**	53,239
Other movement		**200,000**	200,000
Adjustment		**-**	(627,934)
Closing balance	21.1.1	**4,170,799**	3,805,376

21.1.1 This represents provision made on account of regulatory violations and reported instances of financial improprieties for which investigations are in progress.

22. SHARE CAPITAL

22.1 Authorized capital

2022	2021		2022	2021
------ (Number of shares) ------			---------- (Rupees in '000) ----------	
2,500,000,000	2,500,000,000	Ordinary shares of Rs. 10 each	**25,000,000**	25,000,000

22.2 Issued, subscribed and paid up

2022	2021		2022	2021
------ (Number of shares) ------			---------- (Rupees in '000) ----------	
140,388,000	140,388,000	Fully paid in cash	**1,403,880**	1,403,880
1,987,125,026	1,987,125,026	Issued as bonus shares	**19,871,251**	19,871,251
2,127,513,026	2,127,513,026		**21,275,131**	21,275,131

The Federal Government and the SBP hold 75.60% (2021: 75.60%) shares of the Bank.

22.3 Shares of the Bank held by subsidiary and associate

	2022	2021
	Number of shares	
Following shares were held by the associate of the Bank as of year end:		
First Credit & Investment Bank Limited	**70,000**	70,000
	70,000	70,000

23. RESERVES

23.1 Exchange translation reserve

This comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

23.2 Statutory reserve

Every bank incorporated in Pakistan is required to transfer 20% of their profits to a statutory reserve until the reserve equals share capital, thereafter 10% of the profits of the Bank are to be transferred to this reserve.

23.3 Merger reserve

As per the Scheme of Amalgamation, all the assets, liabilities and obligations of NBP Leasing Limited were merged with, transferred to, vested in and assumed by the Bank as at the effective date July 31, 2017. The reserve represents the excess of net assets transferred to the Bank over its investment in NBP Leasing Limited.

23.4 General loan loss reserve

During the year ended December 31, 2022, the Board of Directors in their meeting held on April 23, 2022 have approved transfer of Rs 8 billion from general loss reserve to unappropriated profit.

	Note	2022	2021
		---------- (Rupees in '000) ----------	
24. SURPLUS ON REVALUATION OF ASSETS			
Surplus on revaluation of:			
- Available for sale securities	10.1	**(7,462,594)**	32,603,638
- Fixed assets	24.1	**47,733,683**	44,320,452
- Non-banking assets acquired in satisfaction of claims	24.2	**2,520,000**	2,863,886
		42,791,089	79,787,976
Deferred tax on surplus on revaluation of:			
- Available for sale securities		**3,208,913**	(12,715,420)
- Fixed assets	24.1	**(3,061,347)**	(2,537,701)
- Non-banking assets acquired in satisfaction of claims	24.2	**(21,752)**	(52,732)
		125,814	(15,305,853)
		42,916,902	64,482,123

24.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets as at January 1	**44,320,452**	44,882,399
Recognised during the year	**3,691,785**	-
Realised on disposal during the year - net of deferred tax	**-**	(220,819)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	**(197,684)**	(208,088)
Adjustment	**68,260**	-
Related deferred tax liability on incremental depreciation charged during the year	**(149,130)**	(133,040)
Surplus on revaluation of fixed assets as at December 31	**47,733,683**	44,320,452
Less: related deferred tax liability on:		
- revaluation as at January 1	**(2,537,701)**	(2,396,819)
- revaluation recognised during the year	**(412,499)**	-
- Rate adjustment	**(260,277)**	(273,922)
- incremental depreciation charged during the year	**149,130**	133,040
	(3,061,347)	(2,537,701)
	44,672,336	41,782,751

24.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims

Surplus on revaluation as at January 1	**2,863,886**	2,757,207
Recognised during the year	**(343,886)**	106,679
Surplus on revaluation as at December 31	**2,520,000**	2,863,886
Less: related deferred tax liability on:		
- revaluation as at January 1	**(52,732)**	(44,713)
- revaluation recognised during the year	**42,022**	(8,019)
- Rate adjustment	**(11,042)**	-
	(21,752)	(52,732)
	2,498,248	2,811,154

	Note	2022	2021
		---------- (Rupees in '000) ----------	
25. CONTINGENCIES AND COMMITMENTS			
Guarantees	25.1	**377,561,372**	261,356,068
Commitments	25.2	**2,373,285,184**	2,213,570,534
Other contingent liabilities	25.3	**26,619,691**	36,196,804
		2,777,466,247	2,511,123,406

25.1 Guarantees

Financial guarantees	**287,741,990**	197,024,912
Performance guarantees	**89,819,382**	64,331,156
	377,561,372	261,356,068

25.2 Commitments

Documentary credits and short-term trade-related transactions			
- letters of credit		**1,696,635,726**	1,582,757,532
Commitments in respect of:			
- forward foreign exchange contracts	25.2.1	**570,881,591**	571,111,340
- forward government securities transactions	25.2.2	**54,568,834**	38,255,954
- forward lending	25.2.3	**50,363,949**	20,618,971
Commitments for acquisition of:			
- operating fixed assets		**798,234**	826,737
Other commitments	25.2.4	**36,850**	-
		2,373,285,184	2,213,570,534

25.2.1 Commitments in respect of forward foreign exchange contracts

Purchase	**368,380,755**	337,970,120
Sale	**202,500,836**	233,141,220
	570,881,591	571,111,340

Commitments for outstanding forward foreign exchange contracts are disclosed in these unconsolidated financial statements at contracted rates. Commitments denominated in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the statement of financial position date.

	2022	2021
	---------- (Rupees in '000) ----------	
25.2.2 Commitments in respect of forward government securities transactions		
Purchase	**10,988,627**	30,218,032
Sale	**43,580,207**	8,037,922
	54,568,834	38,255,954

Commitments for outstanding forward government securities transactions are disclosed in these unconsolidated financial statements at contracted rates.

	2022	2021
25.2.3 Commitments in respect of forward lending	---------- (Rupees in '000) ----------	
Undrawn formal standby facilities, credit lines and other commitments to lend	**50,363,949**	20,618,971

These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the bank without the risk of incurring significant penalty or expense.

		2022	2021
		---------- (Rupees in '000) ----------	
25.2.4	**Other commitments**		
	Professional services to be received	**36,850**	-
25.3	**Other contingent liabilities**		
25.3.1	Claims against the Bank not acknowledged as debt	**26,619,691**	36,196,804

25.3.2 Claims against the Bank not acknowledged as debts includes claims relating to former Mehran Bank Limited amounting to Rs. 1,597 million (2021: Rs. 1,597 million).

25.3.3 Taxation

Tax returns of the Bank have been filed up to tax year 2022 and amended by tax authorities up to tax year 2021. For Azad Kashmir and Gilgit Baltistan branches no amendment to returns filed under section 120 of the Ordinance has been made, hence returns filed are deemed assessments for all the years till tax year 2022.

a) During the period under review the appeals for tax years 2006 and 2007 have been decided against the Bank by CIR(Appeals) and the Bank has filed further appeal before ATIR on legal grounds u/s 161 of The Ordinance. The Tax Advisor is confident that the ultimate outcome of the proceeding will be decided in the Bank's favor. Amount of contingency involved is Rs. 1,032 million and Rs. 1,395 million respectively.

b) Honourable Tribunal has decided the appeals filed by the Bank for tax years 2009, 2010 and 2016 for which appeal effect orders have also been issued determining tax refund of Rs. 948.44 million, Rs. 814.54 million in 2009 and 2010 respectively. Whereby for tax year 2016, the department has created demand of Rs. 118.11 million which has been adjusted against tax refunds of tax year 2018.

c) Honourable CIR(Appeals) through judgement dated December 31, 2021 has decided the appeal filed by the Bank for tax year 2018 in favor of the Bank for which appeal effect order has been issued determining refund of Rs. 1,199.29

d) Honourable CIR(Appeals) has decided the appeals filed by the Bank for tax years 2019 and 2020 partially allowing relief to the Bank. The Bank filed further appeal before ATIR which is pending. The bank has shown additional tax liability of Rs. 1,773 million and Rs. 4,298 million for the year 2019 and 2020 respectively as contingency based on the tax consultant's expectations that the issue would be decided in the bank's favor.

e) Honourable CIR(Appeals) through its recent judgement for tax year 2021 dated December 21, 2022 has decided appeal filed by the Bank confirming the Order of assessing officer. The Bank intends to file appeal before ATIR on legal and factual grounds. The bank has shown additional tax liability of Rs. 3,757 million as contingency based on the tax consultant's expectations that the issue would be decided in the bank's favor.

f) The aggregate effect of contingencies as on December 31, 2022, excluding amount of Rs. 1,912.242 million (December 31, 2021: Rs. 2,095.657 million) in respect of indirect tax issues, amounts to Rs. 15,418.569 million (December 31, 2021: Rs. 17,982.606 million). No provision has been made against these contingencies, based on the opinion of tax consultant of the Bank, who expect favorable outcome upon decisions of pending appeals.

25.3.4 Contingencies in respect of employees benefits and related matters

The following are the details of the contingencies arising out of the various legal cases pending adjudication in respect of employees' benefits and related matters. The Bank considers that except for Pensionary benefits note 25.3.4.1, the financial impact of other matters is impracticable to determine with sufficient reliability.

25.3.4.1 Pensionary benefits to retired employees

In 1977 the Federal Government vide letter No. 17 (9) 17 XI / 77 dated November 30, 1977, addressed to the Pakistan Banking Council, directed that all executives / officers of all the nationalized banks would be paid pension as calculated at 70% of average emoluments upon completion of 30 years of qualifying service of employees and where qualifying service was less than 30 years but not less than 10 years, proportionate reduction in percentage was to be made. This pension scheme was made applicable with effect from May 01, 1977.

In the year 1997, the Banks Nationalization Act, 1974 ("BNA, 1974") was substantially amended whereby the Pakistan Banking Council was abolished and the Board of Directors of the nationalized banks were empowered / mandated respectively to determine personnel policies with the President of the Bank deciding the remuneration and benefits of the employees in accordance with policies determined by the Board. In the year 1999, by virtue of the said amendments in BNA, the Board of Directors of the Bank approved the Revised Pay Structure for the officers / executives of the Bank with effect from January 01, 1999 vide Circular No. 37/1999, whereby the basic salary was increased by 110 % to 140% and besides giving multifarious benefits to its employees, formula for monthly gross pension was revised. However, the amount of gross pension on the basis of existing Basic Pay and existing formula was protected.

A number of Bank's employees, after attaining the age of superannuation filed Writ Petitions before the Lahore High Court and the Peshawar High Court, praying for re-calculation of their pensionary benefits and increases in accordance with the Bank Circular No. 228 (C) dated December 26, 1977 and furthermore, for allowing the increases in their pension as per the increases allowed by the Federal Government to its employees. This litigation started in the year 2010 and 2011.

The Peshawar High Court, in terms of judgment dated June 03, 2014, dismissed the petition while observing that the petition was hit by laches and that the petitioners could not claim the benefits granted to the similarly placed employees of other institutions who were governed through different Statutes and Service Rules.

The Lahore High Court vide its judgement dated January 15, 2016, allowed the Writ Petitions on the same matter and the Bank was directed to release the pensionary benefits of the petitioners. The said order was assailed by the Bank by filing Intra Court Appeals in January 2016 which were dismissed by the Lahore High Court, Lahore, through its judgement dated January 16, 2017. The Bank assailed the said judgement by filing appeals in the Supreme Court of Pakistan.

The Honorable Supreme Court of Pakistan after hearing the arguments of both parties, vide its judgement dated September 25, 2017 upheld the decision of the Division Bench of the Lahore High Court on the contention of increase in Bank's employees' pension, thereby instructing the Bank to give pension benefits to its employees in the light of Head Office Instruction Circular No. 228 (C) of 1977. Under this Circular, the pension of employees was to be calculated at 70% of average emoluments upon completion of minimum qualifying service requirement, besides requiring the Bank to follow subsequent revisions in pension scheme and rates granted by the Federal Government to civil servants from time to time as well.

The Bank as well as Federal Government filed review petitions against the aforesaid judgment of the Honorable Supreme Court of Pakistan and also made an application for constitution of larger bench of the Supreme Court to hear the review petition, which was reportedly accepted by the Chief Justice. However on March 18, 2019, the matter came up for hearing before a three member Bench instead of a larger bench. As advised by our legal counsels, the Bank considers that due to conflicting decision of the other bench of the Supreme Court in a case which, in all material facts and circumstances, is identical to the Bank's case and various other legal infirmities in the judgement as highlighted by the Bank in its Review Petition, the Bank has a reasonably strong case on legal grounds to convince the Supreme Court for review of its decision. The Review Petition is ongoing and is expected to be listed for hearing soon.

A related matter has also been appealed in the Supreme Court where the petitioners have asked for increases in pension in accordance with government increases in Pension for Government employees which is pending adjudication and a favorable outcome is expected.

In case the above matters are decided unfavorably, the Bank estimates based on the actuarial advice that the financial impact arising from the additional liability would be approximately Rs. 89.7 billion excluding any penal interest / profit payment (if any) due to delayed payment Pension expense for the current year and onward will also increase by Rs.12.1 billion due to this decision. Based on the opinion of legal counsel, no provision has been made in these unconsolidated financial statements for the above-mentioned amount as the Bank is confident about the favorable outcome of the matter.

Moreover, the State Bank of Pakistan in the backdrop of Supreme Court's Judgement, through its letter dated February 20, 2018 has instructed the Bank to obtain prior approval of SBP before declaring any dividend.

25.3.4.2 Regularizing the temporary hires / workers deployed by service provider companies under outsourcing arrangements

The Bank outsourced certain non-core jobs to various service provider companies after entering into contracts with them. The resources deployed by the service provider companies were their employees and the said companies have had sole administrative control over these resources. Some of these resources filed writ petitions before the High Courts and National Industrial Relations Commission (NIRC) seeking to be absorbed by the Bank in its regular service based on grounds that they were in fact employees of the Bank. Presently, there are 6 cases on appeal pending at the Supreme Court where these have been clubbed to be heard as one. The Chief Justice of Pakistan has constituted a larger bench comprising of five Judges being headed by himself for adjudication. The case is ongoing and is presently adjourned for a date to be fixed. A favorable outcome of this case is expected.

25.3.4.3 Litigation related to management trainee program

Treatment of Non-MTOs (regular employees) at Par with the MTOs (also appointed in regular cadres) - Litigation arising out of order dated September 21, 2016 passed by the Supreme Court in our CA No.1644/2013 out of our CPLA No. 805/2013 filed against order dated March 13, 2013 of the Division Bench of Sindh High Court, Sukkur in CP No. D-417/2010 (the "Decision").

Mr. Ashfaq Ali and three (3) others filed a CP No. D-417/2010 before the Sindh High Court, Bench at Sukkur while praying to treat them equally in respect of remunerations with other employees (MTOs) having same grade, nature of job and qualification.

The Honorable Division Bench at Sukkur, vide order dated March 13, 2013, directed the Bank to ensure equal treatment to the petitioners with similarly placed employees without any discrimination.

Certain employees filed petitions in the Honorable High Court of Peshawar who also gave its decision in favor of the petitioners. Review petition filed in the Honorable Supreme Court of Pakistan by the Bank was also dismissed.

Last year, the Bank entered into out of court settlements which have successfully been executed with many Non-MTO employees ('petitioners') and accordingly compromise agreements ('the agreement'), offering waiver of loans, increase in basic salaries and provision of other allowances, were signed with those petitioners who have withdrawn their cases against the Bank. Simultaneously the Bank continues to make payments to claimants as per any court orders from time to time.

25.4 Foreign exchange repatriation case

While adjudicating Foreign Exchange repatriation cases of exporter namely: M/S Fateh Textile Mills Limited, the Foreign Exchange Adjudicating Court of the State Bank of Pakistan has also adjudicated penalty of Rs. 1,020 million, arbitrarily on the Bank. The Bank has filed appeals before the Appellate Board and Constitutional Petitions in the Honorable High Court of Sindh against the said judgments. The Honorable High Court has granted relief to the Bank by way of interim orders.

As advised by our counsel, NBP has also filed a Constitutional Petition challenging the constitution of the Appellate Board by the Commission and has obtained restraining order on the ground that the Appellate Board constituted by the Commission lacks legal merit in the light of Supreme Court ruling. Our counsel, Mr. Raashid Anwar, Advocate has concluded his arguments in respect of the Foreign Exchange Regulation Appellate Board constitution. However, another petition filed by another company whereby challenging the constitutionality of the Competition Act was also tagged with the petitions filed by the banks.

Based on merits of the appeals management is confident that these appeals shall be decided in favor of the Bank and therefore, no provision has been made against the impugned penalty.

25.5 Compliance and risk matters relating to anti-money laundering at the New York Branch

25.5.1 The New York Branch of NBP continues to make progress against the enforcement actions received in February 2022 from the Federal Reserve Bank and the New York State Department of Financial Services. The Branch has provided regular quarterly and half-yearly progress reporting to its regulators. The management and the Board of Directors continue to provide close oversight of the branches, remedial actions and are committed to ensure compliance with the conditions agreed in the enforcement actions. The management actions implemented by the Bank and Branch, and their associated validation by Internal Audit will be subject to review by the Branch's regulators.

25.5.2 During the year ended December 31, 2019, a case was filed in the District Court for the Southern District of New York against the Bank by the relatives of several US citizens killed in Khost, Afghanistan, during a terrorist attack carried out at Camp Chapman, a US base. The complaint was later extended to several other random terrorist attacks carried out against US servicemen in Afghanistan by various terrorist organisations. The Bank was sued for its alleged role in knowingly facilitating, aiding and abetting, conspiring and providing material support and banking services to several notorious terrorist groups and terrorist fundraisers.

The plaintiff alleged that the Bank transferred funds by using its New York branch to convert the donations they received from outside Pakistan into U.S. dollars. It has been alleged that the Bank was in a position of knowing and preventing the money transfers.

In January 2021, the case was primarily dismissed on the grounds of its non-compliance with the drafting requirements of the civil procedures applicable. Further, three more amended complaints were filed and dismissed, and the fourth complaint was finally dismissed by the court pursuant to the Bank's Motion to Dismiss the case. The complainants had ultimately failed to state a preliminary case against the Bank as a result of the unsubstantiated and baseless nature of the complaints.

The plaintiffs have filed an appeal against the dismissal of the motion and NBP has filed its counter reply and the case is sub judice.

Based on the merits of the appeal, the management is confident that the appeal shall be decided in favour of the Bank and therefore, no provision has been made in these unconsolidated financial statements.

		Note	2022	2021
			---------- (Rupees in '000) ----------	
26.	**MARK-UP / RETURN / INTEREST EARNED**			
	On:			
	a) Loans and advances		**141,365,310**	87,346,632
	b) Investments		**348,305,015**	139,115,194
	c) Lendings to financial institutions		**12,815,152**	3,956,776
	d) Balances with banks		**824,808**	1,464,100
			503,310,285	231,882,702
27.	**MARK-UP / RETURN / INTEREST EXPENSED**			
	Deposits		**209,597,640**	87,838,223
	Borrowings		**5,116,553**	6,838,985
	Cost of foreign currency swaps against foreign currency deposits / borrowings		**10,026,057**	8,018,491
	Finance charge on lease liability against right of use assets		**848,592**	774,664
	Securities sold under repurchase agreements		**160,894,929**	30,794,533
			386,483,771	134,264,896
28.	**FEE AND COMMISSION INCOME**			
	Branch banking customer fees		**1,644,009**	1,211,530
	Consumer finance related fees		**525,249**	764,985
	Card related fees (debit cards)		**2,372,961**	1,751,172
	Credit related fees		**215,721**	273,464
	Investment banking fees		**767,814**	769,417
	Commission on trade		**2,120,399**	1,947,282
	Commission on guarantees		**742,496**	459,515
	Commission on cash management		**53,907**	95,267
	Commission on remittances including home remittances		**1,618,971**	1,724,239
	Commission on bancassurance		**308,736**	332,743
	Commission on government transactions		**10,506,945**	8,408,285
	Others		**274,902**	65,902
			21,152,110	17,803,801
29.	**GAIN / (LOSS) ON SECURITIES - NET**			
	Realised	29.1	**1,750,428**	6,308,994
	Unrealised - held for trading	10.1	**(1,054,801)**	(120,675)
	Unrealised - Shortselling		**442,320**	-
			1,137,947	6,188,319
29.1	**Realised gain on**			
	Federal Government securities		**121,098**	1,065,169
	Shares		**1,629,252**	5,136,681
	Ijarah sukuks		**-**	10,809
	Foreign securities		**78**	96,335
			1,750,428	6,308,994
30.	**OTHER INCOME**			
	Rent on property		**34,946**	63,480
	Gain on sale of fixed assets - net		**4,441**	62,945
	Postal, SWIFT and other charges recovered / reversed		**48,716**	23,450
	Claim from insurance company		**-**	4,355
	Compensation for delayed tax refunds	30.1	**1,588,150**	1,664,879
	Gain on derecognition on right of use assets		**1,690**	12,378
	Tender money		**576**	2,082
	Commission on IPS non-competative bids		**5,599**	-
	Gain on closure of subsidiary and branch		**42,933**	-
	Others		**10,394**	10,667
			1,737,445	1,844,236

30.1 This represents compensation of delayed refunds determined under Section 171 of Income Tax Ordinance 2001.

	Note	2022	2021
		---------- (Rupees in '000) ----------	
31. OPERATING EXPENSES			
Total compensation expenses	31.1	**48,824,703**	37,044,928
Property expenses			
Rent and taxes		**1,132,695**	800,290
Insurance	31.2	**63,756**	33,590
Utilities cost		**2,149,280**	1,363,539
Security (including guards)		**3,558,476**	2,846,980
Repair and maintenance (including janitorial charges)		**1,140,487**	909,994
Depreciation		**457,013**	475,951
Depreciation on non banking assets		**15,717**	15,462
Depreciation on Ijarah assets		**53,953**	72,807
Depreciation on ROUA		**2,135,047**	1,931,373
		10,706,424	8,449,986
Information technology expenses			
Software maintenance		**1,953,761**	1,353,962
Hardware maintenance		**121,056**	87,765
Depreciation		**356,687**	332,791
Amortisation		**323,149**	339,382
Network charges		**763,928**	612,209
IT Manage Services		**1,576,444**	359,054
		5,095,025	3,085,163
Other operating expenses			
Directors' fees and allowances		**25,772**	25,431
Fees and allowances to Shariah Board		**16,368**	12,564
Legal and professional charges		**1,195,338**	1,355,610
Outsourced services costs	31.3	**702,378**	640,760
Travelling and conveyance		**1,273,937**	816,183
NIFT clearing charges		**218,640**	177,432
Depreciation		**1,453,287**	1,591,362
Training and development		**52,574**	62,409
Postage and courier charges		**306,326**	212,943
Communication		**526,610**	339,605
Stationery and printing		**1,350,561**	1,334,676
Marketing, advertisement and publicity		**931,103**	368,095
Contributions for other corporate and social responsibility	31.4	**107,076**	8,197
Auditors' remuneration	31.5	**242,409**	183,610
Fixed assets / Non-banking asset deficit		**141,403**	-
Financial charges on leased assets		**64,162**	38,300
Entertainment		**267,998**	265,210
Clearing charges, verification and licence fee		**524,546**	293,146
Brokerage		**110,825**	140,233
Insurance general		**564,873**	461,301
Vehicle expenses		**278,756**	173,999
Deposit premium expense		**1,813,582**	1,571,107
Repairs and maintenance general		**932,677**	698,708
Others		**372,641**	306,363
		13,473,842	11,077,244
Grand Total		**78,099,994**	59,657,321

	2022	2021
	---------- (Rupees in '000) ----------	

31.1 Total compensation expense

Managerial Remuneration		
i) Fixed	**15,479,326**	7,943,984
ii) Variable		
of which;		
a) Cash Bonus / Awards etc.	**5,129,786**	4,481,382
Charge for defined benefit plan	**8,354,267**	7,406,457
Rent & house maintenance	**5,825,886**	5,305,594
Utilities	**2,112,571**	1,961,619
Medical	**3,871,937**	3,453,565
Conveyance	**3,743,225**	3,359,933
Club Membership & Subscription	**140,451**	197,461
Education Allowance	**1,443,112**	1,455,624
Insurance	**472,023**	337,287
Honorarium to Staff and Staff Welfare	**262,284**	208,592
Overtime	**45,255**	44,249
Special Duty Allowance	**2,408**	139
Washing Allowance	**15,044**	16,590
Key Allowance	**71,914**	72,813
Unattractive Area Allowance	**61,969**	56,898
Leave Encashment	**12,967**	9,775
Teaching Allowance	**10,590**	10,392
Incentive on CASA deposits mobilization	**23,739**	20,473
Meal Allowance	**249,065**	255,290
Liveries	**62**	1,265
Inflationary Allowance	**840,224**	-
Saturday Allowances	**149,162**	93,449
Severe Winter Allowance	**54,659**	50,849
Hill Allowance	**35,176**	28,825
ATM Cash Replenish Allowance	**14,977**	7,500
PhD Allowance	**10,441**	5,353
Other retirement benefits for international branches	**85,969**	79,772
Reimbursement of visa fees etc	**13,620**	8,155
Recruting expenses	**7,732**	5,427
Others	**284,862**	166,216
	48,824,703	37,044,928
	48,824,703	37,044,928

31.2 This includes Rs. 3.442 million (2021: Rs.3.442 million) insurance premium against directors' liability insurance.

31.3 Total cost for the year included in other operating expenses relating to outsourced activities is Rs. 702.4 million (2021: Rs. 640.8 million). Out of this cost, Rs. 693.2 million (2021: Rs. 631.7 million) pertains to the payment to companies incorporated in Pakistan and Rs. 9.1 million (2021: Rs. 9.1 million) pertains to payment to companies incorporated outside Pakistan. Total Cost of outsourced activities for the year given to related parties is Rs. Nil (2021: Rs. Nil). Outsourcing shall have the same meaning as specified in Annexure-I of BPRD Circular No. 06 of 2017. The material outsourcing arrangements along with their nature of services are as follows:

Name of Company	**Nature of Services**	**2022**	**2021**
		---------- (Rupees in '000) ----------	
HTECH Solutions (Private) Limited	Call center management	**81,962**	94,770
		81,962	94,770

During the year, outsourcing services were hired in respect of sales, call centre services, IT support, data entry, protocol services, collection services, janitorial & cleaning services and lift operator and engineering services.

31.4 Contributions for Corporate & Social Responsibilities include following amounts:

Description	2022	2021
	(Rupees in '000)	
Family Educational Services Foundation (FESF)	**17,000**	-
Sanjan Nagar Public Education Trust (SNPET)	**10,000**	-
Layton Rahmatullah Benevolent Trust (LRBT)	**5,000**	-
Thardeep Microfinance Foundation (TMF)	**6,000**	-
Rural Community Development Programs (RCDP)	**4,000**	-
Prime Minister's Flood Relief Fund 2022	**50,000**	-
Namal Education Foundation (NEF)	**5,197**	5,197
Ghulam Ishaq Khan Institute of Engineering Sciences and Technology	**9,879**	-
Pakistan Hindu Council	**-**	1,000
Tehzibul Akhlaq Trust	**-**	2,000
Total	**107,076**	8,197

31.4.1 None of the Directors, Sponsor shareholders and Key Management Personnel or their spouse have an interest in the Donee.

	Yousuf Adil	A.F. Ferguson & Co	Total 2022	Total 2021
	(Rupees in '000)			
31.5 Auditors' remuneration				
Audit fee	**7,471**	**7,471**	**14,942**	12,452
Review of interim financial statements	**2,614**	**2,614**	**5,228**	4,356
Fee for audit of domestic branches	**6,072**	**6,072**	**12,144**	10,120
Special certifications and sundry advisory services	**6,298**	**16,713**	**23,011**	7,934
Sales Tax	**2,406**	**3,718**	**6,124**	3,508
Out-of-pocket expenses	**4,500**	**4,500**	**9,000**	9,000
	29,361	**41,088**	**70,449**	47,370
Fee for audit of overseas branches including advisory services and out-of-pocket expenses	**-**	**-**	**171,960**	136,240
	29,361	**41,088**	**242,409**	183,610

	Note	2022	2021
		(Rupees in '000)	
32. OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		**72,347**	343,698
Penalties imposed by other regulatory bodies (Central bank of international branches)		**279**	2,765
		72,626	346,463

33. PROVISIONS AND WRITE OFFS - NET

Provisions for diminution in value of investments	10.3	**3,812,519**	663,219
Provisions against loans and advances	11.4	**8,059,710**	11,119,007
Provision against other assets	16.5.1	**562,955**	72,205
Provision against contingencies	21.1	**165,423**	53,239
Provision against letter of placement		**-**	(2,000)
Provision against balance with other bank		**-**	10,713
		12,600,607	11,916,383

		Note	2022	2021
			---------- (Rupees in '000) ----------	
34.	**TAXATION**			
	Current	34.1	**31,599,204**	26,915,246
	Prior years		**3,828,030**	-
	Deferred		**(3,100,371)**	(2,062,826)
			32,326,863	24,852,420

34.1 Current taxation includes Rs. Nil (2021: Rs. Nil) of overseas branches.

		2022	2021
		---------- (Rupees in '000) ----------	
34.2	**Relationship between tax expense and accounting profit**		
	Accounting profit before tax	**62,737,163**	52,860,408
	Income tax at statutory rate @ 39% (2021: 35%)	**24,467,494**	18,501,143
	Increase / (decrease) in taxes resulting from:		
	Super tax at statutory rate @ 10% (2021: 4%)	**6,273,716**	2,114,416
	Inadmissible items	**35,587**	3,948,871
	Prior year taxation	**3,828,030**	-
	Impact of change in tax rate	**(2,075,075)**	-
	Enhanced rate on Govt. Securities	**-**	832,181
	Reduced rate on SME / Housing	**(87,432)**	(96,438)
	Others	**(115,457)**	(447,753)
	Tax charge for current and prior years	**32,326,863**	24,852,420

		2022	2021
35.	**BASIC EARNINGS PER SHARE**		
	Profit for the year (Rupees in 000's)	**30,410,300**	28,007,988
	Weighted average number of ordinary shares (Number in 000's)	**2,127,513**	2,127,513
	Basic earnings per share (Rupees)	**14.29**	13.16
36.	**DILUTED EARNINGS PER SHARE**		
	Profit for the year (Rupees in 000's)	**30,410,300**	28,007,988
	Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares) (Number in 000's)	**2,127,513**	2,127,513
	Diluted earnings per share (Rupees)	**14.29**	13.16

		Note	2022	2021
			---------- (Rupees in '000) ----------	
37.	**CASH AND CASH EQUIVALENTS**			
	Cash and balances with treasury banks	7	**229,910,949**	278,747,059
	Balances with other banks	8	**18,593,800**	17,667,067
	Call / clean money lendings	9	**9,723**	21,009,723
	Call borrowings	18	**(25,810,145)**	(46,011,009)
	Overdrawn nostro accounts	18	**-**	(26,480)
			222,704,327	271,386,360

37.1 Reconciliation of movements of liabilities to cash flows arising from financing activities

	2022	
	Lease Obligation	**Unclaimed Dividend**
	---------- (Rupees in '000) ----------	
Balance as at January 1, 2022	**7,893,960**	**181,997**
Changes from financing cashflows		
Payment of lease obligation / dividend	**(2,428,160)**	**(146)**
Total charges from financing activities	**(2,428,160)**	**(146)**
Other charges		
Renewed lease during the year	**2,244,669**	**-**
Interest unwinding	**848,592**	**-**
Foreign exchange loss	**(291,112)**	**-**
Total other charges	**2,802,149**	**-**
Balance as at December 31, 2022	**8,267,949**	**181,851**

	2021	
	Lease Obligation	Unclaimed Dividend
	---------- (Rupees in '000) ----------	
Balance as at January 1, 2021	7,533,691	185,516
Changes from financing cashflows		
Payment of lease obligation / dividend	(2,450,084)	(3,519)
Total charges from financing activities	(2,450,084)	(3,519)
Other charges		
Renewed lease during the year	1,894,476	-
Interest unwinding	774,664	-
Foreign exchange gain	141,213	-
Total other charges	2,810,353	-
Balance as at December 31, 2021	7,893,960	181,997

	2022	2021
	---------- (Numbers) ----------	
38. STAFF STRENGTH		
Permanent	**10,018**	10,437
On Bank contract	**5,094**	4,972
Bank's own staff strength at the end of the year	**15,112**	15,409

38.1 In addition to the above, 1,218 (2021: 1,273) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services. Out of these, 1,211 employees are working domestically (2021: 1,258) and 7 (2021: 15) abroad respectively.

39. DEFINED BENEFIT PLAN

39.1 General description

General description of the type of defined benefit plan and accounting policy for remeasurements of the net defined liability / asset is disclosed in note 5.13 to the unconsolidated financial statements.

39.2 Number of employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2022	2021
	---------- (Numbers) ----------	
Pension fund	**10,018**	10,437
Post retirement medical scheme	**10,018**	10,437
Benevolent scheme	**10,018**	10,437
Gratuity scheme	**4,855**	4,685
Compensated absences	**10,018**	10,437

39.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2022 using the following significant assumptions:

	2022	2021
	---------- (Per annum) ----------	
Discount rate	**14.50%**	11.75%
Expected rate of return on plan assets	**14.50%**	11.75%
Expected rate of salary increase	**14.50%**	11.75%
Expected rate of increase in pension	**53% for next one year, 10% onwards**	29% for next one year, 7.25% onwards
Expected rate of increase in medical benefit	**14.50%**	11.75%

39.4 Reconciliation of (receivable from) / payable to defined benefit plans

	2022						2021					
	Pension fund	**Post retirement medical scheme**	**Benevolent scheme**	**Gratuity scheme**	**Compensated absences**	**Total**	Pension fund	Post retirement medical scheme	Benevolent scheme	Gratuity scheme	Compensated absences	Total
	---------- (Rupees in '000) ----------						---------- (Rupees in '000) ----------					
Present value of obligations	**89,128,297**	**29,176,898**	**1,697,838**	**3,767,858**	**8,734,235**	**132,505,126**	79,608,695	24,516,717	1,778,825	3,168,258	9,952,554	119,025,049
Fair value of plan assets	**(66,064,403)**	**-**	**-**	**-**	**-**	**(66,064,403)**	(61,773,750)	-	-	-	-	(61,773,750)
Payable	**23,063,894**	**29,176,898**	**1,697,838**	**3,767,858**	**8,734,235**	**66,440,723**	17,834,945	24,516,717	1,778,825	3,168,258	9,952,554	57,251,299

39.5 Movement in defined benefit obligations

Obligations at the beginning of the year	**79,608,695**	**24,516,717**	**1,778,825**	**3,168,258**	**9,952,554**	**119,025,049**	72,742,130	22,282,747	2,054,218	2,711,914	9,251,755	109,042,764
Current service cost	**1,034,974**	**856,635**	**63,621**	**473,120**	**11,299**	**2,439,649**	1,036,822	794,194	72,381	379,017	16,194	2,298,608
Past Service due to early retirement gratuity	**1,119,100**	**441,385**	**-**	**-**	**-**	**1,560,485**	119,800	-	-	-	-	119,800
Adjustment against contingency Reserve	**240,914**	**52,731**	**328**	**-**	**31,837**	**325,810**	245,833	70,731	2,939	-	31,950	351,453
Interest cost	**9,162,030**	**2,808,493**	**196,854**	**364,696**	**1,149,972**	**13,682,045**	6,939,689	2,118,798	189,497	258,343	887,413	10,393,740
Benefits paid by the Bank	**(3,267,938)**	**(1,229,299)**	**(206,937)**	**(128,928)**	**(331,125)**	**(5,164,227)**	(3,131,668)	(1,102,980)	(221,326)	(124,479)	(300,163)	(4,880,616)
Re-measurement (gain) / loss - Profit and loss	**-**	**-**	**-**	**-**	**(2,080,302)**	**(2,080,302)**	-	-	-	-	65,405	65,405
Re-measurement loss / (gain) - OCI	**1,230,522**	**1,730,236**	**(134,853)**	**(109,288)**	**-**	**2,716,617**	1,656,089	353,227	(318,884)	(56,537)	-	1,633,895
Obligations at the end of the year	**89,128,297**	**29,176,898**	**1,697,838**	**3,767,858**	**8,734,235**	**132,505,126**	79,608,695	24,516,717	1,778,825	3,168,258	9,952,554	119,025,049

39.6 Movement in fair value of plan assets

Fair value at the beginning of the year	**61,773,750**	**-**	**-**	**-**	**-**	**61,773,750**	57,038,053	-	-	-	-	57,038,053
Interest income on plan assets	**7,247,610**	**-**	**-**	**-**	**-**	**7,247,610**	5,471,096	-	-	-	-	5,471,096
Contribution by the Bank - net	**1,345,187**	**-**	**-**	**-**	**-**	**1,345,187**	1,283,178	-	-	-	-	1,283,178
Benefits paid	**(3,267,938)**	**-**	**-**	**-**	**-**	**(3,267,938)**	(3,131,668)	-	-	-	-	(3,131,668)
Benefits paid on behalf of fund	**1,738,818**	**-**	**-**	**-**	**-**	**1,738,818**	1,713,284	-	-	-	-	1,713,284
Actuarial loss on Assets	**(2,773,024)**	**-**	**-**	**-**	**-**	**(2,773,024)**	(600,193)	-	-	-	-	(600,193)
Fair value at the end of the year	**66,064,403**	**-**	**-**	**-**	**-**	**66,064,403**	61,773,750	-	-	-	-	61,773,750

Movement in (receivable) / payable under defined benefits scheme												
Opening balance	**17,834,945**	**24,516,717**	**1,778,825**	**3,168,258**	**9,952,554**	**57,251,299**	15,704,077	22,282,747	2,054,218	2,711,914	9,251,755	52,004,711
Charge / (reversal) for the year	**2,949,394**	**3,665,128**	**260,475**	**837,816**	**(919,031)**	**6,793,782**	2,505,415	2,912,992	261,878	637,360	969,012	7,286,657
Past Service due to early retirement gratuity	**1,119,100**	**441,385**	**-**	**-**	**-**	**1,560,485**	119,800	-	-	-	-	119,800
Adjustment against contingency Reserve	**240,914**	**52,731**	**328**	**-**	**31,837**	**325,810**	245,833	70,731	2,939	-	31,950	351,453
Contribution by the bank - net	**(1,345,187)**	**-**	**-**	**-**	**-**	**(1,345,187)**	(1,283,178)	-	-	-	-	(1,283,178)
Re-measurement loss / (gain) recognised in OCI during the year	**4,003,546**	**1,730,236**	**(134,853)**	**(109,288)**	**-**	**5,489,641**	2,256,282	353,227	(318,884)	(56,537)	-	2,234,088
Benefits paid by the Bank	**(1,738,818)**	**(1,229,299)**	**(206,937)**	**(128,928)**	**(331,125)**	**(3,635,107)**	(1,713,284)	(1,102,980)	(221,326)	(124,479)	(300,163)	(3,462,232)
	23,063,894	**29,176,898**	**1,697,838**	**3,767,858**	**8,734,235**	**66,440,723**	17,834,945	24,516,717	1,778,825	3,168,258	9,952,554	57,251,299

39.7 Charge for defined benefit plans

39.7.1 Cost recognised in profit and loss

Current service cost	**1,034,974**	**856,635**	**63,621**	**473,120**	**11,299**	**2,439,649**	1,036,822	794,194	72,381	379,017	16,194	2,298,608
Past Service due to early retirement gratuity	**1,119,100**	**441,385**				**1,560,485**	119,800	-	-	-	-	119,800
Actuarial loss recognized - Profit and Loss	**-**	**-**	**-**	**-**	**(2,080,302)**	**(2,080,302)**	**-**	**-**	**-**	**-**	65,405	65,405
Net interest on defined benefit asset / liability	**1,914,420**	**2,808,493**	**196,854**	**364,696**	**1,149,972**	**6,434,435**	1,468,593	2,118,798	189,497	258,343	887,413	4,922,644
	4,068,494	**4,106,513**	**260,475**	**837,816**	**(919,031)**	**8,354,267**	2,625,215	2,912,992	261,878	637,360	969,012	7,406,457

39.7.2 Re-measurements recognised in OCI during the year

Loss / (gain) on obligation												
- Financial assumptions	**4,049,273**	**1,259,537**	**(278,861)**	**45,522**	**-**	**5,075,471**	1,356,738	1,516,049	(213,037)	19,552	-	2,679,302
- Experience adjustment	**(2,818,751)**	**470,699**	**144,008**	**(154,810)**	**-**	**(2,358,854)**	299,351	(1,162,822)	(105,847)	(76,089)	-	(1,045,407)
Return on plan assets over interest income	**2,773,024**	**-**	**-**	**-**	**-**	**2,773,024**	600,193	-	-	-	-	600,193
Total re-measurements recognised in OCI	**4,003,546**	**1,730,236**	**(134,853)**	**(109,288)**	**-**	**5,489,641**	2,256,282	353,227	(318,884)	(56,537)	-	2,234,088

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	2022	2021
	-------- (Rupees in '000) --------	

39.8 Components of plan assets - Pension fund

Cash and cash equivalents - net	**284,476**	133,034
Government securities	**53,824,866**	41,244,674
Shares	**5,565,760**	6,969,297
Non-Government debt securities	**100,000**	104,000
PLS - Term Deposit Receipts	**-**	6,625,201
Mutual funds	**6,289,301**	6,697,543
	66,064,403	61,773,750

39.8.1 The Funds primarily invests in government securities which do not carry any significant credit risk. These are subject to interest rate risk based on market movements. Investment in term finance certificates are subject to credit risk and interest rate risks, while equity securities are subject to price risk. These risks are regularly monitored by Trustees of the Pension fund.

39.9 Sensitivity analysis

The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarised as below:

	2022					
	Pension fund	**Post retirement medical scheme**	**Benevolent scheme**	**Gratuity scheme**	**Compensated absences**	**Total**
	---------- (Rupees in 000') ----------					
1% increase in discount rate	**(5,915,892)**	**(3,240,793)**	**(86,365)**	**(398,462)**	**(594,451)**	**(10,235,963)**
1% decrease in discount rate	**6,726,947**	**3,998,573**	**95,833**	**468,138**	**674,544**	**11,964,035**
1 % increase in expected rate of salary increase	**3,793,814**	**1,044,078**	**2,931**	**482,184**	**708,338**	**6,031,345**
1 % decrease in expected rate of salary increase	**(3,443,751)**	**(944,533)**	**(3,147)**	**(416,432)**	**(634,014)**	**(5,441,877)**
1% increase in expected rate of pension increase	**2,580,807**	**1,579,961**	**-**	**-**	**-**	**4,160,768**
1% decrease in expected rate of pension increase	**(2,257,907)**	**(1,367,944)**	**-**	**-**	**-**	**(3,625,851)**
1% increase in expected rate of medical benefit increase	**-**	**1,282,639**	**-**	**-**	**-**	**1,282,639**
1% decrease in expected rate of medical benefit increase	**-**	**(1,089,185)**	**-**	**-**	**-**	**(1,089,185)**

39.10 Expected contributions to be paid to the fund in the next financial year **1,682,436**

39.11 Expected charge for the next financial year **11,365,650**

39.12 Maturity profile

The weighted average duration of the obligation

	Years
Pension fund	7.09
Post retirement medical scheme	12.41
Benevolent scheme	5.37
Gratuity scheme	11.5
Compensated absences	7.22

39.13 Funding Policy

Pension Fund - Bank's current assets and its percentage is given below;

Current Assets	**Amount Rupees in '000**	**Percentage**
Cash and cash equivalents - net	**284,476**	**0.4%**
Government securities	**53,824,866**	**81.5%**
Shares	**5,565,760**	**8.4%**
Non-Government debt securities	**100,000**	**0.2%**
PLS - Term Deposit Receipts	**-**	**0.0%**
Mutual funds	**6,289,301**	**9.5%**
	66,064,403	**100%**

Bank will continue to invest with the same percentage in the asset categories mentioned but increase the assets gradually so that there is no deficit in the pension fund.

39.14 Significant risks associated with the staff retirement benefit schemes are as follows:

Asset volatility	The risk arises when the future earnings are lower than expectation. This risk is measured at a plan level over the obligation period of the current population. The company assets are either invested in fixed securities or cash.
Changes in bond yields	The risk arises when the actual return on plan assets is lower than expectation.
Inflation risk	The most common type of retirement benefit is one where the benefit is linked with last drawn salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.
Life expectancy / Withdrawal rate	The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population. The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.
Investment Risk	The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

40. DEFINED CONTRIBUTION PLAN

Provident Fund

The NBP employees Provident Fund was created under National Bank of Pakistan Employees Provident Fund Rules on April 01st, 1950 under the Provident Fund Act, 1925. The Rules have been superseded by revised NBP Employees' Provident Fund Rules which came into force on 01st January, 1958.

As per rules, the Officers, Executives and Clerical and Non Clerical staff in regular cadre make monthly contribution of 10% and 12.5% of their basic salary respectively towards the fund and the bank has to pay interest on balances of member's provident fund half yearly.

This scheme covers 9,737 employees (2021: 9,801 employees).

41. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

41.1 Total Compensation Expense

Items	2022					
	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non-Executives				
	(Rs. in '000)					
Fees and Allowances etc.	2,705	23,067	11,370	-	-	-
Managerial Remuneration						
i) Fixed	-	-	1,793	28,756	231,791	646,468
ii) Total Variable	-	-	-	-	-	-
of which						
a) Cash Bonus / Awards	-	-	727	-	156,019	368,960
Charge for defined benefit plan	-	-	450	6,945	40,039	223,238
Rent & house maintenance	-	-	986	5,038	106,721	353,830
Utilities	-	-	305	1,557	32,986	105,025
Medical	-	-	224	1,145	25,334	111,110
Conveyance	-	-	408	-	29,957	145,145
Others	-	-	105	* 31,151	16,351	140,572
Total	2,705	23,067	16,368	74,592	639,198	2,094,348
Number of Persons	1	6	5	2	23	179

The President and certain executives are also provided with free use of Bank's cars, household equipment, mobile phones and free membership of clubs.

* Others also included end retirement benefits of Ex-President Mr. Arif Usmani.

41.1.1 The total amount of deferred bonus as at December 31, 2022 for the Key Management Personnel and other Material Risk Takers (MRT) / Material Risk Controllers (MRC) is Rs 149.7 million (December 2021: Rs. 55 million). The deferred bonus is held in a trust fund.

Performance bonus is accounted for on payment basis.

Items	2021					
	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non-Executives				
	(Rs. in '000)					
Fees and Allowances etc.	4,874	20,557	9,981	-	-	-
Managerial Remuneration						
i) Fixed	-	-	-	54,000	181,256	464,281
ii) Total Variable	-	-	-	-	-	-
of which						
a) Cash Bonus / Awards	-	-	774	-	162,086	237,324
Charge for defined benefit plan	-	-	98	4,500	30,631	103,925
Rent & house maintenance	-	-	869	-	99,691	254,784
Utilities	-	-	269	-	48,007	86,030
Medical	-	-	198	-	23,964	78,027
Conveyance	-	-	375	-	19,536	73,588
Others	-	-	-	3,970	9,463	102,454
Total	4,874	20,557	12,564	62,470	574,634	1,400,413
Number of Persons	1	7	5	1	32	138

41.2 **Remuneration paid to Directors for participation in Board and Committee Meetings**

2022

S.No.	Name of Director	Meeting Fees and Allowances Paid								
		For Board Meetings	For Board Committees							
			Board Audit Committee	Board Risk & Compliance Committee	Board HR & Remuneration Committee	Board Technology & Digitalization Committee	Board Inclusive Development Committee	Board International Franchises & Remittance Committee	Allowances **	Total Amount Paid
		(Rs. in '000)								
1	Mr. Zubyr Soomro *	**900**	**-**	**-**	**150**	**-**	**300**	**-**	**1,355**	**2,705**
2	Mr. Farid Malik	**2,250**	**750**	**450**	**750**	**600**	**300**	**-**	**1,158**	**6,258**
3	Mr. Tawfiq Asghar Hussain *	**900**	**450**	***** 600**	**-**	**-**	**-**	**-**	**-**	**1,950**
4	Mr. Imam Bukhsh Baloch *	**900**	**450**	**450**	**-**	**-**	**-**	**-**	**47**	**1,847**
5	Ms. Sadaffe Abid *	**900**	**-**	**-**	**-**	**150**	**450**	**-**	**292**	**1,792**
6	Mr. Asif Jooma	**2,250**	**1,200**	**450**	**750**	**-**	**600**	**-**	**-**	**5,250**
7	Mr. Ahsan Ali Chughtai	**2,250**	**750**	**900**	**600**	**450**	**450**	**-**	**570**	**5,970**
	Total Amount Paid	**10,350**	**3,600**	**2,850**	**2,250**	**1,200**	**2,100**	**-**	**3,422**	**25,772**

*** Retired on April 16, 2022**
**** Allowances include accommodation and travel expenses.**
***** Amount includes NBP - NY Governance Council (Sub-Committee of BRCC).**

2021

S.No.	Name of Director	Meeting Fees and Allowances Paid								
		For Board Meetings	For Board Committees							
			Board Audit Committee	Board Risk & Compliance Committee	Board HR & Remuneration Committee	Board Technology & Digitalization Committee	Board Inclusive Development Committee	Board International Franchises & Remittance Committee *	Allowances **	Total Amount Paid
		---------- (Rs. in '000) ----------								
1	Mr. Zubyr Soomro	1,650	-	-	900	-	-	-	2,324	4,874
2	Mr. Farid Malik	1,650	-	-	750	900	-	-	301	3,601
3	Mr. Tawfiq Asghar Hussain	1,650	900	1,500 ***	-	-		150	-	4,200
4	Mr. Imam Bukhsh Baloch	1,650	750	750	-	-	150	-	-	3,300
5	Ms. Sadaffe Abid	1,500	-	-	-	900	750	-	368	3,518
6	Mr. Asif Jooma	1,350	900	-	900	-	450	-	-	3,600
7	Mr. Ahsan Ali Chughtai	750	-	-	-	-	450	-	238	1,438
8	Mr. Muhammad Sohail Rajput	450	150	-	-	-	300	-	-	900
	Total Amount Paid	10,650	2,700	2,250	2,550	1,800	2,100	150	3,231	25,431

* Dissolved in 317th Board Meeting held on February 24, 2021.
** Allowances include accommodation and travel expenses.
*** Amount includes NBP - NY Governance Council (Sub-Committee of BRCC).

41.3 Remuneration paid to Shariah Board Members

Items	**2022**				2021			
	Chairman	**Resident Member**	**Non-Resident Member(s)**	**Total**	Chairman	Resident Member	Non-Resident Member(s)	Total
	---------- (Rs. in '000) ----------							
Retainer Fee & Fixed Remuneration	**4,050**	**4,998**	**7,320**	**16,368**	3,462	4,163	4,939	12,564
Total Amount Paid	**4,050**	**4,998**	**7,320**	**16,368**	3,462	4,163	4,939	12,564
Total Number of Persons	**1**	**1**	**3**	**5**	1	1	3	5

42. FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted instruments classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed-term loans, other assets, other liabilities, fixed-term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

42.1 Fair value of financial assets

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	2022				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
On balance sheet financial instruments	(Rupees in '000)				
Financial assets - measured at fair value					
Investments					
Market Treasury Bills	**848,763,986**	**-**	**848,763,986**	**-**	**848,763,986**
Pakistan Investment Bonds	**2,005,678,970**	**-**	**2,005,678,970**	**-**	**2,005,678,970**
Ijarah Sukuks	**20,178,649**	**-**	**20,178,649**	**-**	**20,178,649**
Ordinary shares of listed companies	**36,659,044**	**36,659,044**	**-**	**-**	**36,659,044**
Preference shares	**1,370,477**	**1,370,477**	**-**	**-**	**1,370,477**
Investments in mutual funds	**3,120,431**	**-**	**3,120,431**	**-**	**3,120,431**
Term Finance Certificates / Musharika and Sukuk Bonds	**47,182,336**	**15,145,954**	**32,036,382**	**-**	**47,182,336**
GoP Foreign Currency Bonds	**14,422,839**	**-**	**14,422,839**	**-**	**14,422,839**
Foreign Government Securities	**1,883,953**	**-**	**1,883,953**	**-**	**1,883,953**
Ordinary shares of a bank outside Pakistan	**34,844,245**	**34,844,245**	**-**	**-**	**34,844,245**
	3,014,104,930	**88,019,720**	**2,926,085,210**	**-**	**3,014,104,930**
Financial assets - disclosed but not measured at fair value					
Investments					
Market Treasury Bills	**29,376,461**	**-**	**29,137,260**	**-**	**29,137,260**
Pakistan Investment Bonds	**375,236,903**	**-**	**355,231,276**	**-**	**355,231,276**
Ijarah Sukuks	**13,130,709**		**12,383,300**		**12,383,300**
GoP Foreign Currency Bonds	**2,992,408**	**-**	**1,665,559**	**-**	**1,665,559**
Foreign Government Securities	**36,096,507**	**-**	**37,327,167**	**-**	**37,327,167**
Foreign Currency Debt Securities	**871**	**-**	**871**	**-**	**871**
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	**-**	**-**	**-**	**-**	**-**
	456,833,859	**-**	**435,745,433**	**-**	**435,745,433**
	3,470,938,789	**88,019,720**	**3,361,830,643**	**-**	**3,449,850,363**
Off-balance sheet financial instruments - measured at fair value					
Foreign exchange contracts purchase and sale	**570,881,591**	**-**	**(125,371)**	**-**	**(125,371)**
Forward government securities transactions	**54,568,834**	**-**	**(14,626)**	**-**	**(14,626)**

	2021				
	Carrying Value	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Market Treasury Bills	811,893,893	-	811,893,893	-	811,893,893
Pakistan Investment Bonds	592,430,009	-	592,430,009	-	592,430,009
Ijarah Sukuks	13,969,700	-	13,969,700	-	13,969,700
Ordinary shares of listed companies	39,784,637	39,784,637	-	-	39,784,637
Preference shares	1,265,729	1,265,729	-	-	1,265,729
Investments in mutual funds	1,868,184	-	1,868,184	-	1,868,184
Term Finance Certificates / Musharika and Sukuk Bonds	51,224,167	16,016,431	35,207,736	-	51,224,167
GoP Foreign Currency Bonds	20,804,963	-	20,804,963	-	20,804,963
Foreign Government Securities	907,304	-	907,304	-	907,304
Ordinary shares of a bank outside Pakistan	27,524,206	27,524,206	-	-	27,524,206
	1,561,672,792	84,591,003	1,477,081,788	-	1,561,672,791
Financial assets - disclosed but not measured at fair value					
Investments					
Market Treasury Bills	-	-	-	-	-
Pakistan Investment Bonds	324,556,862	-	318,889,255	-	318,889,255
GoP Foreign Currency Bonds	-	-	-	-	-
Foreign Government Securities	34,091,600	-	36,657,716	-	36,657,716
Foreign Currency Debt Securities	680	-	680	-	680
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	30	-	30	-	30
Bai muajjal with Government of Pakistan	10,914,185	-	10,914,185	-	10,914,185
	369,563,357	-	366,461,866	-	366,461,866
	1,931,236,149	84,591,003	1,843,543,654	-	1,928,134,657
Off-balance sheet financial instruments - measured at fair value					
Foreign exchange contracts purchase and sale	571,111,340	-	3,058,205	-	3,058,205
Forward government securities transactions	38,255,954	-	(308,328)	-	(308,328)

Valuation techniques used in determination of fair valuation of financial instruments within level 2 and level 3

Item	**Valuation approach and input used**
Market Treasury Bills	PKRV (MUFAP)
Pakistan Investment Bonds	PKRV & PKFRV (MUFAP)
Ijarah Sukuks	PKISRV (MUFAP)
Ordinary shares of unlisted companies	Breakup value as per latest available audited financial statements
Term Finance Certificates / Musharika and Sukuk Bonds	MUFAP & Pakistan Stock Exchange
GoP Foreign Currency Bonds	Reuter page
Foreign Government Securities	Reuter page
Foreign Currency Debt Securities	Reuter page
Investments in mutual funds	MUFAP
Forward foreign exchange contracts and Forward Government securities transactions	The fair values of forward foreign exchange contracts and forward Government securities transactions are determined using forward pricing calculations.
Fixed assets and non-banking assets acquired in satisfaction of claims	Land, buildings and non-banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty. Accordingly, a qualitative disclosure of sensitivity has not been presented in these unconsolidated financial statements

42.2 Fair value of non-financial assets

Information about the fair value hierarchy of Bank's non-financial assets as at the end of the reporting period are as follows:

	2022				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
	(Rupees in '000)				
Land & building (fixed assets)	**52,417,088**	**-**	**-**	**52,417,088**	**52,417,088**
Non-banking assets acquired in satisfaction of claims	**3,699,943**	**-**	**-**	**3,699,943**	**3,699,943**
	56,117,031	**-**	**-**	**56,117,031**	**56,117,031**

	2021				
	Carrying Value	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
Land & building (fixed assets)	48,739,721	-	-	48,739,721	48,739,721
Non-banking assets acquired in satisfaction of claims	4,059,546	-	-	4,059,546	4,059,546
	52,799,267	-	-	52,799,267	52,799,267

43. SEGMENT INFORMATION

43.1 Segment Details with respect to Business Activities

	2022									
	Retail Banking Group	Inclusive Development Group	Corporate and Investment Banking Group	Treasury	International, Financial Institution and Remittance Group	Aitemaad and Islamic Banking Group	Head Office / Others	Sub total	Eliminations	Total
	(Rupees in '000)									
Profit and loss account										
Net mark-up / return / profit	(162,183,572)	25,161,999	36,956,951	205,604,613	4,645,932	7,046,951	(406,360)	116,826,514	-	116,826,514
Inter segment revenue - net	242,679,059	(25,749,912)	(32,666,816)	(206,725,877)	-	(1,932,090)	24,395,636	-	-	-
Non mark-up / return / interest income	16,238,007	491,382	4,513,056	11,741,832	1,816,805	475,181	1,407,613	36,683,876	-	36,683,876
Total income	96,733,494	(96,531)	8,803,191	10,620,568	6,462,737	5,590,042	25,396,889	153,510,390	-	153,510,390
Segment direct expenses	34,945,405	3,410,975	1,234,244	355,659	7,675,997	3,105,252	406,513	51,134,045	-	51,134,045
Inter segment expense allocation	-	-	-	-	-	-	27,038,575	27,038,575	-	27,038,575
Total expenses	34,945,405	3,410,975	1,234,244	355,659	7,675,997	3,105,252	27,445,088	78,172,620	-	78,172,620
Provisions charge / (reversal)	39,252	1,823,824	5,642,750	4,066,055	153,204	187,806	687,716	12,600,607	-	12,600,607
Profit / (loss) before tax	61,748,837	(5,331,330)	1,926,197	6,198,854	(1,366,464)	2,296,984	(2,735,915)	62,737,163	-	62,737,163
Statement of financial position										
Cash and Bank balances	76,022,158	8,471,928	272,335	116,207,653	41,420,355	6,110,320	-	248,504,749	-	248,504,749
Investments	-	-	26,566,790	3,338,860,011	55,396,579	53,920,119	2,610,375	3,477,353,874	-	3,477,353,874
Net inter segment lending	1,913,764,601	-	-	-	-	-	161,978,230	2,075,742,831	(2,075,742,831)	-
Lendings to financial institutions	-	-	-	31,272,467	-	-	-	31,272,467	-	31,272,467
Advances - performing	221,901,091	236,174,990	608,422,187	-	68,916,285	46,381,315	51,477,911	1,233,273,779	-	1,233,273,779
Advances - non-performing	4,107,960	21,853,219	24,119,377	-	53,726,670	654,979	100,845,220	205,307,425	-	205,307,425
Provision against advances	(8,972,018)	(19,791,641)	(23,100,384)	-	(52,356,953)	(655,299)	(103,183,105)	(208,059,400)	-	(208,059,400)
Advances - net	217,037,033	238,236,568	609,441,180	-	70,286,002	46,380,995	49,140,026	1,230,521,804	-	1,230,521,804
Others	31,988,215	3,619,415	41,795,925	381,562	6,402,399	2,842,469	165,741,666	252,771,651	-	252,771,652
Total assets	2,238,812,007	250,327,911	678,076,230	3,486,721,693	173,505,335	109,253,903	379,470,297	7,316,167,376	(2,075,742,831)	5,240,424,546
Borrowings	-	6,032,537	78,399,346	1,839,417,048	16,636,856	-	-	1,940,485,787	-	1,940,485,787
Deposits and other accounts	2,089,383,447	-	406,454,898	-	75,916,594	93,591,714	837,707	2,666,184,360	-	2,666,184,360
Net inter segment borrowing	-	227,691,242	157,769,526	1,581,730,692	96,687,516	11,863,855	-	2,075,742,831	(2,075,742,831)	-
Others	149,428,560	16,604,132	35,169,167	44,395,276	2,896,990	3,373,890	81,038,625	332,906,640	-	332,906,640
Total liabilities	2,238,812,007	250,327,911	677,792,937	3,465,543,016	192,137,956	108,829,459	81,876,332	7,015,319,618	(2,075,742,831)	4,939,576,787
Equity	-	-	283,293	21,178,677	(18,632,621)	424,444	297,593,965	300,847,758	-	300,847,759
Total equity and liabilities	2,238,812,007	250,327,911	678,076,230	3,486,721,693	173,505,335	109,253,903	379,470,297	7,316,167,376	(2,075,742,831)	5,240,424,546
Contingencies and commitments	-	183,082,386	1,907,266,393	625,450,425	28,425,095	-	33,241,948	2,777,466,247	-	2,777,466,247

	2021									
	Retail Banking Group	Inclusive Development Group	Corporate & Investment Banking Group	Treasury	International, Financial Institution and Remittance	Aitemaad & Islamic Banking Group	Head Office / Others	Sub total	Eliminations	Total
	(Rupees in '000)									
Profit and loss account										
Net mark-up / return / profit	(58,755,894)	17,163,761	25,963,957	105,182,793	3,798,879	4,682,056	(417,747)	97,617,806	-	97,617,806
Inter segment revenue - net	111,902,235	(14,376,019)	(22,474,486)	(91,149,527)	-	(577,589)	16,675,387	-	-	-
Non mark-up / return / interest income	13,490,925	406,372	4,153,941	15,434,144	1,284,540	336,316	1,835,379	36,941,617	-	36,941,617
Total income	66,637,266	3,194,114	7,643,412	29,467,410	5,083,419	4,440,783	18,093,019	134,559,423	-	134,559,423
Segment direct expenses	30,900,118	3,031,845	1,121,182	387,232	6,363,529	2,816,952	416,581	45,037,440	-	45,037,440
Inter segment expense allocation	-	-	-	-	-	-	24,745,192	24,745,192	-	24,745,192
Total expenses	30,900,118	3,031,845	1,121,182	387,232	6,363,529	2,816,952	25,161,773	69,782,632	-	69,782,632
Provisions charge / (reversal)	731,529	1,721,582	9,235,188	542,703	(111,737)	121,444	(324,326)	11,916,383	-	11,916,383
Profit / (loss) before tax	35,005,619	(1,559,313)	(2,712,958)	28,537,475	(1,168,373)	1,502,387	(6,744,428)	52,860,408	-	52,860,408
Statement of financial position										
Cash and Bank balances	91,792,092	8,185,926	248,408	131,293,182	58,290,758	6,603,670	90	296,414,126	-	296,414,126
Investments	-	-	26,543,698	1,803,150,092	55,804,559	49,548,759	3,123,533	1,938,170,642	-	1,938,170,642
Net inter segment lending	2,319,442,077	-	-	-	-	-	274,915,854	2,594,357,931	(2,594,357,931)	-
Lendings to financial institutions	2,405,644	-	-	333,061,031	-	-	-	335,466,675	-	335,466,675
Advances - performing	184,159,822	224,303,465	566,367,602	-	80,731,709	42,316,269	9,359,703	1,107,238,569	-	1,107,238,569
Advances - non-performing	4,180,477	21,115,711	61,624,712	-	46,293,148	712,762	64,011,419	197,938,229	-	197,938,229
Provision against Advances	(9,024,982)	(18,226,471)	(56,033,619)	-	(44,989,510)	(712,762)	(62,796,969)	(191,784,313)	-	(191,784,313)
Advances - net	179,315,317	227,192,705	571,958,695	-	82,035,347	42,316,269	10,574,153	1,113,392,485	-	1,113,392,485
Others	25,276,052	2,297,783	18,315,585	3,581,004	4,964,806	2,302,955	106,502,357	163,240,541	-	163,240,541
Total assets	2,618,231,182	237,676,414	617,066,386	2,271,085,309	201,095,470	100,771,653	395,115,987	6,441,042,400	(2,594,357,931)	3,846,684,469
Borrowings	-	4,148,727	63,733,341	207,857,704	37,185,334	-	-	312,925,106	-	312,925,106
Deposits and other accounts	2,563,644,125	-	286,586,523	-	75,485,252	84,849,519	8,589,626	3,019,155,045	-	3,019,155,045
Net inter segment borrowing	-	228,687,313	249,365,896	2,016,684,060	85,836,008	13,784,654	-	2,594,357,931	(2,594,357,931)	-
Others	54,587,057	4,840,374	17,044,690	11,549,538	2,536,069	1,543,475	136,300,550	228,401,753	-	228,401,753
Total liabilities	2,618,231,182	237,676,414	616,730,450	2,236,091,302	201,042,663	100,177,648	144,890,176	6,154,839,835	(2,594,357,931)	3,560,481,904
Equity	-	-	335,936	34,994,007	52,807	594,005	250,225,811	286,202,565	-	286,202,565
Total equity and liabilities	2,618,231,182	237,676,414	617,066,386	2,271,085,309	201,095,470	100,771,653	395,115,987	6,441,042,400	(2,594,357,931)	3,846,684,469
Contingencies and commitments	-	81,061,636	1,740,040,766	629,986,265	22,910,804	-	37,123,935	2,511,123,406	-	2,511,123,406

43.2 Segment details with respect to geographical locations

	2022					
	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	Total
	(Rupees in '000)					
Profit and loss account						
Net mark-up / return / profit	112,180,582	1,674,206	44,424	508,358	2,418,944	116,826,514
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	34,867,071	763,554	281,607	322,301	449,343	36,683,876
Total income	147,047,653	2,437,760	326,031	830,659	2,868,287	153,510,390
Segment direct expenses	43,458,049	1,920,697	1,083,965	3,420,453	1,250,882	51,134,046
Inter segment expense allocation	27,038,574	-	-	-	-	27,038,574
Total expenses	70,496,623	1,920,697	1,083,965	3,420,453	1,250,882	78,172,620
Provisions	12,447,402	(129,353)	(306)	2,562	280,302	12,600,607
Profit / (loss) before tax	64,103,628	646,416	(757,628)	(2,592,356)	1,337,103	62,737,163
Statement of financial position						
Cash and Bank balances	207,084,394	16,776,954	12,524,181	9,444,994	2,674,226	248,504,749
Investments	3,421,957,295	35,919,928	-	2,759,589	16,717,062	3,477,353,874
Net inter segment lendings	96,707,768	-	-	-	-	96,707,768
Lendings to financial institutions	31,272,467	-	-	-	-	31,272,467
Advances - performing	1,194,699,235	5,207,650	420	561,473	32,805,001	1,233,273,779
Advances - non-performing	121,239,014	74,638,826	1,584,372	-	7,845,213	205,307,425
Provision against advances	(155,702,446)	(44,181,403)	(1,584,372)	(12,401)	(6,578,778)	(208,059,400)
Advances - net	1,160,235,803	35,665,073	420	549,072	34,071,436	1,230,521,804
Others	246,369,252	3,817,915	178,130	251,226	2,155,127	252,771,652
Total assets	5,163,626,979	92,179,870	12,702,731	13,004,881	55,617,851	5,337,132,314
Borrowings	1,923,848,931	1,928,779	-	-	14,708,077	1,940,485,787
Deposits and other accounts	2,590,267,766	35,927,275	7,941,305	5,574,521	26,473,493	2,666,184,360
Net inter segment borrowing	-	59,264,939	4,503,018	8,442,185	24,497,626	96,707,768
Others	330,009,650	964,792	258,408	667,328	1,006,462	332,906,640
Total liabilities	4,844,126,347	98,085,785	12,702,731	14,684,034	66,685,658	5,036,284,555
Equity	319,500,632	(5,905,915)	-	(1,679,153)	(11,067,807)	300,847,759
Total equity and liabilities	5,163,626,979	92,179,870	12,702,731	13,004,881	55,617,851	5,337,132,314
Contingencies and commitments	2,749,041,154	9,797,537	1,803,538	6,737,008	10,087,010	2,777,466,247

	2021					
	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	Total
	(Rupees in '000)					
Profit and loss account						
Net mark-up / return / profit	93,818,927	1,740,068	(275)	198,227	1,860,859	97,617,806
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	35,657,077	396,975	305,048	340,207	242,310	36,941,617
Total Income	129,476,004	2,137,043	304,773	538,434	2,103,169	134,559,423
Segment direct expenses	38,673,910	1,701,708	869,557	2,882,547	909,718	45,037,440
Inter segment expense allocation	24,745,192	-	-	-	-	24,745,192
Total expenses	63,419,102	1,701,708	869,557	2,882,547	909,718	69,782,632
Provisions	12,028,120	(218,598)	66,636	4,585	35,639	11,916,383
Profit / (loss) before tax	54,028,782	653,933	(631,420)	(2,348,698)	1,157,812	52,860,408
Statement of financial position						
Cash and bank balances	238,123,368	16,079,536	12,409,372	28,845,835	956,015	296,414,126
Investments	1,882,366,083	38,444,313	-	2,834,242	14,526,004	1,938,170,642
Net inter segment lendings	85,836,007	-	-	-	-	85,836,007
Lendings to financial institutions	335,466,675	-	-	-	-	335,466,675
Advances - performing	1,026,506,860	20,282,504	494,294	5,025,734	54,929,177	1,107,238,569
Advances - non-performing	151,645,081	38,850,705	1,311,119	-	6,131,324	197,938,229
Provision against Advances	(146,794,803)	(38,765,810)	(1,311,119)	(7,489)	(4,905,092)	(191,784,313)
Advances - net	1,031,357,138	20,367,399	494,294	5,018,245	56,155,410	1,113,392,485
Others	158,275,735	3,016,223	164,067	219,828	1,564,688	163,240,541
Total assets	3,731,425,006	77,907,472	13,067,733	36,918,149	73,202,117	3,932,520,476
Borrowings	275,739,772	1,971,822	-	-	35,213,512	312,925,106
Deposits and other accounts	2,943,669,793	37,237,231	8,815,589	7,455,103	21,977,329	3,019,155,045
Net inter segment borrowing	-	37,978,569	4,040,045	28,932,868	14,884,525	85,836,007
Others	225,865,684	831,551	212,099	548,076	944,344	228,401,753
Total liabilities	3,445,275,249	78,019,173	13,067,733	36,936,047	73,019,710	3,646,317,911
Equity	286,149,758	(111,701)	-	(17,897)	182,406	286,202,565
Total equity and liabilities	3,731,425,006	77,907,472	13,067,733	36,918,149	73,202,117	3,932,520,476
Contingencies and commitments	2,488,212,600	2,554,088	3,073,302	8,003,060	9,280,355	2,511,123,406

44. TRUST ACTIVITIES

44.1 Endowment Fund

Students Loan Scheme was launched by Government of Pakistan in collaboration with major commercial banks with a view to extend financial help by way of mark-up free loan to the meritorious students without sufficient resources for pursuing scientific technical and professional education within Pakistan.

The Scheme is being administered by a high powered committee headed by the Deputy Governor, State Bank of Pakistan and the Presidents of NBP, HBL, UBL, MCB, ABL and the Deputy Secretary, Ministry of Finance as member and Senior Director of IH&SME Finance Department (Infrastructure, Housing & SME Finance Department) as a secretary of the Committee. The State Bank of Pakistan has assigned National Bank of Pakistan to operate the scheme.

The Committee in its meeting held on August 7, 2001 approved creation of Endowment Fund initially at an amount of Rs. 500 million, Rs. 396 million were transferred from the old Qarz-e-Hasna (Defunct) Fund, Rs.50 million contributed by the Government of Pakistan and Rs. 54 million were contributed by participating banks (HBL, NBP and UBL 25% each, MCB 17.5% and ABL 7.5%).

The amount of the Endowment Funds in investments stands at Rs. 875.179 million as at December 31, 2022 (2021: Rs. 835.77 million).

44.2 The Bank undertakes Trustee and other fiduciary activities that result in the holding or placing of assets on behalf of individuals and other organisations. These are not assets of the Bank and, therefore, are not included as such in these unconsolidated financial statements. Assets held under trust are shown in the table below:

		As at December 31, 2022			
		Securities Held (Face Value)			
Category	**No. of IPS Accounts**	**Market Treasury Bills**	**Pakistan Investment Bonds**	**Government Ijarah Sukuks**	**Total**
		----------Rs. in '000----------			
Assets Management Companies	**48**	**-**	**-**	**-**	**-**
Charitable institutions	**6**	**-**	**-**	**-**	**-**
Companies	**33**	**111,150,080**	**53,771,500**	**27,417,400**	**192,338,980**
Employee Funds	**42**	**76,006,000**	**67,408,800**	**-**	**143,414,800**
Individuals	**1,680**	**723,040**	**63,000**	**-**	**786,040**
Insurance Companies	**8**	**28,850,000**	**160,826,800**	**-**	**189,676,800**
Others	**79**	**198,320,900**	**672,294,130**	**-**	**870,615,030**
Total	**1,896**	**415,050,020**	**954,364,230**	**27,417,400**	**1,396,831,650**

		As at December 31, 2021			
		Securities Held (Face Value)			
Category	**No. of IPS Accounts**	**Market Treasury Bills**	**Pakistan Investment Bonds**	**Government Ijarah Sukuks**	**Total**
		----------Rs. in '000----------			
Assets Management companies	31	-	-	-	-
Charitable institutions	5	205,320	854,000	-	1,059,320
Companies	31	41,314,365	128,980,600	27,417,400	197,712,365
Employee Funds	41	12,597,120	43,178,900	-	55,776,020
Individuals	944	203,025	79,700	-	282,725
Insurance Companies	8	23,821,000	172,528,500	-	196,349,500
Others	74	76,701,745	234,918,697	-	311,620,442
Total	1,134	154,842,575	580,540,397	27,417,400	762,800,372

45. RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its subsidiaries, associates, joint ventures, employee benefit plans and its directors and Key Management Personnel. The details of investment in subsidiaries, joint venture and associated undertaking and their provisions are stated in note 10 of the unconsolidated financial statements of the Bank.

The Bank enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their appointment.

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these unconsolidated financial statements are as follows:

	2022										2021									
	Directors	**Key management personnel**	**Subsidiaries**	**Associates**	**Joint venture**	**Pension fund (current)**	**Pension fund (fixed deposit)**	**Pension fund (N.I.D.A A/c)**	**Provident fund**	**Other related parties**	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Pension fund (current)	Pension fund (fixed deposit)	Pension fund (N.I.D.A A/c)	Provident fund	Other related parties
	---------- (Rupees in '000) ----------																			
Balances with other banks																				
In current accounts	**-**	**-**	**-**	**-**	**395,137**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	295,951	-	-	-	-	-
	-	**-**	**-**	**-**	**395,137**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	295,951	-	-	-	-	-
Investments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-	-	-	-	-	-
Opening balance	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**4,465,809**	-	-	-	-	-	-	-	-	-	-
Investment made during the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,605,804**	-	-	-	-	-	-	-	-	-	-
Investment redeemed / disposed off during the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-	-	-	-	-	-
Transfer in / (out) - net	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-	-	-	-	-	4,465,809
Closing balance	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,071,613**	-	-	-	-	-	-	-	-	-	4,465,809
Provision for diminution in value of investments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**461,354**	-	-	-	3,821,854	-	-	-	-	-	175,537
Advances																				
Opening balance	**-**	**347,592**	**426,565**	**2,934,162**	**-**	**-**	**-**	**-**	**-**	**641,482**	-	233,267	359,565	2,981,029	-	-	-	-	-	305,117
Addition during the year	**-**	**86,147**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,229,175**	-	254,860	100,000	-	-	-	-	-	-	35,589,939
Repaid during the year	**-**	**(52,240)**	**(199,502)**	**(268,942)**	**-**	**-**	**-**	**-**	**-**	**(1,435,378)**	-	(36,216)	(33,000)	(46,867)	-	-	-	-	-	(35,253,573)
Transfer in / (out) - net	**-**	**(41,765)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**650,516**	-	(104,319)	-	-	-	-	-	-	-	-
Closing balance	**-**	**339,734**	**227,063**	**2,665,220**	**-**	**-**	**-**	**-**	**-**	**2,085,795**	-	347,592	426,565	2,934,162	-	-	-	-	-	641,482
Provision held against advances	-	-	**217,063**	**2,665,220**	-	-	-	-	-	-	-	-	251,565	2,837,287	-	-	-	-	-	-
Other Assets																				
Interest / mark-up accrued	**-**	**-**	**82,502**	**1,717,167**	**-**	**-**	**-**	**-**	**-**	**-**	-	-	251,316	1,719,049	-	-	-	-	-	-
Other receivable	**-**	**-**	**73,280**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-	73,280	-	-	-	-	-	-	-
	-	**-**	**155,782**	**1,717,167**	**-**	**-**	**-**	**-**	**-**	**-**	-	-	324,596	1,719,049	-	-	-	-	-	-
Provision against other assets	**-**	**-**	**73,280**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-	73,280	-	-	-	-	-	-	-
Borrowings																				
Opening balance	**-**	**-**	**-**	**-**	**35,741**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	9,111	-	-	-	-	-
Borrowings during the year	**-**	**-**	**-**	**-**	**16,504**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	26,630	-	-	-	-	-
Settled during the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-	-	-	-	-	-
Closing balance	**-**	**-**	**-**	**-**	**52,245**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	35,741	-	-	-	-	-
Deposits and other accounts																				
Opening balance	**1,760**	**131,454**	**1,007,337**	**-**	**-**	**86,264**	**10,100,000**	**46,769**	**12,854,755**	**43,336,142**	1,320	177,236	1,553,709	-	-	58,871	-	1,369,644	13,282,016	227,967
Received during the year	**-**	**885,658**	**14,507**	**3,000**	**-**	**41,951,279**	**-**	**8,370,003**	**5,025,151**	**5,647,309**	9,334	777,224	693,981	-	-	27,393	10,100,000	-	-	235,269,981
Withdrawn during the year	**(14)**	**(894,821)**	**(110,741)**	**-**	**-**	**(42,010,321)**	**#########**	**(8,159,520)**	**(4,616,736)**	**(5,669,604)**	(8,984)	(763,659)	(1,240,353)	-	-	-	-	(1,322,875)	(427,261)	(196,497,842)
* Transfer in / (out) - net	**(1,746)**	**(23,803)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(42,798,288)**	90	(59,347)	-	-	-	-	-	-	-	4,336,036
Closing balance	**-**	**98,488**	**911,103**	**3,000**	**-**	**27,222**	**-**	**257,252**	**13,263,170**	**515,559**	1,760	131,454	1,007,337	-	-	86,264	10,100,000	46,769	12,854,755	43,336,142
Other Liabilities																				
Other payables to subsidiaries	**-**	**-**	**30,676**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-	4,041	-	-	-	-	-	-	-
	-	**-**	**30,676**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-	4,041	-	-	-	-	-	-	-
Contingencies and Commitments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-	-	-	-	-	-

* Transfer in / (out) - net due to retirement / appointment of directors and changes in key management executives.

RELATED PARTY TRANSACTIONS

	2022								2021							
	Directors	**Key manage-ment personnel**	**Subsidiaries**	**Associates**	**Joint venture**	**Pension fund**	**Provident fund**	**Funds / others**	Directors	Key manage-ment personnel	Subsidiaries	Associates	Joint venture	Pension fund	Provident fund	Funds / others
	---------- (Rupees in '000) ----------															
Income																
Mark-up / return / interest earned	**-**	**-**	**28,121**	**3,384**	**1**	**-**	**-**	**-**	**-**	-	2,731	9,857	-	-	-	-
Debts due by Companies in which Directors of the Bank is interested as Directors	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**457,362**	**-**	-	-	-	-	-	-	8,137
Fee and comission income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	297	-	-	-	-	-
Dividend income	**-**	**-**	**64,260**	**-**	**114,405**	**-**	**-**	**86,114**	**-**	-	82,895	7,009	-	-	-	-
Rent income / Lighting & Power and Bank charges	**-**	**-**	**13,903**	**5,533**	**-**	**-**	**-**	**-**	**-**	-	22,916	5,109	-	-	-	-
Expense																
Mark-up / return / interest paid	**-**	**4,846**	**37,931**	**-**	**20,556**	**477,113**	**1,787,633**	**1,683,174**	88	3,873	6,887	-	41	55,888	1,417,701	1,625,178
Finance charges paid on lease assets to subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-	-	-
Expenses paid to company in which Director of the bank is interested as CEO and director	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**79,487**	**-**	-	-	-	-	-	-	23,387
Remuneration to key management executives including charge for defined benefit plan	**-**	**713,790**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	637,103	-	-	-	-	-	-
Contribution for other corporate & social responsibility paid to company inwhich Directors of the bank is interested as director	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,000**	**-**	-	-	-	-	-	-	-
Commission paid to subsidiaries	**-**	**-**	**5,535**	**-**	**-**	**-**	**-**	**-**	**-**	-	5,323	-	-	-	-	-
Directors fee & other allowances	**25,772**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	25,431	-	-	-	-	-	-	-
Post Retirement Benefit paid to Director cum Ex-employee	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**522**	-	-	-	-	-	-	-	2,087

45.1 Transactions with Government-related entities

The Federal Government through State Bank of Pakistan holds controlling interest (75.60% shareholding) in the Bank and therefore entities which are owned and / or controlled by the Federal Government, or where the Federal Government may exercise significant influence, are related parties of the Bank.

The Bank in the ordinary course of business enters into transaction with Government–related entities. Such transactions include lending to, deposits from and provision of other banking service to Government–related entities.

The Bank also earned commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs.10,507 million (2021: 8,408 million) for the year ended December 31, 2022. As at the statement of financial position date the loans and advances, deposits and contingencies relating to Government–related entities amounted to Rs. 593,486 million (2021: 405,294 million), Rs. 1,403,331 million (2021: 1,247,457 million) and Rs.1,714,807 million (2021: 1,540,238 million) ,respectively and income earned on advances and investment and profit paid on deposits amounted to Rs. 40,225 million (2021: 31,846 million) and Rs. 199,052 million (2021: 51,110 million) respectively.

46. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- to comply with the capital requirements set by the regulators of the banking markets where the Bank operates;
- to safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

Basel-III instructions comprise the following three capital standards:

i. Minimum Capital Requirement (MCR):

The MCR standard sets the nominal amount of capital banks / DFIs are required to hold. Currently, the MCR for banks and DFIs is Rs. 10 billion as prescribed by SBP.

ii. Capital Adequacy Ratio (CAR):

The Capital Adequacy Ratio assesses the capital requirement based on the risks faced by the banks / DFIs. The banks / DFIs are required to comply with the minimum requirements as specified by the SBP on standalone as well as consolidated basis. As of December 31, 2022, the required CAR for banks is 11.50% (plus 1.50% for NBP as D-SIB requirement).

iii. Leverage Ratio:

Tier-1 Leverage Ratio of 3% is introduced in response to Basel III Accord as the third capital standard. Bank level disclosure of the leverage ratio and its components started from December 31, 2015. The Bank has a leverage ratio of 3.08% in the year December 31, 2022 (2021:3.47%) and Tier-1 capital of Rs. 231,191 million (2021: Rs. 199,752 million).

The SBP's regulatory capital as managed by the Bank is analysed into following tiers:

1. Tier 1 Capital (going-concern capital)

- Common Equity Tier 1
- Additional Tier 1

- Tier I capital, which comprises highest quality capital element and includes fully paid up capital, balance in share premium account, reserve for issue of bonus shares, general reserves and un-appropriated profits (net of accumulated losses, if any).

2. Tier 2 Capital (gone-concern capital)

- Tier II capital, which includes general reserve for loan losses, revaluation reserve, exchange translation reserve and subordinated debt.

Basel III capital rules require bank to make certain deductions from the capital before arriving at the Capital Adequacy Ratio (CAR).

Risk weighted assets are measured according to the nature of the asset and reflect an estimate of credit, market and other risks associated with each asset and counterparty, after taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposures, with some adjustments to reflect more contingent nature of potential losses.

The Bank's policy is to maintain strong capital base so as to maintain, investor, creditor and market confidence, and to sustain future development of the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the SBP. The ratios compare the amount of eligible capital with the total of risk-weighted assets. The Bank monitors and reports its capital ratio under the SBP rules, which ultimately determine the regulatory capital, required to be maintained by Banks and DFIs.

The paid-up capital of the Bank for the year ended December 31, 2022 stood at Rs. 21,275 million (2021: Rs. 21,275 million) and is in compliance with the SBP requirement for the said year. In addition the Bank has maintained minimum Capital Adequacy Ratio (CAR) of 21.59% (2021: 20.39%).

There have been no material changes in the Bank's management of capital during the year.

	2022	2021
	---------- (Rupees in '000) ----------	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	**21,275,131**	21,275,131
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	**231,190,928**	199,752,308
Eligible Additional Tier 1 (ADT 1) Capital	**-**	-
Total Eligible Tier 1 Capital	**231,190,928**	199,752,308
Eligible Tier 2 Capital	**75,036,139**	64,343,019
Total Eligible Capital (Tier 1 + Tier 2)	**306,227,067**	264,095,327
Risk Weighted Assets (RWAs):		
Credit Risk	**1,066,232,569**	983,659,218
Market Risk	**93,557,759**	82,342,372
Operational Risk	**258,686,736**	229,114,480
Total	**1,418,477,064**	1,295,116,070
Common Equity Tier 1 Capital Adequacy ratio	**16.30%**	15.42%
Tier 1 Capital Adequacy Ratio	**16.30%**	15.42%
Total Capital Adequacy Ratio	**21.59%**	20.39%
Leverage Ratio (LR):		
Eligible Tier-1 Capital	**231,190,928**	199,752,308
Total Exposures	**7,502,352,873**	5,758,095,315
Leverage Ratio	**3.08%**	3.47%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	**1,418,328,644**	1,362,545,096
Total Net Cash Outflow	**963,197,902**	828,459,514
Liquidity Coverage Ratio	**147%**	164%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	**2,684,457,394**	2,753,443,506
Total Required Stable Funding	**1,069,401,835**	990,042,101
Net Stable Funding Ratio	**251%**	278%

46.1 The full disclosure on the Capital Adequacy, Leverage Ratio and Liquidity Requirements as per SBP instructions issued from time to time, is available on NBP's website. The link to the full disclosure is available at https://www.nbp.com.pk/blsd/

47. RISK MANAGEMENT

Risk management is about understanding and managing the potential for volatility of earnings, loss of access to reliable deposits and funding and depletion of capital arising from the business activities, whilst pursuing its strategic objectives. The Bank has in place a well-defined risk management strategy/ policy with clear objectives and deliverables through multi-pronged risk management processes.

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

- Identification and assessment of significant material risks.

- Overseeing and managing the risk profile of the Bank within the context of the risk appetite.

- Optimize risk / return decisions by aligning them to business objective of achieving sustainable optimum growth.

Information Security Division (ISD) is also an integral part of Risk Management Group to oversee independently the emerging information/ cyber security risks.

In order to support Risk Management Group (RMG's) activities, a strong data management mechanism is also in place to collect and consolidate exposure wise information for various risk related analysis and reviews. The mechanism also helps in identification of e-CIB related information, periodic reviews, generation of reports and highlighting inconsistencies and errors, and issuing instructions to the relevant data entry points for rectification.

During 2022, Pakistan witnessed significant economic headwinds.Rising inflation,increasing fuel prices,depleting foreign exchange reserves, massive devaluation of the Pakistani rupee,political instability,increasing interest rates, and high budget deficit made the year more challenging.In this backdrop, Fitch,Moody's and S&P Global lowered the country's sovereign credit rating. In June 2022, Pakistan was hit with a natural catastrophe in the shape of worst ever floods in the history of the country. The floods resulted in millions of people being displaced and severe damage to both crops and livestock. Additionally, international commodity prices also remained elevated through the year. The headline inflation increased significantly touching a multi-year high of 27.32% in August. During the year, SBP increased the benchmark interest rate by a cumulative 625 bps to 16%. This steep increase was aimed at reducing aggregate demand in the economy and also to counter high inflation. This led to a steep uptick in domestic food prices. The Bank is regularly conducting assessments of the credit portfolio, with robust post disbursement credit review mechanism to identify borrowers most likely to be affected in the challenging business and economic environment. Bank is confident that it has more than sufficient risk bearing capacity to with stand these difficult times.

47.1 Risk Governance Structure

Risk Management Group (RMG) operates as an independent group under the supervision of Chief Risk Officer (CRO). RMG's scope and coverage has been enhanced to cater enterprise-wide risk management, credit approvals, and program lending. CRO reports directly to the President with dotted line reporting to Board Risk & Compliance Committee (BRCC). The group is responsible to perform the functions pertaining to development and oversight of the risk management framework, methodologies and other functions assigned from time to time in line with local/ international best practices and under the supervision of SBP's regulations/ guidelines.

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

47.2 Risk Management Framework

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions, products and services offered.

The Bank implements risk management framework through a 'Three Lines of Defence' model which defines clear responsibilities and accountabilities for various offices and ensures effective and independent oversight and also that the activities take place as intended. RMG together with Compliance Group acts as second line of defense and performs integrated function of oversight and independently challenges the effectiveness of risk management actions taken by business groups, who are the first line of defense. The risk management is further strengthened by the third line of defense, where Board Audit and Compliance Committee and Audit and Inspection Group add value through independent and objective assurance in improving risk management functions of the Bank.

Following paragraphs introduce Bank's exposures to material risks associated with its business activities and explain overall strategies and processes to manage those risks:

47.2.1 Credit Risk

Credit risk is one of the significant risks faced by banks by due to the nature of their core activities. Through effective management of credit risk exposure, banks not only support the viability and profitability of their own business but also contribute to systemic stability and efficient allocation of capital in the economy. Credit Risk arises from the potential that a customer's or counterparty's willingness or ability to meet such an obligation is impaired, resulting in an economic loss to the bank. NBP's lending activities account for most of the Bank's credit risk which is continuously evolving in various financial activities including loans and advances, commitments to lend, contingent liabilities such as letter of credit and guarantees, and other types of both on and off-balance sheet transactions. The Bank has a dedicated setup led by Chief Risk Officer that ensures the effectiveness of the risk management frameworks for assessment / measurement, review and reporting of credit risk under supervision of Board Risk and Compliance Committee.

A prudent path to identify, assess and monitor credit risk management through structured assessment models, effective pre-disbursement evaluation tools and an array of post disbursement review systems has enabled NBP to effectively manage its credit risk and to keep the Bank resilient and minimize losses within the defined risk tolerance levels. Strategic goal, embedded into our approach to risk management is to maintain a robust framework, identify and escalate risks and to support sustainable business growth. The Bank has in place Risk Appetite Framework and Credit Risk Concentration Management Framework to control and mitigate the levels of credit risk it undertakes by placing limits on exposures in relation to existing or potential obligors, economic groups and to various industry segments.

The Risk Management function of the Bank is regularly conducting assessments, on perpetual basis, of the credit portfolio to identify borrowers and sectors through portfolio reports and dashboards most likely to get affected due to changes in the business and economic environment locally as well as globally. Bank is proactively keeping an eye on the delinquency in the accounts, financial position of the counterparty, current economic situation and other relevant information.

Credit review and approval process of the Bank is well-defined and is managed under strict supervision of senior management. For analysis of counterparties within various asset classes / constitutions / economic group, the Bank has in place rating models / scorecards, which further enhances the effective decision making. Concentration of exposure / risk in any of counterparty, economic group, or industry is assessed frequently and limit setting is tailored accordingly within Bank's overall risk appetite. Furthermore, during the year several automation initiatives were also undertaken by RMG for more efficient and effective decision making.

The Bank has also embarked on implementation of IFRS 9 standard, which is currently in parallel-run phase. The standard sets out new model for financial assets, which requires recognition of impairment charge based on an 'Expected Credit Loss' approach rather than the 'Incurred Credit Loss' approach as currently followed.

Moreover, under the leadership of CEO & CRO, the credit approval process was brought in line with global best practices by implementing the delegated approval authorities to Chief Credit Officer (CCO) & Senior Credit Officers (SCOs). This has vastly improved the turnaround time (TAT) for credit approvals besides a focused approach to asset / loan underwriting and monitoring. Furthermore, the risk team has also started making joint visits with the business teams to customers sites which has proved to be very helpful in understanding the ground realities and also supports in making informed decisions.

Retail & Program Lending Group manages the risk side of products governed on a program basis. Group has been organized on a Credit Cycle approach that adapts an end-to-end credit view. It is engaged in areas of Policy & Portfolio Management, MIS & Analytics, Credit Approvals, Collection & Recovery, Quality Assurance, etc. Head of Retail & Program Lending Group reports to CRO of the bank and is also a voting member of Management Credit Committee.

Currently under Basel Framework, Standardized Approach is used to calculate capital charge for credit risk weighted assets, with simple approach for credit risk mitigation. Additionally, stress testing for credit risk is completed on regular basis to evaluate the conceivable effects of scenarios provided by the regulator.

Particulars of the bank's significant on-balance sheet and off-balance sheet credit risk in various sectors are analyzed as follows:

47.2.1.1 Lendings to financial institutions

Credit risk by public / private sector	Gross lendings		Non-performing lendings		Provision held	
	2022	2021	**2022**	2021	**2022**	2021
	(Rupees in '000)					
Public / Government	**-**	-	**-**	-	**-**	-
Private	**31,446,617**	335,640,825	**174,150**	174,150	**174,150**	174,150
	31,446,617	335,640,825	**174,150**	174,150	**174,150**	174,150

47.2.1.2 Investment in debt securities

Credit risk by industry sector	Gross investments		Non-performing investments		Provision held	
	2022	2021	**2022**	2021	**2022**	2021
	(Rupees in '000)					
Cement	**357,668**	470,168	**20,168**	20,168	**20,168**	20,168
Chemical	**326,742**	2,076,742	**326,742**	326,742	**326,742**	326,742
Construction	**2,962,405**	3,380,824	**1,633,739**	1,633,739	**1,633,739**	1,633,739
Engineering	**4,842**	4,842	**4,842**	4,842	**4,842**	4,842
Fertilizer	**1,330,815**	655,109	**1,330,815**	655,109	**1,199,830**	655,109
Sugar	**655,219**	709,719	**655,219**	709,719	**655,219**	709,719
Textile	**936,767**	1,079,625	**651,053**	651,053	**651,053**	651,053
Transport	**-**	-	**-**	-	**-**	-
Financial	**14,920,842**	9,734,656	**501,012**	201,252	**501,012**	201,252
Electronics and electrical appliances	**1,308,738**	1,308,738	**1,308,738**	1,308,738	**1,308,738**	1,308,738
Glass and Ceramics	**11,361**	11,361	**11,361**	11,361	**11,361**	11,361
Leather and Tenneries	**5,288**	5,288	**5,288**	5,288	**5,288**	5,288
Food and Personal Care Products	**11,184**	11,184	**11,184**	11,184	**11,184**	11,184
Pharmaceuticals	**2,413**	2,413	**2,413**	2,413	**2,413**	2,413
Technology and Communication	**11,072**	11,072	**11,072**	11,072	**11,072**	11,072
Vanaspati and Allied Industries	**4,238**	4,238	**4,238**	4,238	**4,238**	4,238
Oil and Gas Marketing	**687**	687	**687**	687	**687**	687
Cable and Electrical Goods	**4,509**	4,509	**4,509**	4,509	**4,509**	4,509
Automobile Parts and Accessories	**1,185**	1,185	**1,185**	1,185	**1,185**	1,185
Power (electricity), Gas, Water, Sanitary	**27,692,257**	34,545,470	**-**	-	**-**	-
Tobacco	**144**	144	**144**	144	**144**	144
Paper and Board	**10,794**	10,794	**10,794**	10,794	**10,794**	10,794
Jute	**7,081**	7,081	**7,081**	7,081	**7,081**	7,081
Metal Products	**375,000**	500,000	**-**	-	**-**	-
Services	**823,877**	867,239	**-**	-	**-**	-
Telecom	**300,000**	-	**-**	-	**-**	-
Miscelleneous	**464,628**	467,203	**23,447**	25,996	**23,447**	25,996
	52,529,756	55,870,291	**6,525,731**	5,607,314	**6,394,746**	5,607,314

Credit risk by public / private sector	Gross investments		Non-performing investments		Provision held	
	2022	2021	**2022**	2021	**2022**	2021
	Rupees in '000					
Public / Government	**23,536,119**	29,864,332	**18,862**	18,862	**18,862**	18,862
Private	**28,993,637**	26,005,959	**6,506,869**	5,588,452	**6,375,884**	5,588,444
	52,529,756	55,870,291	**6,525,731**	5,607,314	**6,394,746**	5,607,306

47.2.1.3 Advances

Credit risk by industry sector	Gross advances		Non-performing advances		Provision held	
	2022	2021	**2022**	2021	**2022**	2021
	(Rupees in '000)					
Agriculture, Forestry, Hunting & Fishing	**80,495,011**	71,243,087	**7,362,301**	7,208,158	**5,713,024**	5,192,290
Mining & Quarrying	**3,164,044**	88,334	**184,765**	11,336	**184,765**	11,336
Textile	**165,106,735**	160,048,253	**37,829,886**	36,876,601	**36,395,069**	36,828,216
Chemical & Pharmaceuticals	**7,461,927**	5,284,057	**4,439,102**	2,731,312	**4,394,734**	2,661,064
Cement	**35,175,010**	32,057,795	**5,768,647**	6,317,887	**3,786,389**	4,094,267
Sugar	**39,101,616**	36,639,278	**15,300,589**	15,354,821	**15,300,589**	15,354,821
Footwear and Leather garments	**2,534,796**	2,016,893	**1,168,627**	892,779	**1,079,224**	887,472
Automobile & Transportation Equipment	**10,875,288**	8,567,080	**921,095**	940,147	**905,813**	937,466
Electronics & Electrical Appliances	**10,782,697**	9,684,327	**2,379,854**	2,380,885	**2,377,270**	2,370,272
Construction	**24,955,900**	20,193,083	**9,447,671**	9,643,454	**9,441,049**	6,754,352
Oil & Gas	**178,706,498**	102,762,247	**19,619,278**	20,216,650	**19,339,190**	20,074,535
Power (electricity), Gas, Water, Sanitary	**194,522,795**	198,946,668	**15,156,096**	13,209,849	**12,981,169**	9,311,105
Wholesale and Retail Trade	**53,368,839**	42,441,006	**10,713,337**	10,731,332	**10,608,043**	10,675,368
Exports / Imports	**1,599,410**	1,501,450	**235,284**	-	**235,284**	-
Transport, Storage and Communication	**57,659,125**	55,054,905	**14,820,738**	12,774,422	**12,548,074**	10,353,432
Financial	**14,915,038**	32,198,215	**321,443**	309,394	**313,343**	309,394
Services	**42,006,765**	38,096,872	**3,104,232**	4,228,462	**1,812,521**	2,540,822
Individuals	**203,234,728**	198,138,761	**6,468,807**	6,150,291	**4,350,012**	4,300,297
Fertilizer	**9,096,871**	11,602,568	**2,861,321**	2,988,462	**2,822,795**	2,947,541
Metal Products	**70,882,534**	71,007,705	**26,476,676**	25,680,256	**26,473,372**	25,511,029
Telecommunication	**30,839,889**	22,011,036	**1,180,028**	1,136,813	**1,180,028**	1,136,813
Public Sector Commodity Operations	**96,305,380**	77,346,473	**74,198**	74,198	**74,198**	74,198
Rice Trading & Processing	**35,552,848**	37,707,929	**4,546,743**	4,780,678	**4,432,434**	4,555,487
Food and Tobacco	**20,536,106**	16,080,605	**7,108,250**	6,959,780	**6,745,426**	6,338,654
Glass and Ceramics	**6,626,264**	8,070,726	**274,739**	389,447	**274,739**	389,447
Paper & Board	**3,063,869**	2,726,772	**1,177,882**	1,193,719	**1,168,683**	1,193,719
Engineering	**29,549,358**	32,121,933	**1,637,447**	1,422,820	**1,482,884**	1,415,349
Plastic Products	**3,305,648**	2,662,060	**1,507,205**	672,095	**1,157,387**	670,607
Media	**916,067**	1,529,488	**151,334**	381,881	**151,334**	208,971
Flour Mills	**2,429,206**	2,663,913	**602,291**	649,015	**570,451**	585,705
Sports Goods	**140,062**	1,280,713	**14,688**	93,818	**14,688**	93,818
Surgical equipments	**790,887**	824,409	**13,200**	12,151	**9,430**	8,558
Others	**2,879,993**	2,578,157	**2,439,671**	1,525,315	**2,387,450**	1,525,315
	1,438,581,204	1,305,176,798	**205,307,425**	197,938,229	**190,710,861**	179,311,722

Credit risk by public / private sector	Gross advances		Non-performing advances		Provision held	
	2022	2021	**2022**	2021	**2022**	2021
	(Rupees in '000)					
Public / Government	**498,932,567**	420,736,532	**-**	-	**-**	-
Private	**939,648,637**	884,440,266	**205,307,425**	197,938,229	**190,710,861**	179,311,722
	1,438,581,204	1,305,176,798	**205,307,425**	197,938,229	**190,710,861**	179,311,722

	2022	2021
	--------- (Rupees in '000)---------	

47.2.1.4 Contingencies and Commitments

Credit risk by industry sector

Agriculture, Forestry, Hunting and Fishing	**504,418**	100,504
Mining and Quarrying	**426,948**	1,418,487
Textile	**15,852,803**	25,421,310
Chemical and Pharmaceuticals	**3,774,815**	6,001,560
Cement	**3,402,417**	9,718,289
Sugar	**93,200**	592,840
Footwear and Leather garments	**-**	182
Automobile and Transportation Equipment	**2,712,927**	4,435,897
Electronics and Electrical Appliances	**2,433,354**	2,843,195
Construction	**9,005,223**	9,718,062
Oil & Gas	**67,938,534**	104,645,267
Power (electricity), Water, Sanitary	**59,726,777**	61,808,701
Wholesale and Retail Trade	**1,464,278**	2,346,916
Exports / Imports	**139,941**	272,733
Transport, Storage and Communication	**117,805,517**	47,721,546
Financial	**836,176,841**	740,274,595
Services	**1,532,587,528**	1,355,079,802
Individuals	**316,559**	77,114
Fertilizer	**3,272,384**	3,652,239
Metal Products	**21,853,185**	15,961,141
Telecommunication	**25,204,570**	25,141,952
Public Sector Commodity Operations	**199,543**	8,249,178
Rice processing and Trading	**459,325**	20,825
Food and Tobacco	**460,902**	448,128
Glass and Ceramics	**977,165**	1,484,463
Paper and Board	**523,793**	2,046,783
Engineering	**68,544,006**	77,952,489
Plastic Products	**159,060**	258,541
Surgical equipments	**19,459**	19,459
Others	**1,430,775**	3,411,207
	2,777,466,247	2,511,123,406

* Contingent liabilities for the purpose of this note are presented at cost and includes direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities.

Credit risk by public / private sector

Public / Government	**1,775,401,082**	1,411,475,036
Private	**1,002,065,165**	1,099,648,371
	2,777,466,247	2,511,123,406

47.2.1.5 Concentration of Advances

The bank's top ten (10) exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 1,851,158 million (2021: Rs. 1,474,941 million) are as following:

	2022	2021
	---------- (Rs in '000) ----------	
Funded	**306,636,922**	244,605,208
Non Funded	**1,544,521,600**	1,230,335,750
Total Exposure	**1,851,158,522**	1,474,940,958

The sanctioned limits against these top 10 exposures aggregated to Rs. 1,899,110 million (2021: Rs. 1,563,667 million).

For the purpose of this note, exposure means outstanding funded facilities and utilised non-funded facilities as at the reporting date.

47.2.1.6 Advances - Province / Region-wise Disbursement & Utilization

	2022						
	Disbursements	Utilization					
Province / Region		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	---------- (Rupees in '000) ----------						
Punjab	**422,286,297**	**421,433,044**	**853,253**	**-**	**-**	**-**	**-**
Sindh	**491,891,760**	**826,000**	**489,953,056**	**-**	**500,000**	**612,705**	**-**
KPK including FATA	**11,459,625**	**-**	**-**	**11,459,625**	**-**	**-**	**-**
Balochistan	**4,073,074**	**-**	**-**	**-**	**4,073,074**	**-**	**-**
Islamabad	**129,737,810**	**-**	**-**	**-**	**-**	**129,737,810**	**-**
AJK including Gilgit - Baltistan	**7,244,799**	**-**	**-**	**-**	**-**	**-**	**7,244,799**
Total	**1,066,693,365**	**422,259,044**	**490,806,309**	**11,459,625**	**4,573,074**	**130,350,515**	**7,244,799**

Province / Region	2021						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	(Rupees in '000)						
Punjab	227,503,496	221,078,413	1,855,596	3,944,464	-	11,120	613,903
Sindh	479,243,405	4,500,000	466,243,405	-	-	8,500,000	-
KPK including FATA	11,698,517	-	-	11,698,517	-	-	-
Balochistan	3,678,107	-	-	-	3,678,107	-	-
Islamabad	62,861,679	12,830,357	9,892,187	3,099,940	-	37,039,195	-
AJK including Gilgit-Baltistan	7,310,487	-	-	-	-	-	7,310,487
Total	792,295,691	238,408,770	477,991,188	18,742,921	3,678,107	45,550,315	7,924,390

47.2.2 Market Risk

Market Risk is the value of on and off-balance sheet positions of a financial institution that will be adversely affected by movements in market factors such as interest rates, foreign exchange rates, equity prices, credit spreads and/ or commodity prices resulting in a loss to earnings and capital.

The Bank's market risk is managed through Market Risk Management (MRM) Framework approved by the Board which is comprised of related policies/ procedures with the objective to mitigate market risk. Bank has in-place market risk limits to maintain risk emanating from such market drivers within the Bank's risk appetite. Under the developed Value-at-Risk (VaR) models and policy framework, VaR limits are being monitored with an objective to be used for capital charge calculation under IMA approach in future.

Standardized Approach is used to calculate capital charge for market risk as per Basel framework. Stress testing for interest rate, equity prices, and exchange rates risks activities is carried out regularly to estimate the impact on the capital of the Bank and maintain the Bank's capital at appropriate level.

In addition to the regulatory requirements, Bank has devised proprietary market risk stress testing scenarios which are performed on periodic basis to assess the impact on capital of the Bank for Internal Capital Adequacy and Assessment Process (ICAAP). Limits/ zones and Management Action Triggers and Management Action Plans corresponding to Liquidity Ratios, Balance Sheet Duration Gap, Government Securities' PVBP and Duration have also been developed.

47.2.2.1 Statement of Financial position split by trading and banking books

	2022			2021		
	Banking book	**Trading book**	**Total**	Banking book	Trading book	Total
	(Rupees in '000)					
Cash and balances with treasury banks	**229,910,949**	-	**229,910,949**	278,747,059	-	278,747,059
Balances with other banks	**18,593,800**	-	**18,593,800**	17,667,067	-	17,667,067
Lendings to financial institutions	**31,272,467**	-	**31,272,467**	335,466,675	-	335,466,675
Investments	**3,393,771,968**	**83,581,906**	**3,477,353,874**	1,818,433,016	119,737,626	1,938,170,642
Advances	**1,230,521,804**	-	**1,230,521,804**	1,113,392,485	-	1,113,392,485
Fixed assets	**57,105,842**	-	**57,105,842**	54,106,376	-	54,106,376
Intangible assets	**1,388,947**	-	**1,388,947**	647,970	-	647,970
Right of use assets	**6,708,404**	-	**6,708,404**	6,605,400	-	6,605,400
Deferred tax asset	**22,299,403**	-	**22,299,403**	1,625,647	-	1,625,647
Other assets	**165,269,056**	-	**165,269,056**	100,255,148	-	100,255,148
	5,156,842,640	**83,581,906**	**5,240,424,546**	3,726,946,843	119,737,626	3,846,684,469

47.2.2.2 Foreign Exchange Risk

Foreign exchange and translation risk arises from the impact of currency movements on the value of the Bank's cash flows, profits and losses, and assets and liabilities as a result of participation in global financial markets and international operations.

In order to manage currency risk exposure the Bank enters into ready, spot, forward and swaps transactions with the SBP and in the interbank market, financial institutions and corporates. The Bank's foreign exchange exposure comprises of forward contracts, purchases of foreign bills, foreign currency cash in hand, balances with Banks abroad, foreign placements with the SBP and foreign currency assets and liabilities. Foreign Exchange exposure is managed within the statutory limits, as fixed by the SBP. Appropriate segregation of duties exists between the front, middle and back office functions.

	2022				2021			
	Foreign currency assets	**Foreign currency liabilities**	**Off-balance sheet items**	**Net foreign currency exposure**	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)							
United States Dollar	**211,299,303**	**370,932,974**	**141,296,815**	**(18,336,857)**	230,359,433	321,577,638	87,452,155	(3,766,050)
Great Britain Pound	**3,721,821**	**7,473,268**	**5,377,060**	**1,625,613**	5,010,104	5,950,831	4,303,047	3,362,320
Japanese Yen	**4,506,162**	**1,566,256**	**109,675**	**3,049,582**	3,938,966	3,283,911	2,315,294	2,970,349
Euro	**11,856,401**	**22,030,243**	**14,029,417**	**3,855,575**	13,402,801	19,043,837	7,628,249	1,987,213
Other currencies	**83,196,326**	**17,305,795**	**5,066,952**	**70,957,483**	72,736,519	18,379,635	3,130,155	57,487,039
	314,580,013	**419,308,536**	**165,879,919**	**61,151,396**	325,447,823	368,235,852	104,828,900	62,040,871

	2022		2021	
	Banking book	**Trading book**	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates				
- Profit and loss account	**-**	**261,830**	-	620,409
- Other comprehensive income	**611,514**	**-**	-	-

47.2.2.3 Equity position Risk

Stock trading activities also raise risk which occurs resulting in negative fluctuations of daily stock prices specifically in those stocks which are held by the Bank, hence, deplete capital. The Bank's equity position is managed through limits imposed by regulator for both, overall investment and exposure in single scrip. Moreover, internal limits are set to possibly manage overall earnings in the form of placing of stop loss, VaR limits and/ or through diversification within the structure of overall equity position portfolio.

	2022		2021	
	Banking book	**Trading book**	Banking book	Trading book
	(Rupees in '000)			
Impact of 5% change in equity prices				
- Profit and loss account	-	20,188	-	-
- Other comprehensive income	**2,577,256**	-	2,671,767	-

47.2.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

Interest rate risk specifically arises due to adverse movements in yield curve that is being monitored by ALCO with an objective to possibly limiting the potential adverse impact on the profitability of the Bank, which may result due to volatility of market interest rates and any mismatch or gaps in the amount of financial assets and financial liabilities in different maturity time bands. Bank assumes that the sources of IRR are based on following sub-risks.

- Re-pricing risk; arising from changes to the overall level of interest rates and inherent mismatches in the re-pricing term of banking book items.

- Yield curve risk; arising from a change in the relative level of interest rates for different tenors and changes in the slope or shape of the yield curve.

- Basis risk; arising from differences between the actual and expected interest margins on Banking book items over the implied cost of funds of those items.

	2022		2021	
	Banking book	**Trading book**	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in interest rates				
- Profit and loss account	-	**758,615**	-	368,677
- Other comprehensive income	**17,740,339**	-	8,629,166	-

47.2.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

			2022										
			Exposed to Yield / Interest risk										
	Effective Yield / Interest rate	**Total**	**Upto 1 Month**	**Over 1 to 3 Months**	**Over 3 to 6 Months**	**Over 6 Months to 1 Year**	**Over 1 to 2 Years**	**Over 2 to 3 Years**	**Over 3 to 5 Years**	**Over 5 to 10 Years**	**Above 10 Years**	**Non-interest bearing financial instruments**
On-balance sheet financial instruments		(Rupees in '000)										
Assets												
Cash and balances with treasury banks	**1.6%**	**229,910,949**	**19,349,334**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**210,561,615**
Balances with other banks	**5.5%**	**18,593,800**	**3,235,004**	**1,613,059**	**556,760**	**797,970**	**-**	**-**	**-**	**-**	**-**	**12,391,007**
Lendings to financial institutions	**16.2%**	**31,272,467**	**31,262,744**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**9,723**
Investments	**13.2%**	**3,477,353,874**	**621,351,086**	**1,495,013,190**	**544,869,800**	**198,775,210**	**121,415,872**	**114,581,645**	**175,991,374**	**115,774,778**	**7,150,694**	**82,430,225**
Advances	**10.4%**	**1,230,521,804**	**324,286,274**	**280,091,474**	**173,744,248**	**165,864,406**	**25,730,493**	**43,725,218**	**66,856,032**	**53,927,228**	**31,850,855**	**64,445,576**
Other assets	**0.0%**	**126,996,148**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**126,996,148**
		5,114,649,042	**999,484,441**	**1,776,717,723**	**719,170,807**	**365,437,587**	**147,146,366**	**158,306,864**	**242,847,406**	**169,702,005**	**39,001,549**	**496,834,293**
Liabilities												
Bills payable	**0.0%**	**55,268,019**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**55,268,019**
Borrowings	**15.8%**	**1,940,485,787**	**1,386,993,999**	**481,134,339**	**24,758,723**	**4,359,766**	**3,941,769**	**4,278,460**	**12,396,285**	**22,578,300**	**44,147**	**-**
Deposits and other accounts	**7.9%**	**2,666,184,360**	**1,693,194,904**	**56,331,841**	**143,645,001**	**62,752,364**	**87,857,931**	**21,560,944**	**14,583,213**	**1,997,543**	**-**	**584,260,619**
Lease liability against right of use assets	**10.4%**	**8,267,949**	**50**	**21,308**	**60,618**	**179,606**	**416,971**	**1,016,832**	**1,904,041**	**2,978,296**	**1,690,227**	**-**
Other liabilities	**0.0%**	**266,726,818**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**266,726,818**
		4,936,932,933	**3,080,188,953**	**537,487,488**	**168,464,342**	**67,291,736**	**92,216,671**	**26,856,236**	**28,883,539**	**27,554,139**	**1,734,374**	**906,255,456**
On-balance sheet gap		**177,716,109**	**(2,080,704,512)**	**1,239,230,235**	**550,706,465**	**298,145,851**	**54,929,695**	**131,450,628**	**213,963,867**	**142,147,867**	**37,267,175**	**(409,421,163)**
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions	**1,696,635,726**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,696,635,726**
Commitments in respect of:												
- Forward foreign exchange contracts	**165,879,919**	**78,713,612**	**62,008,252**	**25,158,054**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Forward government securities transactions	**(32,591,580)**	**(32,591,580)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- Forward lending	**50,363,949**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**50,363,949**
Commitments for acquisition of:												
- fixed assets	**798,234**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**798,234**
- other commitments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Off-balance sheet gap	**1,881,086,248**	**46,122,032**	**62,008,252**	**25,158,054**	**-**	**-**	**-**	**-**	**-**	**-**	**1,747,797,909**
Total Yield / Interest Risk Sensitivity Gap		**(2,034,582,480)**	**1,301,238,487**	**575,864,520**	**298,145,851**	**54,929,695**	**131,450,628**	**213,963,867**	**142,147,867**	**37,267,175**	**1,338,376,746**
Cumulative Yield / Interest Risk Sensitivity Gap		**(2,034,582,480)**	**(733,343,993)**	**(157,479,473)**	**140,666,378**	**195,596,073**	**327,046,701**	**541,010,568**	**683,158,435**	**720,425,610**	**2,058,802,356**

	2021											
	Effective Yield / Interest rate	Total	Exposed to Yield / Interest risk									Non-interest bearing financial instruments
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.1%	278,747,059	25,788,429	-	1,230,868	-	-	-	-	-	-	251,727,762
Balances with other banks	0.6%	17,667,067	3,649,152	514,671	728,951	766,147	-	-	-	-	-	12,008,146
Lendings to financial institutions	10.4%	335,466,675	305,466,675	-	30,000,000	-	-	-	-	-	-	-
Investments	8.2%	1,938,170,642	49,944,777	600,631,710	163,339,043	145,545,216	412,825,053	115,300,016	133,826,520	231,572,946	7,808,110	77,377,251
Advances	7.4%	1,113,392,485	233,082,018	347,474,887	221,335,325	87,266,493	15,422,466	18,353,878	96,696,071	52,224,236	21,686,992	19,850,120
Other assets	0.0%	60,619,899	-	-	-	-	-	-	-	-	-	60,619,899
		3,744,063,827	617,931,050	948,621,268	416,634,187	233,577,857	428,247,519	133,653,895	230,522,591	283,797,182	29,495,102	421,583,177
Liabilities												
Bills payable	0.0%	21,848,270	-	-	-	-	-	-	-	-	-	21,848,270
Borrowings	10.1%	312,925,106	33,593,924	129,395,726	81,758,922	29,616,731	13,099,389	3,634,279	6,463,258	15,362,877	-	-
Deposits and other accounts	4.0%	3,019,155,045	1,606,638,783	92,855,650	64,016,936	72,939,726	18,293,487	79,321,676	4,558,165	588,979	-	1,079,941,642
Lease liability against right of use assets	10.0%	7,893,960	-	20,960	69,732	361,900	643,301	505,176	1,765,289	3,046,610	1,480,992	-
Other liabilities	0.0%	196,114,706	-	-	-	-	-	-	-	-	-	196,114,706
		3,557,937,087	1,640,232,707	222,272,335	145,845,591	102,918,356	32,036,178	83,461,131	12,786,712	18,998,466	1,480,992	1,297,904,618
On-balance sheet gap		186,126,739	(1,022,301,656)	726,348,932	270,788,597	130,659,500	396,211,341	50,192,764	217,735,880	264,798,716	28,014,110	(876,321,440)
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions		1,582,757,532	-	-	-	-	-	-	-	-	-	1,582,757,532
Commitments in respect of:												
- forward foreign exchange contracts		104,828,900	18,483,677	9,917,130	74,965,217	1,462,876	-	-	-	-	-	-
- forward government securities transactions		22,180,109	-	(171,626)	-	22,793,079	-	-	(441,343)	-	-	-
- Forward lending		20,618,971	-	-	-	-	-	-	-	-	-	20,618,971
Commitments for acquisition of:												
- fixed assets		826,737	344,837	314,748	50,916	116,236	-	-	-	-	-	-
- other commitments		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		1,731,212,249	18,828,514	10,060,252	75,016,133	24,372,191	-	-	(441,343)	-	-	1,603,376,503
Total Yield / Interest Risk Sensitivity Gap			(1,003,473,143)	736,409,184	345,804,730	155,031,691	396,211,341	50,192,764	217,294,537	264,798,716	28,014,110	727,055,063
Cumulative Yield / Interest Risk Sensitivity Gap			(1,003,473,143)	(267,063,958)	78,740,772	233,772,463	629,983,804	680,176,568	897,471,105	1,162,269,820	1,190,283,930	1,917,338,991

47.2.2.6 Reconciliation of Financial Assets & Liabilities with Total Assets & Liabilities

	2022	2021
	(Rupees in '000)	
Total Financial Assets as per note 47.2.2.5	**5,114,649,042**	3,744,063,827
Add: Non-Financial Assets		
Fixed Assets	**57,105,842**	54,106,376
Intangible Assets	**1,388,947**	647,970
Right of Use Assets	**6,708,404**	6,605,400
Deferred Tax Assets	**22,299,403**	1,625,647
Other Assets	**38,272,908**	39,635,249
	125,775,504	102,620,642
Total assets as per statement of financial position	**5,240,424,546**	3,846,684,469
Total Financial Liabilities as per note 47.2.2.5	**4,936,932,933**	3,557,937,087
Add: Non-Financial Liabilities		
Deferred Tax Liabilities	**-**	-
Other Liabilities	**2,643,854**	2,544,817
	2,643,854	2,544,817
Total liabilities as per statement of financial position	**4,939,576,787**	3,560,481,904

47.2.3 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risks. For effective implementation, bank has comprehensive Operational Risk Management (ORM) Framework and procedure documents. These documents provide guidance for setting up operational risk strategy of the Bank, selection and adoption of risk and loss measurement tools, reporting, and establishment of operational risk management processes.

Operational risks are a core component of doing business arising from the day-to-day operational activities of the Bank including launching of new products and services by the bank. Bank realizes that operational risks cannot be fully mitigated, it therefore, determines an appropriate balance between accepting potential losses and incurring costs of mitigation.

Further, the Bank has adopted an Operational Risk Management Framework and Operational Risk Tolerance limits are approved by the Board in-line with Basel framework and Bank's policy, respectively. Furthermore, Bank has rolled-out Operational Loss Data Collection Mechanism whereby field functionaries and Groups/Divisions at head office are responsible to report operational losses under their jurisdictions on a certain frequency. Operational loss events are reviewed and appropriate corrective measures are taken on an ongoing basis. Risk Evaluation exercise is carried out for new products, processes and systems as per the operational risk procedures document of the bank.

The Bank also conducts root cause analysis of major Operational Risk Incidents covering key control lapses and accordingly suggests recommendations & mitigations. As per Basel regulatory framework, the Bank calculates capital charge for its operational risk using Basic Indicator Approach. This approach is considered most suitable in view of the business model of the bank which relies on an extensive network of branches to offer banking services to its customers.

Moreover, the Bank closely monitored overall bank's operational environment and undertook required actions to ensure the safety and security of Bank staff, assets and maintenance of service to its customers. The Bank continued to take measures to ensure maintenance of their service levels and resolved customer complaints to meet the expectations of its stakeholders.

The Bank's operations stayed highly resilient and the Bank deployed all necessary measures for the health and safety of its employees to prevent them from any unwarranted situation.

47.2.4 Information Security Risk

Cyber Security is one of our top priority risks. Considering extensive customer base and increasing digital footprint, mechanism has been devised for upscaling of technology infrastructure and related channels from information security standpoint. Further, due to evolving cyber threat landscape, the Bank has taken appropriate actions to monitor and respond to cybersecurity risks and adopted a heightened state of cybersecurity. We are living in the highly technology dependent environment, where most of the business functions are performed with information technology for storing, processing and sharing information; the information “assets” that are being used to store, process and transmit the information, face various types of threats. If threats get materialized and are able to exploit the vulnerabilities (weaknesses) present in these information assets, the confidentiality, integrity and availability of information get compromised. In order to mitigate the risks, certain controls and countermeasures need to be assessed and implemented. The Bank has devised a governance mechanism to manage related risks through development of Policies & Frameworks, and deployed security tools to ensure adequate implementation of internal controls and monitoring of security threats within technology infrastructure.

As first line of defense, the Business groups have primary responsibility for identifying, measuring, and controlling the risks within their areas of accountability. Our staff of Information Security Division (ISD) is second line of defense against any cyber risks. Therefore, the Bank regularly assesses the information security controls and undertakes employees’ awareness and trainings. The Bank works with its key technology partners to ensure that potentially vulnerable systems are identified and appropriate fixes & controls are implemented to secure the systems. The Bank is actively communicating with its customers on interacting with the Bank in a secure manner through its full suite of channels including online and digital banking.

The management is cognizant of the fact that cyber security is a top priority risk and the Bank is taking appropriate steps to monitor and respond to it. The Information Security Division (ISD) has been reorganized in 2022 with introduction of new technical roles of IS Security Operations & Threat Management, Network & Infrastructure Security, and Application & Database Security; in addition to the management roles of IS Governance & Compliance, IS Program Management, and IS Risk Management. The unit (ISD) works under the supervision of Chief Information Security Officer (CISO). Numerous steps have been taken by the Bank to identify cyber security weaknesses of systems & infrastructure. Several controls are in place including but not limited to 24/7 SOC, 2FA authentication of VPN connections, Kaspersky EPP and Crowdstrike EDR mandatory deployments on bank's systems (KATA XDR is in final phase of implementation) etc. in line with the action plan outlined in the Bank's cyber security management framework.

47.2.5 Enterprise-wide Risk

In addition to the above mentioned risks, the Bank has a structure to identify residual material risks on periodic basis. The source of these reports includes, but not limited to, the Internal Capital Adequacy and Assessment Process (ICAAP), which takes into account risks over and above those which directly occur as a result of daily business and operations of the Bank. These risks include Concentration Risk, Interest Rate Risk in Banking Book (IRRBB), Increase in NPL Categories, Reputational Risk, Strategic Risk, etc.

Moreover, all those brewing risks that are material and arise within the Bank or due to inherent behavior of country's market and economic conditions, whether in isolation or in combination are addressed under the Bank-wide Recovery Plan. These risks are monitored on certain frequency and mitigating actions are taken as and when deemed necessary.

Bank's Stress-testing framework, comprises of tools, to deliver a timely assessment of the resilience of the Bank’s capital under stressed conditions to the senior management. It ranges from simple sensitivity analysis to sophisticated stress testing methods to capture the abnormal movement of market and economic indicators and to translate such scenarios into projections of Bank’s profitability, liquidity and capital planning.

This framework paves the way to a quantitative, forward-looking assessment of capital adequacy (movement/ level of Capital Adequacy Ratio (CAR) of the Bank) to provide an indication of how much capital might be needed to absorb any expected and any unforeseen losses. It helps in identifying potential vulnerabilities within the Bank and assessing solvency by applying plausible/ past adverse scenarios under extreme conditions.

47.2.6 Liquidity Risk

Liquidity risk is the risk of loss to a bank arising from its inability to meet obligations as they fall due or to fund assets, without incurring unacceptable costs or losses. More simply, liquidity risk is the possibility that a bank will be unable to meet its financial commitment to a customer, creditor, or investor when due, in a timely and cost-effective manner.

To mitigate this risk, Bank has arranged diversified funding sources, manages specific assets with liquidity in mind and monitors liquidity on daily basis. In addition, the Bank maintains statutory deposits with central Banks inside and outside Pakistan. The purpose of liquidity management is to ensure that there are sufficient cash flows to meet all of the Bank's liabilities when due, under both normal and stressed conditions without incurring unacceptable losses, as well as to capitalize on opportunities for business expansion and profitability. This includes the Bank's ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature and to make new loans and investments, as opportunities arise.

Asset and Liability Committee (ALCO) is responsible for ensuring that the Bank has adequate liquidity and monitors liquidity gaps, to execute this responsibility. Mandatory as well as advanced/ optional stress testing and ratio based liquidity assessments are performed to proactively identify and manage liquidity position, needs/ requirements. Bank has various limits/ ratios, triggers and management actions in place to monitor and mitigate liquidity risk. The Bank calculates and monitors, on regular basis, Basel-III Liquidity standards (includes LCR, NSFR and LMTs), liquidity ratios as per SBP parameters besides other internal liquidity measures.

47.2.6.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank

2022

	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
	(Rupees in '000)													
Assets														
Cash and balances with treasury banks	229,910,949	227,629,726	898,000	-	1,383,223	-	-	-	-	-	-	-	-	-
Balances with other banks	18,593,800	12,404,772	2,036,159	53,880	1,131,200	666,169	946,890	556,760	797,970	-	-	-	-	-
Lending to financial institutions	31,272,467	9,723	30,484,537	778,207	-	-	-	-	-	-	-	-	-	-
Investments	3,477,353,874	5,642,931	3,022,008	2,084,677	3,740,930	186,814,863	406,585,250	221,684,778	398,517,150	177,535,218	599,374,146	756,921,831	458,210,559	257,219,533
Advances	1,230,521,804	395,617,066	4,058,283	13,107,471	41,934,580	66,304,945	19,816,294	117,851,616	66,796,248	61,478,106	70,627,513	64,102,093	125,183,386	183,644,203
Fixed assets	57,105,842	-	-	-	-	-	-	-	-	767,650	1,847,737	767,649	1,305,721	52,417,085
Intangible assets	1,388,947	-	-	-	-	-	-	-	-	462,982	462,982	462,983	-	-
Right of Use Assets	6,708,404	-	-	-	74	16,055	611	58,696	104,470	74,851	374,173	844,718	1,550,294	3,684,462
Deferred tax assets	22,299,403	-	-	-	-	-	-	-	-	-	-	-	22,299,403	-
Other assets	165,269,056	40,601,665	-	-	-	35,063,581	35,453,086	18,014,774	1,555,796	1,555,796	29,927,589	688,171	1,032,256	1,376,342
	5,240,424,546	681,905,883	40,498,987	16,024,235	48,190,007	288,865,613	462,802,131	358,166,624	467,771,634	241,874,603	702,614,140	823,787,445	609,581,619	498,341,625
Liabilities														
Bills payable	55,268,019	55,268,019	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	1,940,485,787	181,510	904,800,208	6,202,665	475,809,616	332,601,654	148,532,685	24,758,723	2,260,017	2,099,748	3,941,769	4,278,460	12,396,285	22,622,447
Deposits and other accounts	2,666,184,360	2,143,888,138	29,194,099	15,104,734	89,432,643	35,181,791	20,960,861	143,606,960	43,116,055	19,694,451	87,856,473	21,567,400	14,583,213	1,997,542
Liabilities against assets subject to right of use assets	8,267,949	-	-	-	50	20,865	443	60,618	70,232	109,374	416,971	1,016,832	1,904,041	4,668,523
Other liabilities	269,370,672	141,944,504	13,465	10,535	31,684	11,407,909	11,393,698	28,281,344	2,106,131	2,106,131	24,159,069	9,893,832	19,220,510	18,801,860
	4,939,576,787	2,341,282,171	934,007,772	21,317,934	565,273,993	379,212,219	180,887,687	196,707,645	47,552,435	24,009,704	116,374,282	36,756,524	48,104,049	48,090,372
Net assets	300,847,759	(1,659,376,288)	(893,508,785)	(5,293,699)	(517,083,986)	(90,346,606)	281,914,444	161,458,979	420,219,199	217,864,899	586,239,858	787,030,921	561,477,570	450,251,253
Share capital	21,275,131													
Reserves	64,144,050													
Unappropriated profit	172,511,676													
Surplus on revaluation of assets	42,916,902													
	300,847,759													

2021

	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
	(Rupees in '000)													
Assets														
Cash and balances with treasury banks	278,747,059	275,826,353	-	-	1,689,838	-	-	1,230,868	-	-	-	-	-	-
Balances with other banks	17,667,067	13,841,633	717,364	564,725	533,576	322,264	192,407	728,951	766,147	-	-	-	-	-
Lending to financial institutions	335,466,675	2,405,644	274,914,137	28,146,895	-	-	-	30,000,000	-	-	-	-	-	-
Investments	1,938,170,642	4,515,392	611,150	40,215,196	4,603,040	115,845,326	484,786,384	163,339,043	79,413,300	105,916,554	417,430,271	142,824,222	134,858,789	243,811,976
Advances	1,113,392,485	319,220,013	3,480,102	2,934,122	49,909,626	68,472,193	32,145,072	99,428,026	44,682,449	56,204,507	56,918,407	90,680,852	127,063,315	162,253,800
Fixed assets	54,106,376	-	-	-	-	-	-	-	-	802,951	2,353,291	802,951	1,407,464	48,739,719
Intangible assets	647,970	-	-	-	-	-	-	-	-	215,990	215,990	215,990	-	-
Right of Use Assets	6,605,400	-	-	-	-	17,682	464	53,920	72,810	111,487	588,608	457,559	1,417,863	3,885,007
Deferred tax assets	1,625,647	-	-	-	-	-	-	-	-	-	-	-	1,625,647	-
Other assets	100,255,148	18,172,590	225,894	269,736	316,477	16,646,615	16,984,106	12,596,172	1,388,113	1,369,446	29,022,877	725,138	1,087,707	1,450,276
	3,846,684,469	633,981,626	279,948,646	72,130,673	57,052,557	201,304,080	534,108,434	307,376,980	126,322,820	164,620,934	506,529,444	235,706,712	267,460,786	460,140,779
Liabilities														
Bills payable	21,848,270	21,848,270	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	312,925,106	60,004	2,886,366	27,335,647	3,311,907	108,642,330	20,753,395	81,758,922	26,987,971	2,628,760	13,099,389	3,634,279	6,463,258	15,362,877
Deposits and other accounts	3,019,155,045	2,545,449,917	26,574,946	11,971,222	92,050,654	76,537,717	17,074,721	83,328,141	32,764,725	27,549,127	12,326,386	85,151,041	7,060,714	1,315,732
Liabilities against assets subject to right of use assets	7,893,960	-	-	-	-	20,497	463	69,732	92,367	269,533	643,301	505,176	1,765,289	4,527,602
Other liabilities	198,659,523	86,095,496	25,335	30,252	35,495	6,118,269	6,118,966	29,279,479	1,828,346	1,826,252	25,961,043	8,538,736	16,576,941	16,224,912
	3,560,481,904	2,653,453,687	29,486,647	39,337,122	95,398,056	191,318,813	43,947,545	194,436,275	61,673,408	32,273,672	52,030,120	97,829,233	31,866,201	37,431,124
Net assets	286,202,565	(2,019,472,061)	250,461,998	32,793,551	(38,345,499)	9,985,267	490,160,889	112,940,705	64,649,412	132,347,262	454,499,324	137,877,479	235,594,585	422,709,655
Share capital	21,275,131													
Reserves	60,371,495													
Unappropriated profit	140,073,817													
Surplus on revaluation of assets	64,482,122													
	286,202,565													

47.2.6.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

2022

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	**229,910,949**	**151,412,679**	**3,232,446**	**36,991,996**	**36,991,996**	**1,281,832**	**-**	**-**	**-**	**-**
Balances with other banks	**18,593,800**	**15,626,010**	**1,613,060**	**556,760**	**797,970**	**-**	**-**	**-**	**-**	**-**
Lending to financial institutions	**31,272,467**	**31,272,467**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Investments	**3,477,353,874**	**25,935,822**	**646,326,512**	**220,062,209**	**574,235,660**	**593,544,604**	**741,081,570**	**419,894,119**	**245,443,901**	**10,829,477**
Advances	**1,230,521,804**	**386,088,982**	**171,501,123**	**110,076,664**	**119,302,841**	**70,627,513**	**64,097,093**	**125,183,386**	**119,244,206**	**64,399,996**
Fixed assets	**57,105,842**	**-**	**-**	**-**	**767,650**	**1,847,737**	**767,650**	**1,305,721**	**-**	**52,417,084**
Intangible assets	**1,388,947**	**-**	**-**	**-**	**462,982**	**462,982**	**462,983**	**-**	**-**	**-**
Right of Use Assets	**6,708,404**	**74**	**16,666**	**58,696**	**179,321**	**374,173**	**844,718**	**1,550,294**	**2,488,455**	**1,196,007**
Deferred tax assets	**22,299,403**	**-**	**-**	**-**	**-**	**-**	**-**	**22,299,403**	**-**	**-**
Other assets	**165,269,056**	**92,127,955**	**25,970,588**	**11,034,563**	**3,111,593**	**29,927,589**	**688,171**	**1,032,256**	**1,376,341**	**-**
	5,240,424,546	**702,463,989**	**848,660,395**	**378,780,888**	**735,850,013**	**698,066,430**	**807,942,185**	**571,265,179**	**368,552,903**	**128,842,564**
Liabilities										
Bills payable	**55,268,019**	**29,855,579**	**1,335,761**	**863,023**	**11,606,828**	**11,606,828**	**-**	**-**	**-**	**-**
Borrowings	**1,940,485,787**	**1,386,993,998**	**481,134,339**	**24,758,723**	**4,359,766**	**3,941,769**	**4,278,460**	**12,396,285**	**22,578,300**	**44,147**
Deposits and other accounts	**2,666,184,360**	**435,347,090**	**123,011,308**	**157,260,028**	**498,836,184**	**529,764,847**	**463,475,774**	**456,491,587**	**1,997,542**	**-**
Liabilities against assets subject to right of use assets	**8,267,949**	**50**	**21,308**	**60,618**	**179,606**	**416,971**	**1,016,832**	**1,904,041**	**2,978,296**	**1,690,227**
Other liabilities	**269,370,672**	**121,891,913**	**39,167,193**	**32,024,033**	**4,212,262**	**24,159,069**	**9,893,832**	**19,220,510**	**9,400,930**	**9,400,930**
	4,939,576,787	**1,974,088,630**	**644,669,909**	**214,966,425**	**519,194,646**	**569,889,484**	**478,664,898**	**490,012,423**	**36,955,068**	**11,135,304**
Net assets	**300,847,759**	**(1,271,624,641)**	**203,990,486**	**163,814,463**	**216,655,367**	**128,176,946**	**329,277,287**	**81,252,756**	**331,597,835**	**117,707,260**
Share capital	**21,275,131**									
Reserves	**64,144,050**									
Unappropriated profit	**172,511,676**									
Surplus/(Deficit) on revaluation of assets	**42,916,902**									
	300,847,759									

2021

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	278,747,059	173,681,591	4,354,189	47,906,066	46,675,198	6,130,015	-	-	-	-
Balances with other banks	17,667,067	15,657,298	514,671	728,951	766,147	-	-	-	-	-
Lending to financial institutions	335,466,675	305,466,675	-	30,000,000	-	-	-	-	-	-
Investments	1,938,170,642	62,525,799	644,716,403	139,330,956	156,396,678	415,356,424	142,327,662	134,189,408	231,088,253	12,239,061
Advances	1,113,392,485	308,315,926	184,233,364	91,285,138	92,642,485	56,918,407	90,680,852	127,062,513	89,148,053	73,105,747
Fixed assets	54,106,376	-	-	-	802,951	2,353,291	802,951	1,407,464	-	48,739,719
Intangible assets	647,970	-	-	-	215,990	215,990	215,990	-	-	-
Right of Use Assets	6,605,400	-	18,146	53,920	184,297	588,608	457,559	1,417,863	2,657,819	1,227,188
Deferred tax assets	1,625,647	-	-	-	-	-	-	1,625,647	-	-
Other assets	100,255,148	41,482,788	14,111,487	9,617,316	2,757,559	29,022,877	725,138	1,087,707	1,450,276	-
	3,846,684,469	907,130,076	847,948,261	318,922,346	300,441,306	510,585,611	235,210,152	266,790,603	324,344,401	135,311,714
Liabilities										
Bills payable	21,848,270	11,785,882	526,963	6,702,452	361,471	2,471,502	-	-	-	-
Borrowings	312,925,106	33,593,924	129,395,726	81,758,922	29,616,731	13,099,389	3,634,279	6,463,258	15,362,877	-
Deposits and other accounts	3,019,155,045	763,868,028	185,078,506	296,787,793	462,965,150	413,860,284	486,684,939	408,594,611	1,315,732	-
Liabilities against assets subject to right of use assets	7,893,960	-	20,960	69,732	361,900	643,301	505,176	1,765,289	3,046,610	1,480,992
Other liabilities	198,659,523	78,524,701	18,508,262	30,670,330	3,654,598	25,961,043	8,538,736	16,576,941	8,112,456	8,112,456
	3,560,481,904	887,772,535	333,530,416	415,989,230	496,959,849	456,035,520	499,363,131	433,400,099	27,837,675	9,593,448
Net assets	286,202,565	19,357,541	514,417,844	(97,066,883)	(196,518,543)	54,550,091	(264,152,979)	(166,609,496)	296,506,726	125,718,266
Share capital	21,275,131									
Reserves	60,371,495									
Unappropriated profit	140,073,817									
Surplus/(Deficit) on revaluation of assets	64,482,122									
	286,202,565									

47.2.7 Derivative Risk

A derivative is a contract that derives its value from the performance of an underlying asset which can be an index, interest rate, commodity price, security price, FX rate etc. Derivatives include forwards, futures, swaps, options etc. In Pakistan, futures and forwards are most commonly traded derivatives.

Currently, the Bank is not an active participant in the Pakistan derivatives market as it does not hold an Authorized Derivative Dealer (ADD) license to perform derivative transactions. Once acquired, the Bank will carry out transactions that are permitted under the Financial Derivatives Business Regulations issued by SBP, which may include Interest rate swaps, forward rate agreements, foreign currency options, etc.

Moreover, the Bank may also offer other over the counter derivative products to satisfy customer requirements, specific approval of which will be sought from the SBP on a transaction by transaction basis.

48. PROPOSED DIVIDEND FOR THE YEAR ENDED DECEMBER 31, 2021

As explained in note 48 of the annual audited unconsolidated financial statements of the Bank for the year ended December 31, 2021, the recommended cash dividend of Re.1 per share which amounted to Rs. 2,128 million, was not approved in the annual general meeting held on March 30, 2022.

49. CORRESPONDING FIGURES

Certain corresponding figures have been reclassified wherever necessary to confirm to the presentation adopted in the current year.

50. GENERAL

50.1 Figures have been rounded off to the nearest thousand rupees.

51. DATE OF AUTHORISATION FOR ISSUE

The unconsolidated financial statements were authorised for issue on February 28, 2023 by the Board of Directors of the Bank.

Chairman	President / Chief Executive Officer (A)	Chief Financial Officer	Director	Director

Annexure 'I' as referred to in note 11.6 of the Bank's Unconsolidated Financial Statements

Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2022

Rs. In 000

S. No.	Name & Address of the borrower	Name of Individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/ Mark-up written off	Other financial relief / waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1	S.B. Hosiery Factory Pvt. Ltd. 2nd Floor, Platinum Bank Building (Now KASB Bank Building, Kotwali Road, Faisalabad.	Late Muhammad Ikram 33100-1627050-1 Shehnaz Ikram 33100-6740898-8 Muhammad Usman 33100-7368631-7 Faisal Saeed Sheikh 33100-1014832-3	Haji Tufail Muhammad Muhammad Ikram Muhammad Ikram Saeed Mehmood Sheikh	196,741	46,768	162,811	406,320	76,741	-	209,579	286,320
2	Sohail Textiles 21- Km Ferozepur Road, Lahore	Soahil Hamid Rana 35201-1636030-9	Rana Hamid Khan	25,788	6,945	27,262	59,995	-	-	14,375	14,375
3	Uppal Textiles 1 Km Old Kasur Road, Raiwind 565 G, Johar Town, Lahore.	Asif Ali 35202-6487109-3 Baber Ali 35202-2793515-9 Arshad Ali 35202-2812561-5 Tariq Mehmood 35202-5069641-7 Muhammad Afzal 35202-2348420-9 Ameer Ali 35202-1071316-5	Muhammad Ali Asif Ali Arshad Ali Muhammad Ali Muhammad Ali Liaqat Ali	-	-	33,278	33,278	-	-	17,369	17,369

S. No.	Name & Address of the borrower	Name of Individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/ Mark-up written off	Other financial relief / waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
4	Cas N Link Products Limited Office 5-6, 5th Floor, Block C-1, Taj Complex, Opp: Capri Cinema Karachi	Nisar Ahmed 42301-3612315-7 Anwar Ahmed 42301-7452922-5 Hamida Begum 42301-4909895-2 Samina Nisar 42201-0562367-6 Rukhsana Anwar 42301-1946870-2 Sikandar Ali 48547157648 (Old) Syed Wali Ullah	Muhammad Yaqoob Muhammad Yaqoob Muhammad Yaqoob Nisar Ahmed Anwar Ahmed Nizamuddin Syed Habibullah Hussaini	74,051	42,211	156,413	272,675	-	-	192,675	192,675
5	Ansari Sugar Mills Limited Office 41-K, Block-6, PECHS, Karachi	Abdul Ghani Ansari 449-54-318109 (Old) A. Hafeez Ansari 449-61-256001 (Old) Nasreen Ghani 502-56-609691 (Old) Imran Rasheed Ansari 449-89-256552 (Old)	Ahmed Khan Ansari Ahmed Khan Ansari Abdul Ghani Ansari Abdul Rasheed Ansari	213,551	192,532	550,354	956,437	-	-	742,886	742,886
6	Abdul Hameed P.O Basti Lar , Tehsil Oran Liaquatpur, District Rahimyarkhan	Abdul Hameed 31302-7561665-9	Muhammad Abdullah	1,047	-	-	1,047	1,047	-	-	1,047
7	Muhammad Yameen Near Masjid Bahar e Madina, Mohallah Rajputan Dhanate, Kehror Pacca, Lodhran	Muhammad Yameen 36202-3640971-1	Muhammad Younus	579	-	-	579	579	-	-	579
8	Malik Atta Muhammad Basti Warna, P.O Kotla Musa Khan, Tehsil Ahmedpur East, District Bahawalpur	Malik Atta Muhammad 31201-2112268-3	Malik Ahmad Bukhsh	515	-	-	515	515	-	-	515
9	M/S Askari Corporation Mohalla Kot Waris Shah,Near Chungi No.1, Suraj Miani Road, Multan	Syed Iftikhar Bokhari , 36302-7855011-1	Syed Abdul Ghafar Shah	498	1,123	50	1,671	-	-	523	523
10	Sonia Falak Sher House No.493, Mohallah Peer Qazi Inside Pak Gate, Multan	Sonia Falak Sher 36302-5191427-6	Falak Sher	2,336	1,330	5	3,671	-	-	623	623
11	Ghulam Ghous Chah Dhoray Wala p/o Shujabad,Tehsil Shujabad, District: Multan	Ghulam Ghous 36304-9179584-5	Ghulam Hussain	1,008	-	-	1,008	1,008	-	-	1,008
12	Nadeem Sarfraz Near Police Line No.2, Sooraj Miani Road, Mohallah Raza Abad Colony, Multan	Nadeem Sarfraz 36302-6289423-1	Khushi Masih	600	-	-	600	600	-	-	600

S. No.	Name & Address of the borrower	Name of Individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/ Mark-up written off	Other financial relief / waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
13	Muhammad Iqbal Chah Shah Wala, Alamgir, Multan	Muhammad Iqbal 36302-0271174-5	Allah Buksh	635	-	6	641	635	-	6	641
14	Mukhtar Masih Chak No,219/RB,Sher Singh Wala,Tehsil & District Faisalabad	Mukhtar Masih 33100-2306570-5	Sadiq Masih	579	-	-	579	579	-	-	579
15	Sabz Ali Khan House no 50,Gali no 1-A,G-7/4,Islamabad	Sabz Ali Khan 61101-4705861-9	Ibrahim Khan	729	-	-	729	729	-	-	729
16	Saleem Iqbal House No.25/3537, Mohallah Chaman Phatak Joint Road, Gymkhana, Quetta	Saleem Iqbal 54400-6004083-5	Iqbal	561	-	-	561	561	-	-	561
17	Late Naseer Ahmed Village Amb Panhwar P.O Makhdoom Bilawan Bagban Taluka, Dadu	Late Naseer Ahmed 41201-2208306-7	Muhammad Rajib Panhwar	575	-	-	575	575	-	-	575
18	Late Azizullah Muhallah Gareebabad Naudero District Larkana	Late Azizullah 43203-3105732-3	Wahid Bux Abro	672	-	-	672	672	-	-	672
19	Late Bagan Village Durani Mahar Kandhkot, District Kashmore	Late Bagan 43103-4772468-1	Obhayo	746	-	-	746	746	-	-	746
20	Late Muhammad Akram Village Allah Dino Khan Bajkani Tanuka Tangwani, District Kashmore	Late Muhammad Akram 43104-0578404-1	Dilshad	934	-	-	934	934	-	-	934
21	Late Abdul Majeed Muhalla Mudarsa Kandhkot	Late Abdul Majeed 43103-9864880-5	Abdul Aziz	935	-	-	935	935	-	-	935
22	Late Ghulam Akbar Village Chinni Taluka Johi, District Dadu	Late Ghulam Akbar 43301-6215736-9	Allahdino Rustamani	887	-	-	887	887	-	-	887
23	Late Muhammad Ibrahim Muhalla Ayoob Colony, Tehsil Naushero Feroz, District Larkana	Late Muhammad Ibrahim 43205-1522586-1	Hamiz Ali Jarwar	725	-	-	725	725	-	-	725
24	Late Ghulam Rasool Village Mahi Khan Chandio, Dara Gaad P.O Damraho Taluka, District Larkana	Late Ghulam Rasool 43203-0208870-7	Mahi Khan Chandio	693	-	-	693	693	-	-	693
25	Late Muhammad Yousaf Muhalla Haji Latif Shah Near Sindh Wah road District Shikarpur	Late Muhammad Yousaf 43304-5293211-9	Gulzar Ahmed	508	-	-	508	508	-	-	508
26	Late Arbab Ali Village Haji Ali Bahar Brohi Garhi Chand P.O Banglow Syedan Tehsil & District Jacobabad	Late Arbab Ali 43102-1409764-9	Chatto Brohi	839	-	-	839	839	-	-	839
27	Late Muhammad Rafique Village Ghulam Muhammad Lashari Taluka Thull, District Jacobabad	Late Muhammad Rafique 43105-646269-1	Hamal Khan Lashari	586	-	-	586	586	-	-	586
28	Late Muhammad Bachal Village Muhammad pur Odho Taluka Garhi Khairo, District Jacobabad	Late Muhammad Bachal 43101-0166329-9	Mehboob Ali Jakhro	589	-	-	589	589	-	-	589
29	Late Ghulam Hyder Village Murad Khan Jabirani P.O Kamber, District Kamber Shahdadkot	Late Ghulam Hyder 43202-3595432-1	Muhammad Ilyas Jagirani	686	-	-	686	686	-	-	686
30	Late Khadim Hussain Qazi Muhalla Taluka Johi, District Dadu	Late Khadim Hussain 41202-3277364-3	Muhammad Salih Khoso	841	-	-	841	841	-	-	841

S. No.	Name & Address of the borrower	Name of Individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/ Mark-up written off	Other financial relief / waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
31	Late Muhammad Ilyas Goth Almani, Tatiri, Tehsil Dokri, District Larkana	Late Muhammad Ilyas 43201-3581048-9	Abdul Rasool Jhatial	938	-	-	938	938	-	-	938
32	Late Muhammad Hassan Goth Chato Wahan, Tapal Ghar, Taluka Dokri, District Larkana	Late Muhammad Hassan 43201-7554407-3	Abdul Latif Mumbhar	772	-	-	772	772	-	-	772
33	M. Zaman Near Mukhtiyarkar Office Muhalla Jatt P.O Ghari Khairo, Tehsil Ghari Khairo, District Jaccobabad	M. Zaman 43101-5192595-9	Ghulam Hyder Mirjat	518	-	-	518	518	-	-	518
34	Qazi Village Khair Muhammad Khalti Taluka Kashmore, District Kandhkot	Qazi 43104-2534334-1	Kahoor	961	-	-	961	961	-	-	961
35	Akbar Ali Malik Muhalla Taluka Kandhkot, District Kandhkot	Akbar Ali 43103-4593943-5	Abdul Fatah	940	-	-	940	940	-	-	940
36	Fida Hussain Village Umar Khan Khoso P.O Dost Ali Taluka Kamber, Shahdadkot	Fida Hussain 43202-8019330-7	Ali Hassan Khoso	510	-	-	510	510	-	-	510
37	Deedar Ali Village Kule P.O Gerelo Tehsil Bakrani, District Larkana	Deedar Ali 43201-6425079-3	Muhammad Bachal Channo	930	-	-	930	930	-	-	930
38	Manthar D.H.O Office Colony, Jacobabad	Manthar 43102-2437154-5	Mughal Khan Mughari	563	-	-	563	563	-	-	563
39	Muharam Ali Village Fhillri Taluka Sijawal Junejo, District Kamber Shahdadkot	Muharam Ali 43204-6036571-9	Nihal Khan Tunio	640	-	-	640	640	-	-	640
40	Ahmed Ali Muhalla Khanchandabad, District Shikarpur	Ahmed Ali 43304-0582783-1	Karim Bux Rind	537	-	-	537	537	-	-	537
41	Raham Ali Leghari Goth Allah Dino Khan Leghari, Tapal Ghar, District Ghotki	Raham Ali Laghari 45102-4761638-5	Din Muhammad Leghari	885	-	-	885	885	-	-	885
42	Paryal Shah Village Chandio Sadhayo, District Shikarpur	Paryal Shah 43304-6317237-9	Shaman Shah	909	-	-	909	909	-	-	909
43	Qurban Ali Channa Village Mirza Channa taluka Johi, District Dadu	Qurban Ali Channa 41202-3422951-5	Muhammad Ali Channa	835	-	-	835	835	-	-	835
44	Rasool Bux Village Ibrahim Sand, P.O Khanpur,Taluka K.N Shah, District Dadu	Rasool Bux 41203-6618265-5	Jaro Khan Sand	519	-	-	519	519	-	-	519
45	Nisar Ahmed Village Boriri Taluka Khairpur, Nathan Shah, District Dadu	Nisar Ahmed 41203-2237640-3	Muhammad Isha	550	-	-	550	550	-	-	550
46	Mukhtiar Ali Village Ibrahim Samtia Diya Mir DHO Jagir, District Shikarpur	Mukhtiar Ali 43304-7798894-5	Noor Muhammad	963	-	-	963	963	-	-	963
47	Aashique Hussain Shah Pathan Village Shaikh, Fojotaluka Bakrani, District Larkana	Aashique Hussain Shah 43201-6575972-7	Zamir Hussain Shah	1,151	-	-	1,151	1,151	-	-	1,151
48	Muhammad Arab Village Dhani Paryo P.O Makhdoom Bilawal Taluka, Dadu	Muhammad Arab 41201-7733203-5	Muhammad Rajib Panhwar	1,159	-	-	1,159	1,159	-	-	1,159
49	Shabir Ahmed Muhalla Scarp Colony, Larkana	Shabir Ahmed 43205-9266270-7	Imam Bux Mangario	501	-	-	501	501	-	-	501

S. No.	Name & Address of the borrower	Name of Individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/ Mark-up written off	Other financial relief / waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
50	Waryaam Vains RO Village Dadood Dero, PO Shan Panjo Sultan,Taluka Mehar, Dadu	Waryaam Vains 41205-2282856-9	Muhammad Alam	628	-	-	628	628	-	-	628
51	Muhammad Phanwar Muhallah Mehar,Taluka Mehar, District Dadu	Muhammad 41205-9300916-9	Muhammad Ibrahim Bhangar	1,244	-	-	1,244	1,244	-	-	1,244
52	Ali Anwar Soomro Mohalla Soomra, Mehar, District Dadu	Ali Anwar Soomro 41205-1683185-1	Rajib Ali Soomro	764	-	-	764	764	-	-	764
53	Ali Nawaz Near Nadar Shah Muhallah, Allahabad Rotodero, District Larkana	Ali Nawaz 43205-4831514-1	Samandar Khan Bozdar	515	-	-	515	515	-	-	515
54	Parvez Ali Village Chandio Pitafi, P.O Koreja Taluka Ratodero, District Larkana	Parvez Ali 43205-5022809-3	Muhammad Ali Pitafi	742	-	-	742	742	-	-	742
55	Late Muhammad Hashim Muhallah Ali Gohar Abad, Sameh Abad, Larkana	Late Muhammad Hashim 43203-4205146-5	Ghulam Rasool Hub	542	-	-	542	542	-	-	542
56	Nadir Ali Near Bhains Colony, Mohallah Nasir Colony,Larkana	Nadir Ali 43101-5289425-1	Jan Muhammad	1,081	-	-	1,081	1,081	-	-	1,081
57	Altaf Hussain H.No.1738/58.A, Ghalib Nagar, Near Zulfiqar Bagh, Larkana	Altaf Hussain 43203-6294353-5	Abdul Ghani Sangi	849	-	-	849	849	-	-	849
58	Saqib Commission Shop Ghalla Mandi Buchike Badday, District Nankana	Muhammad Sarwer 35501-0161773-7 Falik Sher 35402-9844569-3	Ali Muhammad Ali Muhammad	2,973	405	3,777	7,155	-	-	541	541
59	Shakeel Ahmad Gillani Rakh Machine P.O, Khas Tehsil & District Sheikhupura	Shakeel Ahmad Gillani 35404-4676627-7	Muhammad Afzal	739	-	-	739	739	-	-	739
60	Ishtiaq Ahmed Muhallah Chah, Badraywala, Sharakpur Sharif	Ishtiaq Ahmed 35401-1831896-5	Nazeer Ahmed	927	-	-	927	927	-	-	927
61	Ali Hassan Katto R-19, Sector-13, Scheme 33, Chatta Gabaol Goth, Muslim Society, Karachi	Ali Hassan Katto 43102-8586571-7	Mithal Khan Katto	623	-	-	623	623	-	-	623
62	Yasir Abbass H # 461/A, Gali Daba Tabakhi, Mohallah Hafiz Miran Khan, D.I Khan	Yasir Abbas 12101-0944572-9	Khuda Baksh	1,354	-	-	1,354	1,354	-	-	1,354
63	Mosaib Hussain Village Zeran Yousaf Khel, P.O Parachinar, District Khurram	Mosaib Hussain 21303-5004445-9	Mukhtar Hussain	507	-	-	507	507	-	-	507
64	Khan Muhammad Qureshi Dak Khana Pepal Bazar, Bozi Khail, Tehsil & District Bannu	Khan Muhammad Qureshi 11101-0147145-3	Saqi Muhammad Qureshi	514	-	-	514	514	-	-	514
65	M.Arshad Khan H.No.41, Street No.9, Waris Khan Taili Muhallah, Rwalpindi	M.Arshad Khan 37405-8835883-1	Arif Khan	598	-	-	598	598	-	-	598
66	Muhammad Tariq Vill House No.12, Sector C-1, Mirpur Azad Kashmir	Muhammad Tariq 81302-3953428-5	Muhammad Hussain	658	-	-	658	658	-	-	658
67	Mirza Waqar Baig Staff Colony Near AG Office, Muhallah Roli Dhara Kotli, Azad Kashmir	Mirza Waqar Baig 81202-6520238-3	Mirza Abdul Rashid Baig	687	-	-	687	687	-	-	687

S. No.	Name & Address of the borrower	Name of Individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/ Mark-up written off	Other financial relief / waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
68	M. Basharat Rahat P.O Mari Khokhran, Tehsil & District Gujrat	M. Basharat Rahat 34201-3310058-7	Muhammad Azam	997	-	-	997	997	-	-	997
69	Muhammad Zaigham Iqbal H.No.888/1. Gali Mirza Mukhtar Wali Mohallah,Piplianwala District Jhang	Muhammad Zaigham Iqbal 33202-1206528-7	Iqbal Ahmed	598	-	-	598	598	-	-	598
70	Syed Ghulam Mustafa Shah Gillani Noorgran Garhi, Duppata, Muzaffarabad	Syed Ghulam Mustafa Shah Gillani 82203-8499019-9	Syed Ahmed Shah Gillani	1,110	-	11	1,121	1,110	-	11	1,121
71	Sher Afzal Darra Batangi, P.O Muzaffarabad, Azad Kashmir	Sher Afzal 82203-8593578-5	Jumma Khan	788	-	-	788	788	-	-	788
72	Ch. Muhammad Arif s/o Ahmed Khan Dahdar Kallan Bhimber, Azad Kashmir	Ch. Muhammad Arif 81102-9389332-9	Ahmed Khan	638	-	-	638	638	-	-	638
73	Abdul Majeed Dudhnail, Sheikh Bela, Tehsil Sharda, District Neelam	Abdul Majeed 82201-4923321-9	Feroz Din	667	-	-	667	667	-	-	667
74	Choudhary Maqsood Ahmed Moji P.O Leepa, Tehsil Karnah, District Jhelum Valley	Choudhary Maqsood Ahmed 82202-6938852-1	Muhammad Yaqoob	501	-	-	501	501	-	-	501
75	Riaz Muhammad Wach Khwar, Naway Kaly, Khwaza khela, District Swat	Riaz Muhammad 15602-0390214-9	Gul Rahim	685	-	-	685	685	-	-	685
76	Said Akbar S/o Said Ghaffar Chalyar Tehsil Khuwaza Khaila, District Swat	Said Akbar 15602-0319735-9	Said Ghaffar	692	-	-	692	692	-	-	692
77	Rehmat uddin Hingeel Shaghore, District Chitral	Rehmat uddin 15201-0569753-3	Mir Ghazabz	566	-	-	566	566	-	-	566
78	Asif Hussain S/o Raza Hussain Village & P.O Banda Sahib Khan, District Abbottabad	Asif Hussain 13101-7442913-7	Raza Hussain	594	-	-	594	594	-	-	594
79	Zamanbap Trans Ltd H.256, F .41, Sydykova str. , Kyrgyzstan	Erkebaeva AltynBolushevna NIC AN 2707107	Anarbek	2,629	1,714	-	4,343	-	-	1,076	1,076
80	Indinova Gulshat Melisovna H.14, F.28, Umetalieva str., Kyrgyzstan	Indinova Gulshat Melisovna NIC ID2289498	Melis	638	1,173		1,811	-	-	1,084	1,084
81	Tabaladeiv Ularbek Kichilkvoich H.209, f.9, Ayni str., Kyrgyzstan	Tabaladeiv Ularbek Kichilkvoich NIC AN 3149383	Kichik	993	1,028		2,021	-	-	852	852
				572,254	**295,229**	**933,967**	**1,801,450**	**128,797**	**-**	**1,181,600**	**1,310,397**

Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Unconsolidated Financial Statements

ISLAMIC BANKING BUSINESS

The bank is operating 188 (2021: 189) Islamic banking branches and 50 (2021: nil) Islamic banking windows at year end December 31, 2022.

	Note	2022	2021
		---------- (Rupees in '000) ----------	
ASSETS			
Cash and balances with treasury banks		**6,096,555**	6,591,139
Balances with other banks		**13,766**	12,531
Investments	1	**53,920,119**	49,548,760
Islamic financing and related assets - net	2	**46,380,996**	42,316,209
Fixed assets		**87,489**	100,620
Right of use assets (ROUA)		**508,977**	641,973
Other assets		**2,294,054**	1,686,568
Total Assets		**109,301,956**	100,897,800
LIABILITIES			
Bills payable		**1,210,608**	388,351
Deposits and other accounts	3	**93,591,714**	84,849,520
Due to head office		**4,005,715**	7,635,926
Lease liability against right of use assets		**721,152**	826,081
Other liabilities		**1,490,182**	455,249
		101,019,371	94,155,127
NET ASSETS		**8,282,585**	6,742,673
REPRESENTED BY			
Islamic Banking Fund		**5,561,000**	4,646,000
Surplus on revaluation of assets		**424,444**	594,005
Unappropriated / Unremitted profit	5	**2,297,141**	1,502,668
		8,282,585	6,742,673

The profit and loss account of the Bank's Islamic banking branches for the year ended December 31, 2022 is as follows:

	Note	2022	2021
		---------- (Rupees in '000) ----------	
Profit / return earned	6	**12,661,168**	7,212,495
Profit / return expensed	7	**(7,600,260)**	(3,180,849)
Net profit / return		**5,060,908**	4,031,646
Other income			
Fee and commission income		**317,961**	285,694
Foreign exchange income		**155,195**	37,404
Other income		**2,025**	13,218
Total other income		**475,181**	336,316
Total income		**5,536,089**	4,367,962
Other expenses			
Operating expenses		**(3,050,827)**	(2,742,428)
Other charges		**(374)**	(1,516)
Total other expenses		**(3,051,201)**	(2,743,944)
Profit before provisions		**2,484,888**	**1,624,018**
Provisions and write offs - net		**(187,747)**	(121,350)
Profit before taxation		**2,297,141**	1,502,668
Taxation		**-**	-
Profit after taxation		**2,297,141**	1,502,668

	2022				2021			
	Cost / Amortised cost	**Provision for diminution**	**Surplus / (Deficit)**	**Carrying Value**	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
1 Investments by segments:								
	Rupees in '000							
Federal Government Securities:								
- Ijarah Sukuks	**33,648,948**	**-**	**(339,589)**	**33,309,359**	14,000,979	-	(31,279)	13,969,700
- Others (Bai Muajjal with GOP @ 13.30%)	**-**	**-**	**-**	**-**	10,914,185	-	-	10,914,185
	33,648,948	**-**	**(339,589)**	**33,309,359**	24,915,164	-	(31,279)	24,883,885
Non Government Debt Securities								
- Listed	**8,200,000**	**-**	**303,132**	**8,503,132**	8,200,000	-	340,000	8,540,000
- Unlisted	**11,777,533**	**(130,807)**	**460,901**	**12,107,628**	15,970,398	(130,807)	285,284	16,124,875
	19,977,533	**(130,807)**	**764,033**	**20,610,760**	24,170,398	(130,807)	625,284	24,664,875
Total Investments	**53,626,481**	**(130,807)**	**424,444**	**53,920,119**	49,085,562	(130,807)	594,005	49,548,760

	Note	**2022**	2021
2 Islamic financing and related assets		**Rupees in '000**	
Ijarah	2.1	**38,208**	95,075
Murabaha	2.2	**1,713,901**	903,901
Diminishing Musharaka		**22,062,256**	21,834,074
Other Islamic Modes (Wakala tul Istismar)		**8,500,000**	8,500,000
Advance for Murabaha		**2,127,000**	1,285,000
Advance for Diminishing Musharaka		**100,894**	60,720
Advance for Istisna		**9,396,236**	9,881,261
Inventories against Istisna		**3,097,800**	469,000
Gross Islamic financing and related assets		**47,036,295**	43,029,031
Less: provision against Islamic financings			
- Specific		**(654,980)**	(712,763)
- General		**(319)**	(59)
		(655,299)	(712,822)
Islamic financing and related assets - net of provision		**46,380,996**	42,316,209

2.1 Ijarah

	2022						
	Cost			Accumulated Depreciation			Book Value as at December 31, 2022
	At January 1, 2022	Additions / (deletions)	As at December 31, 2022	At January 1, 2022	Charge / Adjustment for the year	As at December 31, 2022	
	Rupees in '000						
Plant & Machinery	**245,257**	**-**	**63,474**	**207,075**	**25,228**	**50,820**	**12,654**
		(181,783)			**(181,483)**		
Vehicles	**209,727**	**-**	**168,680**	**152,834**	**28,725**	**143,126**	**25,554**
		(41,047)			**(38,433)**		
Total	**454,984**	**-**	**232,154**	**359,909**	**53,953**	**193,946**	**38,208**
		(222,830)			**(219,916)**		

	2021						
	Cost			Accumulated depreciation			Book Value as at December 31, 2021
	At January 01, 2021	Additions / (deletions)	As at December 31, 2021	At January 01, 2021	Charge / Adjustment for the year	As at December 31, 2021	
	Rupees in '000						
Plant & Machinery	249,123	-	245,257	175,050	35,566	207,075	38,182
		(3,866)			(3,541)		
Vehicles	239,219	-	209,727	144,504	37,241	152,834	56,893
		(29,492)			(28,911)		
Total	488,342	-	454,984	319,554	72,807	359,909	95,075
		(33,358)			(32,452)		

Future Ijarah payments receivable

	2022				2021			
	Not later than 1 year	**Later than 1 year & less than 5 years**	**Over five years**	**Total**	Not later than 1 year	Later than 1 year & less than 5 years	Over five years	Total
	Rupees in '000							
Ijarah rental receivables	**36,438**	**9,802**	**-**	**46,240**	71,589	54,398	-	125,987

		2022	2021
2.2 Murabaha	**Note**	**Rupees in '000**	
Murabaha financing	2.2.1	**1,713,901**	903,901
Advances for Murabaha		**2,127,000**	1,285,000
		3,840,901	2,188,901

		Note	2022	2021
			---------- Rupees in '000 ----------	
2.2.1	Murabaha receivable - gross	2.2.2	**1,868,953**	982,249
	Less: Deferred murabaha income	2.2.4	**73,359**	25,980
	Less: Profit receivable shown in other assets		**81,693**	52,368
	Murabaha financings		**1,713,901**	903,901
2.2.2	The movement in Murabaha financing during the year is as follows:			
	Opening balance		**982,249**	3,629,825
	Sales during the year		**12,721,419**	7,905,588
	Adjusted during the year		**11,834,715**	10,553,164
	Closing balance		**1,868,953**	982,249
2.2.3	Murabaha sale price		**12,721,419**	7,905,588
	Murabaha purchase price		**12,234,017**	7,739,500
			487,402	166,088
2.2.4	Deferred murabaha income			
	Opening balance		**25,980**	47,306
	Arising during the year		**487,539**	184,383
	Less: Recognised during the year		**(440,160)**	(205,709)
	Closing balance		**73,359**	25,980

4 Due from Head Office

3 Deposits

	2022			2021		
	In Local currency	**In Foreign currencies**	**Total**	In Local currency	In Foreign currencies	Total
	---------- Rupees in '000 ----------					
Customers						
Current deposits	**20,491,314**	**167,871**	**20,659,185**	21,520,192	264,535	21,784,727
Savings deposits	**41,254,385**	**-**	**41,254,385**	42,730,234	-	42,730,234
Term deposits	**15,137,438**	**-**	**15,137,438**	8,148,745	-	8,148,745
	76,883,137	**167,871**	**77,051,008**	72,399,171	264,535	72,663,706
Financial Institutions						
Current deposits	**354,951**	**-**	**354,951**	700,103	-	700,103
Savings deposits	**14,114,989**	**-**	**14,114,989**	6,064,983	-	6,064,983
Term deposits	**2,070,766**	**-**	**2,070,766**	5,420,728	-	5,420,728
	16,540,706	**-**	**16,540,706**	12,185,814	-	12,185,814
	93,423,843	**167,871**	**93,591,714**	84,584,985	264,535	84,849,520

		2022	2021
		---------- Rupees in '000 ----------	
3.1	**Composition of deposits**		
	- Individuals	**45,084,725**	41,007,219
	- Government / Public Sector Entities	**23,311,046**	21,697,189
	- Banking Companies	**773,228**	6,873,275
	- Non-Banking Financial Institutions	**15,767,478**	5,312,539
	- Private Sector	**8,655,237**	9,959,298
		93,591,714	84,849,520

3.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 47,134 million (2021: Rs. 43,701 million).

4 Charity Fund

Opening Balance	**64**	621
Additions during the period		
Received from customers on account of delayed payment	**286**	79
Profit on charity saving account	**3**	14
	353	714
Payments / utilization during the period		
Education	**-**	-
Health	**-**	650
Others	**150**	-
	150	650
Closing Balance	**203**	64

5 Islamic Banking Business Unappropriated/ Unremitted Profit

Opening Balance	**1,502,668**	2,108,388
Add: Islamic Banking profit for the year	**2,297,141**	1,502,668
Less: Taxation		
Less: Reserves		
Less: Transferred / remitted to Head Office	**(1,502,668)**	(2,108,388)
Closing Balance	**2,297,141**	1,502,668

	2022	2021
	---------- Rupees in '000 ----------	

6 Profit / Return Earned on Financing, Investments and Placement

Profit earned on:		
Financing	**5,712,166**	3,157,329
Investments	**6,730,485**	2,819,221
Placements	**1,235**	560
Others (Bai Muajjal)	**217,282**	1,235,385
	12,661,168	7,212,495

7 Profit on Deposits and other Dues Expensed

Deposits and other accounts	**5,589,067**	2,520,353
Amortisation of lease liability against - ROUA	**79,103**	82,908
Others (General Account)	**1,932,090**	577,588
	7,600,260	3,180,849

8 Pool Management

NBP-AIBG has managed following pools for profit and loss distribution.

a) General depositor pool

The General pool consists of all other remunerative deposits. NBP Aitemaad (the Mudarib) accept deposits on the basis of Mudaraba from depositors (Rabbulmaal). The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. The entire net return after paying equity share to Mudarib is considered as distributable profit of the pool.

b) Special depositor pools (Total 182 during the period and 51 as at Dec 31, 2022)

Special pool(s) are created where the customers desire to invest in high yield assets. These pool(s) rates are higher than the general pool depending on the assets. In case of loss in special pool, the loss will be borne by the special pool members. The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. From the net return, and after allocation of share of profit to commingled equity, profit is paid to the Mudarib in the ratio of the Mudarib's equity in the pool to the total pool. The balance represents the distributable profit

c) Equity pool

Equity pools include AIBG's fund and current account deposits. The equity pool may have constructive liquidation every month and risk associated with assets of pool includes operational, market, equity, return and Shariah.

Key features and risk & reward characteristics

Deposits are accepted from customers on the basis of Qard (current accounts) and Mudarabah (Saving and term deposits). No profit or loss is passed on to current account depositors.

For deposits accepted on Mudarabah basis from depositors (Rab ul Maal) the Bank acts as Manager (Mudarib) and invests the funds in the Shariah Compliant modes of financings. Rab ul Maal share is distributed among depositors according to weightages declared for a month before start of the period.

In case of loss in a pool during the profit calculation period, the loss is distributed among the depositors (remunerative) according to their ratio of investment.

For all pools, the Mudarib's share is deducted from the distributable profit to calculate the profit to be allocated to depositors. The allocation of the profit to various deposit categories is determined by the amount invested in that category relative to the total pool, as well as by the weightage assigned to the various deposit categories.

The assets, liabilities, equities, income and expenses are segregated for each of the pool. No pool investment is intermingled with each other. The risk associated with each pool is thus equally distributed among the pools.

Avenues / sectors of economy / business where Modaraba based deposits have been deployed.

Sector	2022	2021
	---------- Percentage	----------
Fertilizer	**1.48%**	1.12%
Textile	**4.25%**	4.60%
Fuel & energy	**34.07%**	40.71%
Leasing/Modarbas	**0.03%**	0.34%
Sugar	**7.80%**	7.94%
Cement	**6.10%**	7.43%
Gas	**0.35%**	0.91%
Financial	**1.94%**	1.59%
Federal Government	**32.95%**	24.61%
Real Estate	**3.10%**	2.98%
Agriculture	**0.30%**	0.34%
Others	**7.64%**	7.43%
Total	**100%**	100%

Parameters for profit allocation and charging expenses

Profit of the pools has been distributed between Mudarib and Rab-ul-Mall by using preagreed profit sharing ratios. The share of Rab-ul-Mall's profit has been distributed among different customers using the various weightages assigned to the different categories of the pool.

No provision against any non performing asset of the pool is passed on to the pool except on the actual loss / write off of such non performing asset. Administrative expense are borne by mudarib and not charged to Mudaraba pool.

Mudarib Share	**31-Dec-22** **Rupees in '000**
Gross Distributable Income	**9,906,319**
Mudarib (Bank) share of profit before Hiba	**3,211,747**
Mudarib Share in percentage	**32%**

Hiba from Mudarib Share

Mudarib (Bank) share of profit before Hiba	**3,211,747**
Hiba from bank's share to depositors	**708,244**
Hiba from bank's share to depositors in percentage	**22%**

Profit rates

During the year ended Dec 31, 2022 the average profit rate earned by NBP Islamic Banking Group is 12.82% and the profit distributed to the depositors is 8.92%.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Directors' Report to the Shareholders
Consolidated Financial Statements

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present the Directors' Review together with audited consolidated financial statement of National Bank of Pakistan and its Group companies for the year ended December 31, 2022.

Consolidated after-tax profit of the Group for the year ended December 31, 2022 amounted to PKR 30.95 Bn, being 7.6% higher than PKR 28.8 Bn for the year ended December 31, 2021. For the year ended December 31, 2022, the subsidiary companies contributed PKR 0.807 Bn (2021: PKR 0.389 Bn) to the Group profitability; whereas the associates contributed a net loss of PKR 0.095 Bn (2021: Profit PKR 0.023 Bn). A share of profit of PKR 0.545 Bn (2021: PKR 0.218 Bn) was however recorded on account of UNBL-UK, a UK based Joint Venture in which NBP has 45% shareholding. Accordingly, consolidated after tax profit for the year stood at PKR 30.95 Bn translating into EPS of PKR 14.49 as compared to PKR 13.44 for the year ended December 31, 2021.

As of December 31, 2022, consolidated assets of the Group amounted to PKR 5,251.8 Bn being PKR 1,394.7 Bn or 36.2% higher than PKR 3,857.0 Bn of December 31, 2021.

Group after-tax profit for the year ended December 31, 2022 after carry forward of accumulated profit of 2021 is proposed to be appropriated as follows:

	(PKR 'Mn)
After-tax consolidated profit for the year ended December 31, 2022	30,949.0
Unappropriated profit brought forward	145,312.5
Other comprehensive income - net of tax	(3,114.2)
Non-controlling interest	(114.4)
Transfer from surplus on revaluation of fixed assets – net of tax	197.7
Transfer from general loan loss reserve	8,000.0
	150,281.6
Profit available for appropriations	181,230.6
Appropriation:	
Transfer to statutory reserve	(3,041.0)
Unappropriated profit carried forward	**178,189.6**

For and on behalf of the Board of Directors

Rehmat Ali Hasnie
President & CEO (A)

Farid Malik
Director

Karachi

Date: February 28, 2023

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

A.F. Ferguson & Co.
Chartered Accountants
State Life Building No. 1-C
I.I Chundrigar Road
P.O. Box 4716
Karachi - 74000

INDEPENDENT AUDITORS' REPORT

To the members of National Bank of Pakistan

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of **National Bank of Pakistan and its subsidiaries (the Group)**, which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to note 26.3.4.1 to the consolidated financial statements which explains the contingency in relation to the pension obligation of the Group. The Group, based on the opinion of its legal counsel, is confident about a favorable outcome on this matter and hence, no provision has been made in these consolidated financial statements. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key Audit Matters:

S.No.	Key Audit Matter	How the matter was addressed in our audit
1	**Provision against advances** (Refer notes 5.8 and 11.4 to the consolidated financial statements)	
	The Group makes provision against advances extended in Pakistan on a time-based criteria that involves ensuring that all non-performing advances are classified in accordance with the ageing criteria specified in the Prudential Regulations (PRs) issued by the State Bank of Pakistan (SBP). In addition to the above time-based criteria, the PRs require a subjective evaluation of the credit worthiness of borrowers to determine the classification of advances. The PRs also require the creation of general provision for certain categories of advances. Provision against advances of overseas locations is made as per the requirements of the respective regulatory regimes. The Group has recognized a net provision against advances amounting to Rs. 8,012 million in the consolidated profit and loss account in the current year. As at December 31, 2022, the Group holds a provision of Rs. 208,363 million against advances. This includes a general provision against the underperforming portfolio on a prudent basis. The determination of provision against advances based on the above criteria remains a significant area of judgement and estimation. Because of the significance of the impact of these judgements / estimations and the materiality of advances relative to the overall consolidated financial statements of the Group, we considered the area of provision against advances as a key audit matter.	Our audit procedures to verify provision against domestic advances included, amongst others, the following: ▪ Obtained an understanding of the management process to record provision and ensure that it is consistent with the requirements of PRs; ▪ Evaluated the design and tested the operating effectiveness of the relevant controls established by the Group to identify loss events and for determining the extent of provisioning required against non-performing advances; and ▪ Selected a sample of loan accounts and performed the following substantive procedures to evaluate the appropriateness of specific and general provision: i) Checked credit documentation, repayments of loan / mark-up instalments, tested classification of non-performing advances based on the number of days overdue; ii) Evaluated the management's assessment for classification of a customer's loan facilities as performing or non-performing based on review of repayment pattern, inspection of credit documentation and thorough discussions with the management; iii) In case of restructured loans, we reviewed the detailed documentation of restructuring including approvals, legal opinions, terms of restructuring, payment records and any other relevant documents to ensure that restructuring was made in accordance with the PRs; iv) We also reviewed minutes of the meeting of credit, risk and compliance and audit committees to identify risky exposures; and v) We had discussions with management to challenge assumptions and judgements used in performing portfolio review and recording provisions. We issued instructions to auditors of those overseas branches and a joint venture which were selected for audit, highlighting 'Provision against advances' as a significant risk. The auditors of those branches and joint venture performed audit procedures to check compliance with regulatory requirements and reported the results thereof to us. We, as auditors of the Group, evaluated the work performed by the component auditors and the results thereof.

S.No.	Key Audit Matter	How the matter was addressed in our audit
2	**Valuation of listed equity shares, units of mutual funds and term finance certificates classified as available-for-sale** (Refer notes 5.4 and 10.1 to the consolidated financial statements)	
	The Group has significant investments in equity shares, units of mutual funds and term finance certificates (TFCs) classified as Available for Sale (AFS). As per the Group's policy, listed equity shares and units of mutual funds are required to be considered for impairment when there is a significant or prolonged decline in the fair value of investments. Further, TFCs are required to be assessed for impairment as per the SBP's Prudential Regulations which involves subjective criteria. The significance of the investment amount, subjectivity involved, and assumptions used in impairment make it significant to the consolidated financial statements. Therefore, we have considered this as a key audit matter.	On a sample basis, we have performed the following procedures: ▪ Each investment's cost was compared to its market value wherever available to determine decline / surplus in valuation; ▪ Checked whether, in case of listed equity shares and units of mutual funds classified as available for sale, impact of significant or prolonged decline was recognized consistently as per the policy of the Group as disclosed in note 5.27(c); and ▪ For TFCs, checked that listed TFCs were valued as per the quoted prices and unlisted TFCs were valued at cost less provision. Further, TFCs were also evaluated based on evidence of deterioration in the financial health of the investee and repayment pattern.

Information Other than the Consolidated and Unconsolidated Financial Statements and Auditors' Reports Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated and unconsolidated financial statements and our auditors' reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

The Board of directors is responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Nadeem Yousuf Adil and Shahbaz Akbar on behalf of Yousuf Adil and A. F. Ferguson & Co. respectively.

Yousuf Adil
Chartered Accountants
Karachi
Dated: March 6, 2023
UDIN: AR202210091GbFezuXtl

A. F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: March 6, 2023
UDIN: AR202210068wBdPux6sT

NATIONAL BANK OF PAKISTAN
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

2021	2022		Note	2022	2021
---------- (US Dollars in '000) ---------				---------- (Rupees in '000) ----------	
		ASSETS			
1,231,584	**1,016,762**	Cash and balances with treasury banks	7	**230,226,311**	278,868,736
84,844	**86,663**	Balances with other banks	8	**19,623,124**	19,211,237
1,481,541	**138,110**	Lendings to financial institutions	9	**31,272,467**	335,466,675
8,579,841	**15,381,893**	Investments	10	**3,482,935,847**	1,942,741,191
4,916,794	**5,435,076**	Advances	11	**1,230,669,118**	1,113,314,128
241,179	**254,401**	Fixed assets	12	**57,604,343**	54,610,404
6,160	**9,280**	Intangible assets	13	**2,101,322**	1,394,843
31,316	**31,736**	Right of use assets	14	**7,186,067**	7,090,980
8,403	**98,954**	Deferred tax assets	15	**22,406,230**	1,902,811
452,385	**740,805**	Other assets	16	**167,741,065**	102,433,942
17,034,047	**23,193,680**			**5,251,765,894**	3,857,034,947
		LIABILITIES			
96,490	**244,083**	Bills payable	17	**55,268,019**	21,848,270
1,381,989	**8,569,881**	Borrowings	18	**1,940,485,787**	312,925,106
13,329,222	**11,770,802**	Deposits and other accounts	19	**2,665,273,257**	3,018,147,709
590	**536**	Liabilities against assets subject to finance lease	20	**121,453**	133,598
36,924	**38,692**	Lease liability against right of use assets	21	**8,761,015**	8,360,755
885,903	**1,199,289**	Other liabilities	22	**271,556,131**	200,596,128
15,731,118	**21,823,283**			**4,941,465,662**	3,562,011,566
1,302,929	**1,370,397**	**NET ASSETS**		**310,300,232**	295,023,381
		REPRESENTED BY			
93,959	**93,959**	Share capital	23	**21,275,131**	21,275,131
275,701	**298,055**	Reserves	24	**67,488,847**	62,427,269
287,041	**186,695**	Surplus on revaluation of assets	25	**42,273,537**	64,994,980
641,752	**786,949**	Unappropriated profit		**178,189,579**	145,312,547
1,298,453	**1,365,658**	Total Equity attributable to the equity holders of the Bank		**309,227,094**	294,009,927
4,476	**4,739**	Non-controlling interest		**1,073,138**	1,013,454
1,302,929	**1,370,397**			**310,300,232**	295,023,381
		CONTINGENCIES AND COMMITMENTS	26		

The annexed notes 1 to 52 and annexures I and II form an integral part of these consolidated financial statements.

Chairman	President / Chief Executive Officer (A)	Chief Financial Officer	Director	Director

NATIONAL BANK OF PAKISTAN
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2022

2021	2022		Note	2022	2021
-------- (US Dollars in '000) -------				---------- (Rupees in '000) ----------	
1,024,826	**2,223,972**	Mark-up / return / interest earned	27	**503,575,915**	232,052,245
593,049	**1,706,809**	Mark-up / return / interest expensed	28	**386,474,248**	134,284,644
431,777	**517,163**	Net mark-up / interest income		**117,101,667**	97,767,601
		NON MARK-UP / INTEREST INCOME			
84,796	**99,622**	Fee and commission income	29	**22,557,400**	19,200,385
19,943	**22,392**	Dividend income		**5,070,140**	4,515,634
30,267	**36,577**	Foreign exchange income		**8,282,139**	6,853,433
27,393	**4,961**	Gain on securities - net	30	**1,123,216**	6,202,525
961	**2,408**	Share of profit from joint venture - net of tax	10.4	**545,161**	217,507
102	**(420)**	Share of (loss) / profit from associates - net of tax	10.4	**(95,084)**	23,057
8,198	**7,906**	Other income	31	**1,790,098**	1,856,263
171,660	**173,446**	Total non-markup / interest income		**39,273,070**	38,868,804
603,437	**690,609**	Total income		**156,374,737**	136,636,405
		NON MARK-UP / INTEREST EXPENSES			
269,659	**351,490**	Operating expenses	32	**79,588,284**	61,059,172
1,532	**322**	Other charges	33	**72,848**	346,979
271,191	**351,812**	Total non-markup / interest expenses		**79,661,132**	61,406,151
332,246	**338,797**	Profit before provisions		**76,713,605**	75,230,254
51,492	**57,927**	Provisions and write offs - net	34	**13,116,455**	11,659,325
43,187	**-**	Extra ordinary item	26.5	**-**	9,778,848
237,567	**280,870**	**PROFIT BEFORE TAXATION**		**63,597,150**	53,792,081
110,549	**144,186**	Taxation	35	**32,648,139**	25,031,700
127,018	**136,684**	**PROFIT AFTER TAXATION**		**30,949,011**	28,760,381
		Attributable to:			
126,312	**136,179**	Equity holders of the Bank		**30,834,587**	28,600,461
706	**505**	Non-controlling interest		**114,424**	159,920
127,018	**136,684**			**30,949,011**	28,760,381
---------- (US Dollars) ----------				---------- (Rupees) ----------	
0.06	**0.06**	**Basic earnings per share**	36	**14.49**	13.44
0.06	**0.06**	**Diluted earnings per share**	37	**14.49**	13.44

The annexed notes 1 to 52 and annexures I and II form an integral part of these consolidated financial statements.

Chairman	President / Chief Executive Officer (A)	Chief Financial Officer	Director	Director

NATIONAL BANK OF PAKISTAN
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022

2021	2022		2022	2021
------- (US Dollars in '000) -------			--------- (Rupees in '000) ---------	
127,018	**136,684**	Profit after taxation for the year	**30,949,011**	28,760,381
		Other comprehensive income / (loss)		
		Items that may be reclassified to profit and loss account in subsequent periods:		
8,988	**44,254**	Effect of translation of net investments in foreign branches, subsidiaries and joint venture	**10,020,548**	2,035,053
(38,414)	**(111,763)**	Movement in deficit on revaluation of investments - net of tax	**(25,306,566)**	(8,698,153)
(29,426)	**(67,509)**		**(15,286,018)**	(6,663,100)
		Items that will not be reclassified to profit and loss account in subsequent periods:		
(6,019)	**(13,819)**	Remeasurement loss on defined benefit obligations - net of tax	**(3,129,095)**	(1,362,794)
(818)	**13,672**	Movement in surplus / (deficit) on revaluation of fixed assets - net of tax	**3,095,713**	(185,241)
436	**(1,382)**	Movement in (deficit) / surplus on revaluation of non-banking assets - net of tax	**(312,906)**	98,660
158	**66**	Share of remeasurement gain on defined benefit obligations of joint venture - net of tax	**14,886**	35,807
(6,243)	**(1,463)**		**(331,402)**	(1,413,568)
91,349	**67,712**	**Total comprehensive income**	**15,331,591**	20,683,713
		Total comprehensive income attributable to:		
90,643	**67,207**	Equity holders of the Bank	**15,217,167**	20,523,793
706	**505**	Non-controlling interest	**114,424**	159,920
91,349	**67,712**		**15,331,591**	20,683,713

The annexed notes 1 to 52 and annexures I and II form an integral part of these consolidated financial statements.

Chairman	President / Chief Executive Officer (A)	Chief Financial Officer	Director	Director

NATIONAL BANK OF PAKISTAN
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022

	Share capital	Reserves					Surplus / (deficit) on revaluation of assets			Unappropriated profit	Sub Total	Non-Controlling Interest	Total
		Exchange translation	Statutory reserve	General loan loss reserve	Revenue general reserve	Total	Investments	Fixed / Non-Banking Assets	Total				
	---------- (Rupees in '000) ----------												
Balances as at January 01, 2021	21,275,131	12,845,332	36,224,747	8,000,000	521,338	57,591,417	28,250,884	45,736,918	73,987,802	120,631,784	273,486,134	916,148	274,402,282
Profit after taxation for the year ended December 31, 2021	-	-	-	-	-	-	-	-	-	28,600,461	28,600,461	159,920	28,760,381
Other comprehensive income - net of tax	-	2,035,053	-	-	-	2,035,053	(8,698,153)	(86,581)	(8,784,734)	(1,326,987)	(8,076,668)	-	(8,076,668)
Transfer to statutory reserve	-	-	2,800,799	-	-	2,800,799	-	-	-	(2,800,799)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(208,088)	(208,088)	208,088	-	-	-
Transactions with owners, recorded directly in equity													
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(62,614)	(62,614)
Balance as at December 31, 2021	**21,275,131**	**14,880,385**	**39,025,546**	**8,000,000**	**521,338**	**62,427,269**	**19,552,731**	**45,442,249**	**64,994,980**	**145,312,547**	**294,009,927**	**1,013,454**	**295,023,381**
Profit after taxation for the year ended December 31, 2022	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**30,834,587**	**30,834,587**	**114,424**	**30,949,011**
Other comprehensive income - net of tax	**-**	**10,020,548**	**-**	**-**	**-**	**10,020,548**	**(25,306,566)**	**2,782,807**	**(22,523,759)**	**(3,114,209)**	**(15,617,420)**	**-**	**(15,617,420)**
Transfer to statutory reserve	**-**	**-**	**3,041,030**	**-**	**-**	**3,041,030**	**-**	**-**	**-**	**(3,041,030)**	**-**	**-**	**-**
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(197,684)**	**(197,684)**	**197,684**	**-**	**-**	**-**
Transfer to unappropriated profit	**-**	**-**	**-**	**(8,000,000)**	**-**	**(8,000,000)**	**-**	**-**	**-**	**8,000,000**	**-**	**-**	**-**
Transactions with owners, recorded directly in equity													
Cash dividend paid / profit distribution by subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(54,740)**	**(54,740)**
Balance as at December 31, 2022	**21,275,131**	**24,900,933**	**42,066,576**	**-**	**521,338**	**67,488,847**	**(5,753,835)**	**48,027,372**	**42,273,537**	**178,189,579**	**309,227,094**	**1,073,138**	**310,300,232**

The annexed notes 1 to 52 and annexures I and II form an integral part of these consolidated financial statements.

Chairman | **President / Chief Executive Officer(A)** | **Chief Financial Officer** | **Director** | **Director**

NATIONAL BANK OF PAKISTAN
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022

2021	2022		Note	2022	2021
-------- (US Dollars in '000) ----------				---------- (Rupees in '000) ----------	
		CASH FLOW FROM OPERATING ACTIVITIES			
237,567	**280,870**	Profit before taxation		**63,597,150**	53,792,081
(19,943)	**(22,392)**	Less: Dividend income		**(5,070,140)**	(4,515,634)
217,624	**258,478**			**58,527,010**	49,276,447
		Adjustments:			
20,853	**21,151**	Depreciation		**4,789,320**	4,721,808
1,894	**1,616**	Amortization		**365,818**	428,807
51,492	**57,927**	Provision and write-offs	34	**13,116,455**	11,659,325
-	**(296)**	Gain on disposal of subsidiary and branch		**(67,007)**	-
(317)	**(75)**	Gain on sale of fixed assets - net		**(17,005)**	(71,702)
3,735	**4,192**	Finance charges on leased assets		**949,086**	845,616
538	**2,753**	Unrealized loss on revaluation of investments classified as held-for-trading		**623,477**	121,834
32,954	**37,215**	Charge for defined benefit plans - net		**8,426,536**	7,461,902
(961)	**(2,408)**	Share of profit from joint venture - net of tax		**(545,161)**	(217,507)
(102)	**420**	Share of loss / (profit) from associates - net of tax		**95,084**	(23,057)
110,086	**122,495**			**27,736,603**	24,927,026
327,710	**380,973**			**86,263,613**	74,203,473
		(Increase) / Decrease in operating assets			
(837,744)	**1,250,687**	Lendings to financial institutions		**283,194,208**	(189,691,077)
(103,748)	**153,651**	Held-for-trading securities		**34,791,299**	(23,491,840)
(639,447)	**(591,017)**	Advances		**(133,824,495)**	(144,790,548)
23,966	**(298,307)**	Others assets (excluding advance taxation)		**(67,545,828)**	5,426,628
(1,556,973)	**515,014**			**116,615,184**	(352,546,837)
		Increase / (Decrease) in operating liabilities			
22,316	**147,594**	Bills payable		**33,419,749**	5,053,084
581,337	**7,277,222**	Borrowings from financial institutions		**1,647,788,025**	131,632,640
2,646,367	**(1,558,420)**	Deposits		**(352,874,452)**	599,219,240
172,582	**302,160**	Other liabilities		**68,418,362**	39,077,967
3,422,602	**6,168,556**			**1,396,751,684**	774,982,931
(98,908)	**(149,225)**	Income tax adjusted / paid		**(33,789,222)**	(22,395,757)
(13,391)	**(16,054)**	Payments on account of staff retirement benefits		**(3,635,107)**	(3,032,126)
2,081,040	**6,899,264**	Net cash flow generated from operating activities		**1,562,206,152**	471,211,684
		CASH FLOW FROM INVESTING ACTIVITIES			
(1,353,742)	**(6,773,740)**	Net investments in available-for-sale securities		**(1,533,784,118)**	(306,529,009)
(693,315)	**(385,503)**	Net investments in held-to-maturity securities		**(87,289,700)**	(156,987,867)
19,943	**22,392**	Dividends received		**5,070,140**	4,515,634
(10,229)	**(12,173)**	Investments in fixed assets and intangibles		**(2,756,355)**	(2,316,063)
609	**435**	Proceeds from sale of fixed assets		**98,556**	137,839
8,988	**44,254**	Effect of translation of net investment in foreign branches		**10,020,548**	2,035,053
-	**494**	Proceed from closure of subsidiary and branch		**111,822**	-
(2,027,746)	**(7,103,841)**	Net cash flow used in investing activities		**(1,608,529,107)**	(459,144,413)
		CASH FLOW FROM FINANCING ACTIVITIES			
(12,159)	**(11,836)**	Payments of lease obligations		**(2,680,093)**	(2,753,249)
(16)	**(1)**	Dividend paid		**(146)**	(3,519)
(12,175)	**(11,837)**	Net cash flow used in financing activities	38.1	**(2,680,239)**	(2,756,768)
41,119	**(216,414)**	**(Decrease) / increase in cash and cash equivalents**		**(49,003,194)**	9,310,503
1,164,778	**1,205,896**	Cash and cash equivalents at beginning of the year		**273,052,207**	263,741,704
1,205,897	**989,482**	Cash and cash equivalents at end of the year	38	**224,049,013**	273,052,207

The annexed notes 1 to 52 and annexures I and II form an integral part of these consolidated financial statements.

Chairman	President / Chief Executive Officer (A)	Chief Financial Officer	Director	Director

NATIONAL BANK OF PAKISTAN
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" consists of:

Holding Company

- National Bank of Pakistan (the Bank)

Subsidiary Companies	Percentage Holding 2022 %	2021 %
- CJSC Subsidiary Bank of NBP in Kazakhstan	100.00	100.00
- CJSC Subsidiary Bank of NBP in Tajikistan	-	100.00
- NBP Exchange Company Limited, Pakistan	100.00	100.00
- National Bank Modaraba Management Company Limited, Pakistan	100.00	100.00
- First National Bank Modaraba, Pakistan	30.00	30.00
- Taurus Securities Limited, Pakistan	58.32	58.32
- NBP Fund Management Limited, Pakistan	54.00	54.00
- Cast-N-Link Products Limited (Note 10.17.1)	76.51	76.51

The subsidiary company of the Group, National Bank Modaraba Management Company Limited, Pakistan exercises control over First National Bank Modaraba, Pakistan as its management company and also has a direct economic interest in it. The Group has consolidated the financial statements of the modaraba as the ultimate holding company.

The Group is principally engaged in commercial banking, modaraba management, brokerage, leasing, foreign currency remittances, asset management, exchange transactions and investment advisory asset. Brief profile of the Holding Company and subsidiaries is as follows:

National Bank of Pakistan

National Bank of Pakistan (the Bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on the Pakistan Stock Exchange (PSX). Its registered and head office is situated at I.I. Chundrigar Road, Karachi. The Federal Government through State Bank of Pakistan (SBP) holds controlling interest (75.6% shareholding) in the Bank. The Bank is engaged in providing commercial banking and related services in Pakistan and overseas. The Bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the SBP. The Bank operates 1,512 (2021: 1,513) branches in Pakistan including 188 (2021: 189) Islamic Banking branches and 18 (2021: 19) overseas branches (including the Export Processing Zone branch, Karachi). The Bank also provides services in respect of Endowment Fund for students loan scheme and IPS accounts.

CJSC Subsidiary Bank of NBP in Kazakhstan

CJSC Subsidiary Bank of NBP in Kazakhstan (JSCK) is a joint-stock bank, which was incorporated in the Republic of Kazakhstan in 2001. CJSC conducts its business under license number 252 dated December 27, 2007 (initial license was dated December 14, 2001) and is engaged in providing commercial banking services. The registered office of JSCK is located at 105, Dostyk Ave, 050051, Almaty.

NBP Exchange Company Limited, Pakistan

NBP Exchange Company Limited (NBPECL) is a public unlisted company, incorporated in Pakistan on September 24, 2002 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). NBPECL obtained license for commencement of operations from State Bank of Pakistan (SBP) on November 25, 2002 and commencement of business certificate on December 26, 2003 from the Securities and Exchange Commission of Pakistan (SECP). The registered office of NBPECL is situated at Shaheen Complex, M.R. Kiryani Road, Karachi. NBPECL is engaged in foreign currency remittances and exchange transactions. NBPECL has 20 branches (2021: 21 branches) and 1 booth (2021: 1).

National Bank Modaraba Management Company Limited, Pakistan

National Bank Modaraba Management Company Limited (NBMMCL) is a public unlisted company, incorporated in Pakistan on August 6, 1992 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The purpose of the NBMMCL is to float and manage modaraba funds. NBMMCL at present is managing First National Bank Modaraba. Its registered office is situated at Ground Floor, National Bank of Pakistan, Regional Headquarters Building, 26-Mc Lagon Road, Lahore.

First National Bank Modarba, Pakistan

First National Bank Modaraba (the Modaraba) is a multi-purpose, perpetual and multi-dimensional Modaraba formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Rules framed thereunder. The Modaraba is managed by National Bank Modaraba Management Company Limited (a wholly owned subsidiary of National Bank of Pakistan), incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and registered with the Registrar of Modaraba Companies. The registered office of the Modaraba is situated at Ground Floor, National Bank of Pakistan, Regional Headquarters Building, 26-Mc Lagon Road, Lahore. The Modaraba is listed at Pakistan Stock Exchange Limited. It commenced its operations on December 04, 2003 and is currently engaged in various Islamic modes of financing and operations including ijarah, musharaka and murabaha arrangements.

Taurus Securities Limited, Pakistan

Taurus Securities Limited (TSL) is a public unquoted company, incorporated in Pakistan on June 27, 1993 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The registered office of TSL is situated at 6th Floor, Progressive Plaza, Beaumont Road, Civil Lines, Karachi. It is engaged in the business of stock brokerage, investment counselling, and fund placements. TSL holds a Trading Right Entitlement (TRE) Certificate from Pakistan Stock Exchange Limited.

NBP Fund Management Limited, Pakistan

NBP Fund Management Limited, Pakistan - NBP Funds, was incorporated in Pakistan as public limited company on August 24, 2005 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and obtained certificate for commencement of business on December 19, 2005. The main sponsors of NBP Funds are National Bank of Pakistan and Baltoro Growth Fund. Baltoro Growth Fund has acquired shareholding of NBP Funds which was previously held by Alexandra Fund Management Private Limited on October 08, 2018. NBP Funds is mainly involved in the business of asset management and investment advisory services. NBP Funds has been issued license by the Securities and Exchange Commission of Pakistan (SECP) to carry out business of asset management services and investment advisory services as a Non-Banking Finance Company (NBFC) under section 282C of the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and under the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The principal / registered office of the company is situated at 7th Floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi.

As at December 31, 2022 NBP Funds is managing the following funds and discretionary portfolio:

	Type of Fund
- NBP Income Opportunity Fund	Open end Fund
- NBP Savings Fund	Open end Fund
- NBP Islamic Savings Fund	Open end Fund
- NBP Islamic Sarmaya Izafa Fund	Open end Fund
- NBP Balanced Fund	Open end Fund
- NBP Stock Fund	Open end Fund
- NBP Financial Sector Income Fund	Open end Fund
- NBP Government Securities Liquid Fund	Open end Fund
- NBP Sarmaya Izafa Fund	Open end Fund
- NBP Mahana Amdani Fund	Open end Fund
- NBP Riba Free Savings Fund	Open end Fund
- NBP Money Market Fund	Open end Fund
- NBP Government Securities Savings Fund	Open end Fund
- NBP Islamic Stock Fund	Open end Fund
- NBP Islamic Active Allocation Equity Fund	Open end Fund
- NBP Islamic Energy Fund	Open end Fund
- NBP Islamic Money Market Fund	Open end Fund

	Type of Fund
- NBP Financial Sector Fund	Open end Fund
- NBP Islamic Mahana Amdani Fund	Open end Fund
- NAFA Islamic Active Allocation Fund-I	Open end Fund
- NAFA Islamic Active Allocation Fund-II	Open end Fund
- NAFA Islamic Active Allocation Fund-III	Open end Fund
- NAFA Pension Fund	Open end Fund
- NAFA Islamic Pension Fund	Open end Fund
- NBP Islamic Daily Dividend Fund	Open end Fund
- NBP Islamic Income Fund	Open end Fund
- NBP Pakistan Growth Exchange Traded Fund	Open end Fund

1.2 Basis of consolidation

- The consolidated financial statements include the financial statements of the Bank (Holding Company) and its subsidiary companies together - "the Group".

- Subsidiary companies are fully consolidated from the date on which more than 50% of voting rights are transferred to the Group or power to control the company is established and excluded from consolidation from the date of disposal or when the control is lost.

- The assets, liabilities, income and expenses of subsidiary companies have been consolidated on a line by line basis.

- Income and expenses of subsidiaries acquired during the year are included in the consolidated statement of the comprehensive income from the effective date of acquisition.

- Non-Controlling interest / (minority interest) in equity of the subsidiary companies are measured at fair value for all the subsidiaries acquired from period beginning on or after January 1, 2010 whereas minority interest of previously acquired subsidiaries are measured at the proportionate net assets of subsidiary companies attributable to interest which is not owned by holding company.

- Material intra-group balances and transactions have been eliminated.

2. BASIS OF PRESENTATION

2.1 In accordance with the directives of the Federal Government of Pakistan regarding the shifting of banking system to Islamic modes, the SBP has issued various circulars from time to time. Permissible forms of trade related mode of financing includes purchase of goods by banks from their customers and immediate resale to them at appropriate mark-up in price on deferred payment basis. The purchases and sales arising under these arrangements are not reflected in these consolidated financial statements as such but are restricted to the amount of facility actually utilized and the appropriate portion of mark-up thereon.

Key financial figures of the Islamic banking branches have been disclosed in note annexure-II to these consolidated financial statements.

2.2 The US Dollar amounts shown on the statement of financial position, profit and loss account, statement of comprehensive income and cash flow statement are stated as additional information solely for the convenience of readers. For the purpose of conversion to US Dollars, the rate of Rs. 226.4309 to 1 US Dollar has been used for 2022 and 2021 as it was the prevalent rate as on December 31, 2022.

3. STATEMENT OF COMPLIANCE

3.1 These consolidated financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

- Islamic Financial Accounting Standards (IFAS), issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017;

- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and

- Directive issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP);

Where the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017, or the directives issued by the SBP and the SECP differ with the requirements of IFRS or IFAS, the requirements of the Banking Companies Ordinance, 1962, the Companies Act, 2017 and the said directives shall prevail.

3.2 SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. Moreover, SBP vide BPRD circular no. 4, dated February 25, 2015, has deferred the applicability of Islamic Financial Accounting Standards (IFAS) 3, Profit and Loss Sharing on Deposits. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

3.3 The SECP vide SRO 56 (1) / 2016 dated January 28, 2016, has notified that the requirements of IFRS 10 (Consolidated Financial Statements) and section 228 of the Companies Act, 2017 will not be applicable with respect to the investment in mutual funds established under trust structure.

3.4 Application of new and revised International Financial Reporting Standards (IFRSs)

3.4.1 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current year.

The following standards, amendments and interpretations are effective for the year ended December 31, 2022. These standards, amendments and interpretations are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's consolidated financial statements other than certain additional disclosures:

- Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021

- Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework

- Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use

- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract

- Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)

Certain annual improvements have also been made to a number of IFRSs

3.4.2 Standards, interpretations of and amendments to published approved accounting standards that are not yet effective.

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and amendments are either not relevant to the Group's operations or are not expected to have significant impact on the Group's consolidated financial statements other than certain additional disclosures:

	Effective from accounting period beginning on or after
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023

	Effective from accounting period beginning on or after
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023
Amendments to IFRS 16 ' Leases' -Clarification on how seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely

There are certain new and amended standards and interpretations that are mandatory for the Group's accounting periods beginning on or after January 1, 2022 but are considered not to be relevant or do not have any significant effect on the Group's operations and are therefore not detailed in these consolidated financial statements.

3.4.3 The SBP vide its BPRD Circular No. 02 of 2023 dated February 9, 2023 has specified the new reporting format for financial statements of Banking Companies. The new format has revised the disclosure requirements and will become applicable for the financial statements of the Bank for the quarter ending March 31, 2023.

3.4.4 Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 17 – Insurance Contracts

3.4.5 The management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, may have no material impact on these consolidated financial statements of the Bank in the period of initial application.

3.4.6 IFRS 9 Financial Instruments:

As directed by SBP via BPRD Circular no 3 of 2022, IFRS 9 Financial Instruments is effective for periods beginning on or after 1 January 2023 for banks having asset base of more than Rs. 500 billion as at 31 December 2021. SBP via same circular has finalized the instructions on IFRS 9 (Application Instructions) for ensuring smooth and consistent implementation of the standard in the banks.

During the 2022, the management of the Bank has performed an impact assessment of IFRS 9 taking into account the SBP's IFRS 9 application instructions. The assessment is based on available information and may be subject to changes arising from further reasonable and supportable information being made available to the Bank at the time of finalizing the impact for initial application of IFRS 9. In addition, the Bank will implement changes in classification of certain financial instruments. These changes and impacts are discussed below:

An overview of the IFRS 9 requirements that are expected to have significant impact are discussed below along with the additional requirements introduced by the SBP:

Governance, ownership and responsibilities

The Bank has adopted a governance framework requiring the Risk, Finance, Operations, Internal Audit and IT functions to effectively work together to ensure input from all business lines. IFRS 9 requires robust credit risk models that can predict Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

Risk Management Division has develop Models/ methodologies for PD, LGD and Credit Conversion Factor (CCF). These models shall be validated on annual basis considering the following aspects:

- Quantitative Validation: Expected credit loss (ECL) model design validation, data quality validation and benchmarking with external best practices.

- Quantitative Validation: Calibration testing which ensures the accuracy of the observed PDs.

Finance Division will ensure preparation of disclosures and incorporation of the impacts on the financial statements of the Bank. The function shall identify, prepare and extract the data required for the risk parameters modelling and ECL calculations. Finance Division shall ensure that all disclosures as required by the accounting standard and the SBP formats and guidelines are made.

The risk management division will perform the back testing of ECL at least on yearly basis and will be responsible for the independent validation of the risk parameters / risk models; including PD, LGD and CCF etc., that are used to compute the ECL which would be carried out as per the policy.

Internal Audit will carry out periodic review of IFRS 9 methodology and impacts calculated by the Management.

Classification and measurement

The classification and measurement of financial assets will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. Financial assets that do not meet the SPPI criteria are measured at FVTPL regardless of the business model in which they are held. The Bank's s business model in which financial assets are held will determine whether the financial assets are measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVPL'). The classification of equity instruments is generally measured as Fair Value through Profit & Loss (FVTPL) unless the Bank elects for Fair Value through Other Comprehensive Income (FVTOCI) at initial recognition. The Bank has analyzed the impact of initial application of IFRS 9 on its financial assets as follows:

Equity Securities

The Bank expects to continue measuring at fair value all financial assets currently held at fair value.

For certain listed equity securities currently classified as available-for-sale (AFS) with gains and losses recorded in OCI, the Bank will apply the option to classify them as FVOCI. Therefore, the application of IFRS 9 will not have an impact on initial adoption. However, in accordance with the requirements of the standard, gains and losses recognized in OCI will not be recycled through the profit and loss account on derecognition of these securities.

The remaining listed equity securities will be measured at FVTPL. The AFS reserve related to those securities is currently part of Surplus on Revaluation of Assets and will be reclassified to retained earnings hence, there will be no impact on overall equity.

Unquoted equity securities are required to be measured at fair value under IFRS 9. However, the SBP has allowed banks to carry these investments under the current Prudential Regulations, i.e. at the lower of cost and break-up value, till accounting periods beginning on or after January 1, 2024.

Debt securities and Loans and advances

Debt securities currently classified as AFS and those passes SPPI test, are expected to be measured at fair value through OCI under IFRS 9 as the Bank's business model is to hold the assets to collect contractual cash flows, but also to sell those investment. Debt securities currently classified as HTM and those passes SPPI test are expected to be measured at measured at amortized costs under IFRS 9 as the Group business model is to hold the assets to collect contractual cash flows.

Cashflows of certain debt instruments classified in AFS or / and HTM categories, do not expect to give risk to cash flows representing solely payments of principal and interest and accordingly, these would be measured at fair value through profit and loss.

Impairment

The impairment requirements apply to financial assets measured at amortised cost and FVOCI (other than equity instruments), lease receivables, and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are in 'stage 1'; financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment, so are considered to be in default or otherwise credit impaired, are in 'stage 3'.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

Based on the requirement of IFRS 9 and SBP's IFRS 9 application instructions, the Bank has performed an ECL assessment taking into account the key elements such as assessment of SCIR, Probability of Default, Loss Given Default and Exposure at Default. These elements are described below:

- PD: The probability that a counterparty will default, calibrated over the 12 months from the reporting date (stage 1) or over the lifetime of the product (stage 2) and incorporating forward looking information.

- LGD: An estimate of the loss incurred on a facility upon default by a customer. LGD is calculated as the difference between contractual cash flows due and those that the Bank expects to receive, including from the liquidation of any form of collateral. It is expressed as a percentage of the exposure outstanding on the date of classification of an obligor.

- EAD: the expected balance sheet exposure at the time of default, incorporating expectations on drawdowns, amortisation, pre-payments and forward-looking information where relevant.

For the purpose of calculation of ECL, the Bank has used 5 years data till 31 December 2022 and going forward, one more year's data shall be included until the Bank has at least 10 years data. For calculating ECL, the Bank shall classify its financial assets under three following categories:

a) Stage 1: Performing Assets: Financial assets where there has not been a SICR since initial recognition, the Bank shall recognize an allowance based on the 12-month ECL.

b) Stage 2: Under-Performing Assets: For financial assets where there has been a SICR since initial recognition, but which are not credit impaired, the Bank shall recognize an allowance based on lifetime ECL for all exposures categorized in this stage based on the actual maturity profile.

c) Stage 3: Non-Performing Assets: For financial assets which have objective evidence of impairment at the reporting date, the Bank shall recognize ECL on these financial assets using the higher off approach, which means that lifetime ECL computed under IFRS 9 is compared with regulatory provision required as per Prudential regulations

As required by the Application Instructions, financial assets may be reclassified out of stage 3 if they meet the requirements of Prudential Regulations (PR) issued by SBP. Financial assets in stage 2 may be reclassified to stage 1 if the conditions that led to a SICR no longer apply.

Significant increase in credit risk (SICR)

A SICR is assessed in the context of an increase in the risk of a default occurring over the life of the financial instrument when compared to that expected at the time of initial recognition. It is not assessed in the context of an increase in the ECL. The Bank uses a number of qualitative and quantitative measures in assessing SICR. Quantitative measures relate to deterioration of Obligor Risk Ratings (ORR) or where principal and / or interest payments are 60 days or more past due. Qualitative factors include unavailability of financial information and pending litigations.

Based on the level of increase in credit risk, the Bank shall calculate 12 month ECL for assets which did not have a SICR i.e., Stage 1 or a lifetime expected loss for the life of the asset (for assets which demonstrated a SICR) i.e., Stage 2.

At every reporting date, the Bank shall assess whether there has been a SICR since the initial recognition of the asset. If there is a SICR, the asset must be assigned to the appropriate stage of credit impairment (Stage 2 or 3).

Under the SBP's instructions, credit exposure (in local currency) guaranteed by the Government and Government Securities are exempted from the application of ECL Framework. Moreover, until implementation of IFRS 9 has stabilized, Stage 1 and stage 2 provisions would be made as per IFRS 9 ECL and stage 3 provision would be made considering higher of IFRS 9 ECL or provision computed under existing PRs' requirements.

Presentation and disclosure

IFRS 9 also introduces expanded disclosure requirements and changes in presentation which will be incorporated as per the SBP's revised format.

Loan / financing related fee

Loan origination / commitment fees that are regarded as compensation to the lender for an ongoing involvement with the acquisition of a financial instrument would be recognized over the life of the related loan. However, if the commitment expires without the lender making the loan, the fee would be recognised as revenue as earned.

Impact of adoption of IFRS 9

The actual impact of adopting IFRS 9 on the Bank's financial statements in the year 2023 may not be accurately estimated because it will be dependent on the financial instruments that the Bank would hold during 2023 and economic conditions at that time as well as accounting elections and judgements that it will make in future. Nevertheless, the Bank has performed a preliminary assessment of the potential impact of adoption of IFRS 9 based on its statement of financial position as at December 31, 2022.

Classification and measurement

Based on the bank's assessment, the IFRS 9 requirements are expected to have the following impact on the classification and measurement of its financial assets and financial liabilities:

1. Debt instruments amounting to Rs 12,805 million have been reclassified from Available for Sale to Fair Value through Profit or Loss.

2. Equity instruments amounting to Rs 20,024 million have been reclassified from Available for Sale to Fair Value through Profit or Loss.

Impairment

The total estimated adjustment (net of tax) of the adoption of IFRS 9 on the opening balance of the Bank's equity at 1 January 2023 is reduction in equity of approximately Rs. 10,555 million, representing corresponding impact related to impairment requirements;

Impact on regulatory capital

The implementation of IFRS 9 is expected to result in reduced regulatory capital of the Bank, which is likely to reduce their lending capacity and ability to support their clients. In order to mitigate the impact of expected credit loss (ECL) models on capital, SBP has determined that it may be appropriate for the Financial Institutions (FIs) to follow a transitional arrangement for the impact on regulatory capital from the application of ECL accounting. Annexure B of the 'Application Instructions' issued by SBP vide BPRD Circular No.3 of 2022 dated July 05, 2022, have detailed the transitional arrangement.

The transitional arrangement must apply only to provisions for stage 1 and 2 financial assets. The transitional arrangement must only adjust CET1 capital. Where there is a reduction in CET1 capital due to new provisions, net of tax effect, upon adoption of an ECL accounting model, the decline in CET1 capital (the "transitional adjustment amount") must be partially included (i.e. added back) to CET1 capital over the "transition period" of five years.

The impact of adoption of IFRS 9 on the capital ratios of the Group are as follows:

	As per adopted IFRS 9	As per current ARS
Common Equity Tier 1 Capital Adequacy ratio	16.52%	16.56%
Tier 1 Capital Adequacy Ratio	16.52%	16.56%
Total Capital Adequacy Ratio	21.98%	22.02%
CET1 available to meet buffers (as a percentage of risk weighted assets)	7.52%	7.56%

4. BASIS OF MEASUREMENT

These consolidated financial statements have been prepared under the historical cost convention except for revaluation of land and buildings and non-banking assets acquired in satisfaction of claims which are stated at revalued amount and certain investments and derivative financial instruments that are carried at fair value. In addition, obligations in respect of defined benefit plan are carried at the present values.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policy adopted in preparation of these consolidated financial statements are consistent with those of the previous financial year.

5.1 Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit and loss account as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit and loss account as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the Group's net assets in the event of liquidation is measured at fair value at the date of the acquisition.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit and loss account.

5.2 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the subsidiary company.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or entities of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit and loss account. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

5.3 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks, balances with other banks and call money lendings, less call borrowings and overdrawn nostro accounts.

5.4 Investments

Investments other than those categorised as held-for-trading are initially recognised at fair value which includes transactions costs associated with the investments. Investments classified as held-for-trading are initially recognised at fair value, and transaction costs are expensed in the profit and loss account.

All regular way purchases / sales of investments are recognised on the trade date, i.e., the date the Group commits to purchase / sell the investments. Regular way purchases or sales of investments require delivery of securities within the time frame generally established by regulation or convention in the market place.

The Group has classified its investment portfolio, except for investments in subsidiaries, associates and joint ventures into 'held-for-trading', 'held-to-maturity' and 'available-for-sale' as follows:

- Held-for-trading – These are securities which are acquired with the intention to trade by taking advantage of short-term market / interest rate movements and are to be sold within ninety (90) days. These are carried at market value, with the related unrealized gain / (loss) on revaluation being taken to profit and loss account.

- Held-to-maturity – These are securities with fixed or determinable payments and fixed maturity that are held with the intention and ability to hold to maturity. These are carried at amortised cost.

- Available-for-sale – These are investments that do not fall under the held-for-trading or held-to-maturity categories. These are carried at market value except in case of unquoted securities where market value is not available, which are carried at cost less provision for diminution in value, if any. Surplus / (deficit) on revaluation is taken to 'surplus / (deficit) on revaluation of assets' account shown in equity. Provision for diminution in value of investments in respect of unquoted shares is calculated with reference to break-up value of the same. On derecognition or impairment in quoted available-for-sale investments, the cumulative gain or loss previously reported as 'surplus / (deficit) on revaluation of assets' in equity is included in the profit and loss account for the year.

- Provision for diminution in value of investments in unquoted debt securities is calculated as per the SBP's Prudential Regulations.

Held-for-trading and quoted available-for-sale securities are marked to market with reference to ready quotes on Reuters page or MUFAP (PKRV / PKISRV / PKFRV) or the Stock Exchanges, as the case may be.

Associates – Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for under the equity method of accounting. However, in case where associates are considered as fully impaired and financial statements are not available, these investments are stated at cost less provision.

Under the equity method, the Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated profit and loss account, its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Joint venture - The Group has interests in joint venture which is jointly controlled entity. A joint venture is contractual arrangement whereby two or more parties undertake in economic activity that is subject to a joint control and includes a jointly controlled entity that involves the establishment of separate entity in which each venturer has an interest. The Group accounts for its interest in joint venture using the equity method of accounting.

The carrying values of investments are reviewed for impairment when indications exist that the carrying value may exceed the estimated recoverable amount. Provision is made for impairment in value, if any.

5.5 Repurchase and resale agreements

Securities sold with a simultaneous commitment to repurchase at a specified future date (repos) continue to be recognised in the statement of financial position and are measured in accordance with accounting policies for investment securities. The counterparty liability for amounts received under these agreements is included in borrowings. The difference between sale and repurchase price is treated as mark-up / return / interest expense and accrued over the life of the repo agreement using effective yield method.

Securities purchased with a corresponding commitment to resell at a specified future date (reverse repos) are not recognised in the statement of financial position, as the Group does not obtain control over the securities. Amounts paid under these agreements are included in lendings to financial institutions. The difference between purchase and resale price is treated as mark-up / return / interest income and accrued over the life of the reverse repo agreement using effective yield method.

5.6 Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the dates on which the derivative contracts are entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as assets when fair value is positive and liabilities when fair value is negative. Any change in the fair value of derivative instruments during the year is taken to the profit and loss account.

5.7 Financial instruments

All financial assets and financial liabilities are recognized at the time when the Group becomes a party to the contractual provisions of the instrument. A financial asset is derecognised where (a) the rights to receive cash flows from the asset have expired; or (b) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (i) the Group has transferred substantially all the risks and rewards of the asset, or (ii) the Group has neither transferred nor retained substantially all the risk and rewards of the asset, but has transferred control of the asset. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to profit and loss account.

5.8 Advances

Advances are stated net of specific and general provisions. Provisions are made in accordance with the requirements of Prudential Regulations issued by the SBP and charged to the profit and loss account. These regulations prescribe a time based criteria (as supplemented by subjective evaluation of advances by the Group) for classification of non-performing loans and advances and computing provision there against. Such regulations also require the Group to maintain general provision against consumer and Small and Medium Enterprises (SME) advances at specified percentage of such portfolio. General provision for loan losses of overseas branches is made as per the requirements of the respective central banks. Advances are written off where there are no realistic prospects of recovery.The amounts so written off is a book entry and does not neccesarily prejudice the Group's right of recovery against the customers. The Group determines write-offs in accordance with the criteria as prescribed by SBP vide BPRD circular no. 06 dated June 05, 2007.

5.8.1 Islamic financing and related assets

Under Murabaha financing, funds disbursed for the purchase of goods are recorded as advance against Murabaha finance and the financing is recorded at the deferred sale price. Goods purchased but remaining unsold at the statement of financial position date are recorded as inventories.

Assets given on Ijarah are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Ijarah assets are depreciated on a reducing balance basis over the term of the Ijarah after taking into account the estimated residual value. Impairment of Ijarah assets is recognized in line with the Prudential Regulations or upon the occurrence of an impairment event which indicates that the carrying value of the Ijarah asset may exceed its recoverable amount.

In Running Musharakah, the Group and the customer enter a Musharakah agreement where the Group agrees to finance the operating activities of the customer's business and share in the profit or loss in proportion to an agreed ratio at an agreed frequency.

Under Diminishing Musharakah financing, the Group creates joint ownership with the customer over the tangible assets to fulfill capital expenditure / project requirements. The Group receives periodic payments from the customer against the gradual transfer of its share of ownership to the customer.

In Istisna transactions, the Group finances the cost of goods manufactured by the customer. Once the goods are manufactured, these are sold by the customer as an agent of the Group to recover the cost plus the agreed profit.

Under Tijarah, the Group purchases the finished goods from the customer against payment, takes possession and appoint customer as an agent to sell these goods to ultimate buyer on deferred payment basis. Profit is recognized on accrual basis over the period of transaction.

Wakalah is an agency contract in which Group provides funds to the customer who invests it in a Shariah compliant manner.

In Musawamah financing, the Group purchases the goods and after taking the possession, sells them to the customer either in spot or credit transaction, without disclosing the cost.

5.9 Fixed assets and depreciation

5.9.1 Property and equipment

5.9.1.1 Owned assets

Property and equipment except land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Land is stated at revalued amount. Buildings are stated at revalued amount less accumulated depreciation and impairment, if any. The cost and the accumulated depreciation of property and equipment of foreign branches include exchange differences arising on currency translation at the year-end rates. Depreciation is charged to profit and loss account applying the straight line method except buildings, which are depreciated on diminishing balance method at the rates stated in note 12.2. Depreciation on addtions is charged from the month in which the assets are available for use and no depreciation is charged for the month the assets are disposed off.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit and loss account during the period in which they are incurred.

Assets are derecognised when disposed off or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property and equipment are included in profit and loss account.

The assets' residual values and useful lives are reviewed annually, and adjusted if appropriate, at statement of financial position date.

Land and buildings' valuations are carried out by professionally qualified valuers with sufficient regularity to ensure that their carrying amounts do not differ materially from their fair value.

- Any revaluation increase arising on the revaluation of such assets is recognised in the statement of comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit and loss account, in which case the increase is credited to profit and loss account to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such assets is recognised in profit and loss account to the extent that it exceeds the balance, if any, held in "Surplus on Revaluation of Fixed Assets" relating to a previous revaluation of that asset.

- Depreciation on assets which are revalued is determined with reference to the value assigned to such assets on revaluation and depreciation charge for the year is taken to the profit and loss account.

- An amount equal to incremental depreciation for the year net of associated deferred tax is transferred from "Surplus on Revaluation of Fixed Assets account" to unappropriated profit through statement of changes in equity to record realization of surplus to the extent of the incremental depreciation charge for the year.

- On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to unappropriated profit.

5.9.1.2 Leased assets (as lessee)

Assets subject to finance lease are accounted for by recording the asset and the related liability. These are recorded at lower of fair value and the present value of minimum lease payments at the inception of lease and subsequently stated net of accumulated depreciation. Depreciation is charged on the straight line basis at rates disclosed in note 12.2. Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding liability.

5.9.1.3 Ijarah (as lessor)

Assets leased out under 'Ijarah' are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Assets under Ijarah are depreciated over the period of lease term. However, in the event the asset is expected to be available for re-Ijarah, depreciation is charged over the economic life of the asset using straight line basis.

Ijarah income is recognised on a straight line basis over the period of Ijarah contract.

5.9.2 Capital work-in-progress

Capital work-in-progress is stated at cost less accumulated impairment losses, if any. These are transferred to specific assets as and when assets are available for use.

5.9.3 Impairment

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, fixed assets are written down to their recoverable amounts.

The resulting impairment loss is taken to profit and loss account except for impairment loss on revalued assets which is adjusted against the related revaluation surplus to the extent that the impairment loss does not exceed the surplus on revaluation of assets. Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the amount which would have been determined had there been no impairment. Reversal of impairment loss is recognized as income in profit and loss account.

5.10 Lease liability and right-of-use assets

The lease liabilities are initially measured at the present value of lease payments that includes:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees, if any;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are to be discounted using the incremental borrowing rate being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

On initial recognition Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs incurred; and
- an estimate of restoration costs.

The Group leases various offices / branches for the purpose of its operational activities. Rental contracts are typically made for fixed periods of 3 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

5.11 Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses, if any. The cost and the accumulated amortisation of intangible assets of foreign branches include exchange differences arising on currency translation at the year-end rates. Amortisation is charged to profit and loss account applying the straight-line method at the rates stated in note 13. Amortisation on addition is charged from the month in which the assets are available for use and no amortisation is charged in the month the intangible assets are disposed off. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful life are carried at cost less impairment losses, if any.

5.12 Non-banking assets acquired in satisfaction of claims

In accordance with the requirements of the 'Regulations for Debt Property Swap' (the regulations) issued by SBP vide its BPRD Circular No. 1 of 2016, dated January 1, 2016, the non-banking assets acquired in satisfaction of claims are carried at revalued amounts less accumulated depreciation. These assets are revalued by professionally qualified valuers with sufficient regularity to ensure that their net carrying value does not differ materially from their fair value. A surplus arising on revaluation is credited to the 'surplus on revaluation of assets' account and any deficit arising on revaluation is taken to the profit and loss account directly. Legal fees, transfer costs and direct costs of acquiring title to property is charged to profit and loss account and not capitalized. Depreciation on non-banking assets acquired in satisfaction of claims is charged to the profit and loss account on the same basis as depreciation charged on the Group's owned fixed assets.

5.13 Deposits and their cost

Deposits are recorded at the fair value of proceeds received.

Deposit costs are recognised as an expense in the period in which these are incurred using effective yield method.

5.14 Taxation

5.14.1 Current

Provision of current taxation is based on taxable income for the year determined in accordance with the prevailing laws of taxation on income earned for local as well as foreign operations, as applicable to the respective jurisdictions. The charge for the current tax also includes adjustments wherever considered necessary relating to prior years, arising from assessments framed during the year.

5.14.2 Deferred

Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised. Deferred tax is not recognised on differences relating to investment in subsidiaries, branches and associates and interest in joint arrangments to the extent the deductible temporary difference probably will not reverse in the foreseeable future.

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit or deductable temporary differences will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to gain / loss recognized on surplus on revaluation of assets is charged / credited to such account.

5.15 Employee benefits

5.15.1 Defined benefit plans

The Group operates an approved funded pension scheme, an un-funded post retirement medical benefits scheme and an un-funded benevolent scheme for its eligible employees. The Group also operates an un-funded gratuity scheme for its eligible contractual employees. An actuarial valuation of all defined benefit schemes is conducted every year. The valuation uses the Projected Unit Credit method. Remeasurements of the net defined benefit liability / assets which comprise actuarial gains and losses, return on plan assets (excluding interest) and the effect of asset ceiling (if any, excluding interest) are recognized immediately in other comprehensive income. Past-service costs are recognized immediately in profit and loss account when the plan amendment occurs.

5.15.2 Other employee benefits

Employees' compensated absences

The Group also makes provision in the financial statements for its liability towards compensated absences. This liability is estimated on the basis of actuarial advice under the Projected Unit Credit method.

5.15.3 Retirement and other benefit obligations

In respect of CJSC Subsidiary Bank of NBP in Kazakhstan (CJSC)

The CJSC withholds amounts of pension contributions from employee salaries and pays them to state pension fund. The requirements of the Kazakhstan's legislation state pension system provides for the calculation of current payments by the employer as a percentage of current total payments to staff. This expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by pension funds selected by employees.

5.16 Revenue recognition

Income on loans and advances and debt security investments are recognized on a time proportion basis that takes into account effective yield on the asset. In case of advances and investments classified under the Prudential Regulations, interest / mark-up is recognized on receipt basis.

Interest / mark-up on rescheduled / restructured advances and investments is recognized in accordance with the Prudential Regulations of SBP.

Fee, brokerage and commission income other than commission on letter of credit and guarantees and remuneration for trustee services are recognized upon performance of services.

Commission on letters of credit and guarantees is recognized on time proportion basis.

Dividend income on equity investments and mutual funds is recognized when right to receive is established.

Premium or discount on debt securities classified as held-for-trading, available-for-sale and held-to-maturity securities is amortised using the effective interest method and taken to profit and loss account.

Gains and losses on disposal of investments and fixed assets are dealt with through the profit and loss account in the year in which they arise.

Income from lease financing is accounted for using the financing method. Under this method, the unearned lease income (defined as the sum of total lease rentals and estimated residual value less the cost of the leased assets) is deferred and taken to income over the term of the lease so as to produce a constant periodic rate of return on the outstanding net investment in the lease. Gains or losses on termination of lease contracts are recognized through the profit and loss account when these are realized. Unrealized lease income and other fees on classified leases are recognized on a receipt basis.

5.17 Net investment in finance lease

Leases where the group transfers substantially all the risk and rewards incidental to ownership of the assets to the lessee are classified as finance leases. Net investment in finance lease is recognised at an amount equal to the aggregate of present value of minimum lease payment including any guaranteed residual value and excluding unearned finance income, write-offs and provision for doubtful lease finances, if any.

5.18 Foreign currencies translation

The Group's financial statements are presented in Pak Rupees (Rs.) which is the Group's functional and presentation currency.

Foreign currency transactions are converted into Rupees applying the exchange rate at the date of the respective transactions. Monetary assets and liabilities in foreign currencies and assets / liabilities of foreign branches are translated into Rupees at the rates of exchange prevailing at the statement of financial position date. Forward foreign exchange contracts are valued at the rates applicable to their respective maturities. All gains or losses on dealing in foreign currencies are taken to the profit and loss account.

Profit and loss account balances of foreign branches and subsidiaries are translated at average exchange rate prevailing during the year. Gains and losses on translation are included in the profit and loss account except gains / losses arising on translation of net assets of foreign branches and subsidiaries, which are credited to the statement of comprehensive income.

Statement of financial position balances of foreign branches and subsidiaries are translated at exchange rate prevailing at statement of financial position date. Gains and losses on translation are included in the profit and loss account except gains / losses arising on translation of net assets of foreign branches and subsidiaries, which is credited to the statement of comprehensive income.

Commitments for outstanding forward foreign exchange contracts are disclosed in these consolidated financial statements at committed amounts. Contingent liabilities / commitments for letters of credit and letters of guarantee denominated in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the statement of financial position date.

5.19 Provision for off balance sheet obligations

Provision for guarantees, claims and other off balance sheet obligations is made when the Group has legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of amount can be made. Charge to profit and loss account is stated net of expected recoveries.

5.20 Off setting

Financial assets and financial liabilities are only set off and the net amount is reported in the consolidated financial statements when there is a legally enforceable right to set off and the Group intends either to settle on a net basis, or to realize the assets and to settle the liabilities simultaneously.

5.21 Fiduciary assets

Assets held in a fiduciary capacity are not treated as assets of the Group in the statement of financial position.

5.22 Dividend and other appropriations

Dividend and other appropriation to reserves, except appropriations which are required by the law, are recognised in the Group's financial statements in the year in which these are approved.

5.23 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no dilutive potential ordinary shares in issue at December 31, 2022.

5.24 Bai Muajjal

Bai Muajjal transactions represent sales of Sukuks on a deferred payment basis and are shown in lendings to financial institutions except for transactions undertaken directly with the Government of Pakistan which are disclosed as investments.

The difference between the deferred payment amount receivable and the carrying value at the time of sale is accrued and recorded as income over the life of the transaction.

5.25 Acceptances

Acceptances comprise undertakings by the Bank to pay bill of exchange drawn on customers. Acceptances are recognised as financial liability in the statement of financial position with a contractual right of reimbursement from the customer as a financial asset. Therefore, commitments in respect of acceptances have been accounted for as on balance sheet financial assets and financial liabilities.

5.26 Segment reporting

A segment is a distinguishable component of the Group that is subject to risks and rewards that are different from those of other segments. A business segment is one that is engaged either in providing certain products or services, where as a geographical segment is one engaged in providing certain products or services within a particular economic environment. Segment information is presented as per the Group's functional and management reporting structure.

Business segments

The Group's primary segment reporting is based on the following business segments:

I. **Retail Banking Group** includes retail lending and deposits, banking services, cards and branchless banking.

II. **Inclusive Development Group** consists of loans to individuals, agriculture, SME, commodity and commercial customers.

III. **Corporate and Investment Banking Group** offers a wide range of financial services to medium and large sized public and private sector entities. These services include, providing and arranging tenured financing, corporate advisory, underwriting, cash management, trade products, corporate finance products and customer services.

IV. **Treasury** includes fixed income, equity, foreign exchange, credit, funding, own position securities, lendings and borrowings and derivatives for hedging and market making.

V. **International Financial Institution and Remittance Group** includes the results of all international branches, correspondent banking business and global remittances. This represents Group's operations in 13 countries including Pakistan and 18 branches including one branch in export processing zone in Pakistan.

VI. **Aitemaad and Islamic Banking Group** provides shariah compliant services to customers including loans, deposits and other transactions

VII. **Head Office / Others** includes the head office related activities and other functions which cannot be classified in any of the above segments.

Geographical segments

The Group is managed along the following geographic lines for monitoring and reporting purposes:

I. Pakistan (including branch in Export Processing Zone)
II. Asia Pacific (including South Asia)
III. Europe
IV. United States of America
V. Middle East

5.27 Accounting estimates and judgments

The preparation of the consolidated financial statements in conformity with Approved Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting polices. The estimates, judgments and associated assumptions used in the preparation of these consolidated financial statements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas of estimates and judgments in relation to these consolidated financial statements are as follows:

a) Provision against non-performing loans and advances

The Group reviews its loan portfolio to assess amount of non-performing loans and determine provision required there against on a quarterly basis. While assessing this requirement, various factors including the past dues, delinquency in the account, financial position and future business / financial plan of the borrower, value of collateral held and requirements of Prudential Regulations are considered. The Group also considers the effect of Forced Sale Value (FSV) of collaterals in determining the amount of provision, however, no benefit of FSV of collateral has been taken during the year in determining provisioning amount.

General provision for loan losses of overseas branches is made as per the requirements of the respective central banks.

The amount of general provision against domestic consumer and SME advances is determined in accordance with the relevant Prudential Regulations and SBP directives.

In addition, the Group has also made general provision in respect of its corporate portfolio on prudent basis. This general provision is in addition to the requirements of Prudential Regulations.

b) Fair value of derivatives

The fair values of derivatives which are not quoted in active markets are determined by using valuation techniques. The valuation techniques take into account the relevant interest and exchange rates over the term of the contract.

c) Impairment of available-for-sale investments

The Group considers that available-for-sale equity investments and mutual funds are impaired when there has been a significant or prolonged decline in the fair value below its cost except for investments where relaxation has been allowed by SBP. This determination of what is significant or prolonged requires judgment. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

Further the Group has developed internal criteria according to which a decline of 30% in the market value of any scrip below its cost shall constitute as a significant decline and where market value remains below the cost for a period of one year shall constitute as a prolonged decline.

d) Held-to-maturity investments

The Group follows the guidance provided in the SBP circulars on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. In making this judgment, the Group evaluates its intention and ability to hold such investments till maturity.

e) Income taxes

In making the estimates for current and deferred taxes, the management looks at the income tax law and the decisions of appellate authorities on certain issues in the past. There are certain matters where the Group's view differs with the view taken by the income tax department and such amounts are shown as contingent liability.

f) Fixed asset and intangible assets, revaluation, depreciation and amortization

In making estimates of the depreciation / amortization method, the management uses method which reflects the pattern in which economic benefits are expected to be consumed by the Group. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the change in pattern.

The Group also revalues its properties on a periodic basis. Such revaluations are carried out by independent valuer and involves estimates / assumptions and various market factors and conditions.

g) Employees' benefit plans

The liabilities for employees' benefits plans are determined using actuarial valuations. The actuarial valuations involve assumptions about discount rates, expected rates of return on assets, future salary increases, future inflation rates and future pension increases as disclosed in note 40. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

h) Provision against contingencies

Provision against contingencies is determined based on the management judgement regarding the probability of future outflows of resources embodying economic benefits to settle an obligation arising from past events.

i) Determination of control over investees

The Group's management applies its judgement to determine whether the control exists over the investee entities.

6. CLOSURE OF FOREIGN SUBSIDIARIES AND OPERATIONS

In line with SBP Governance Framework 2018, the Board of Directors (BoD) in its 302nd meeting held on January 20 & 21, 2020 has accorded the approval of International Strategy. As per approved Strategy, the BoD allowed closure of six (06) Central Asian (CA) locations i.e. Azerbaijan (Baku), Kyrgyzstan (Bishkek); Kazakhstan (Almaty); Tajikistan (Dushanbe); Uzbekistan (Tashkent); Turkmenistan (Ashgabat) and Afghanistan (Jalalabad). The Board of Directors in its 316th meeting held on January 6 & 11, 2021 has accorded its approval to scale down Bangladesh operations by closing Sylhet, Chittagong and Gulshan branches.

The BoD in its 317th meeting held on February 24, 2021 has also given its recommendation to the shareholders to approve voluntary closure and delegation of powers to President / CEO. Further, the shareholders in their 72nd meeting held on March 29, 2021 also accorded their concurrence for closure of operations at above locations.

While processing the Bank's request of capital injection of Euro 3.08 Million to Paris Branch, SBP directed the Bank to close its operations at Paris Branch. On the basis of SBP's directive, the BoD in its 327th meeting held on January 17, 2022 accorded their approval. Subsequently, SBP per their letter dated April 20, 2022 also approved the capital injection of Euro 3.08 Million to Paris Branch.

On the basis of the aforementioned framework and after completing all the requirements of SBP and as well as the requirement of host countries' regulators, operations at following international locations have been closed on the dates mentioned there against.

S.No.	Name of International Locations	Date of Closure
1	Toronto Representative Office, Canada	31.12.2020
2	Jalalabad Branch, Afghanistan	15.08.2021
3	Tashkent Representative Office, Uzbekistan	31.08.2021
4	Sylhet Branch, Bangladesh	30.09.2021
5	CJSC Subsidiary Bank of NBP in Dushanbe, Tajikistan	28.09.2022
6	Ashgabat Branch, Turkmenistan	07.11.2022

Closure process at Central Asian locations have been delayed due to settlement of NPLs portfolio. Operations at the following locations are under the process of closure. Tentative closure dates are also mentioned there against.

S.No.	Name of International Locations	Tentative Date of Closure
1	CJSC Subsidiary Bank of NBP in Almaty, Kazakhstan	31.12.2023
2	Bishkek Branch, Kyrgyzstan	30.09.2023
3	Baku Branch, Azerbaijan	31.12.2023
4	Paris Branch, France	31.03.2023
5	Chittagong Branch, Bangladesh	31.12.2023

Particulars	As at December 31, 2022					
	CJSC Subsidiary Bank of NBP in Almaty (Kazakhstan) (Subsidiary)	Chittagong Branch, (Bangladesh)	Baku (Azerbaijan)	Bishkek (Kyrgyzstan)	Paris (France)	Total
	(Branches)					
	(Rupees in '000)					
Total Assets	2,169,879	749,876	1,182,751	2,223,156	1,645,595	7,971,257
Total Liabilities	9,777	839,113	30,452	15,539	598,472	1,493,353
Profit / (Loss) for the year	115,896	(89,672)	(40,606)	84,920	(517,193)	(446,655)

	Note	2022	2021
		(Rupees in '000)	
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
Local currency		**52,750,990**	56,039,638
Foreign currency		**7,436,911**	6,924,389
		60,187,901	62,964,027
With State Bank of Pakistan in:			
Local currency current accounts	7.1	**106,933,909**	133,688,708
Foreign currency current accounts	7.2	**15,661,453**	11,738,428
Foreign currency deposit accounts	7.2	**15,623,732**	24,098,591
Foreign currency collection accounts		**1,135,059**	1,226,824
		139,354,153	170,752,551
With other central banks in:			
Foreign currency current accounts	7.3	**26,631,693**	40,265,103
Foreign currency deposit accounts	7.3	**3,725,602**	2,920,706
		30,357,295	43,185,809
Prize bonds		**326,962**	1,966,349
		230,226,311	278,868,736

7.1 This includes statutory liquidity reserves maintained with the SBP under Section 22 of the Banking Companies Ordinance, 1962.

7.2 These represent mandatory reserves maintained in respect of foreign currency deposits under FE-25 scheme, as prescribed by the SBP.

7.3 These balances pertain to the foreign branches and are held with central banks of respective countries. These include balances to meet the statutory and regulatory requirements in respect of liquidity and capital requirements of respective countries. The deposit accounts carry interest at the rate of 0% to 4.50% per annum (2021: 0% to 6.30% per annum).

	Note	**2022**	2021
		---------- (Rupees in '000) ----------	
8. BALANCES WITH OTHER BANKS			
In Pakistan:			
In current account		**537,182**	171,930
In deposit accounts	8.1	**501,303**	595,236
		1,038,485	767,166
Outside Pakistan:			
In current accounts		**12,395,611**	12,797,681
In deposit accounts	8.2	**6,189,028**	5,646,390
		18,584,639	18,444,071
		19,623,124	19,211,237

8.1 These include various deposits with banks and carry interest at the rates ranging from 3.5% to 9.5% per annum (2021: 2.5% to 8% per annum).

8.2 These include various deposits with correspondent banks outside Pakistan and carry interest at the rates ranging from 0% to 4% per annum (2021: 0% to 1.5% per annum).

	Note	**2022**	2021
		---------- (Rupees in '000) ----------	
9. LENDINGS TO FINANCIAL INSTITUTIONS			
Call / clean money lendings	9.1	**9,723**	21,009,723
Repurchase agreement lendings (Reverse Repo)	9.2 & 9.8	**31,262,744**	282,051,308
Musharaka Lending	9.3	**-**	30,000,000
Placements with State Bank of Pakistan	9.4	**-**	2,405,644
Letters of placement	9.5	**174,150**	174,150
	9.6	**31,446,617**	335,640,825
Less: provision held against lendings to financial institutions	9.7 & 9.9	**(174,150)**	(174,150)
Lendings to financial institutions - net of provision		**31,272,467**	335,466,675

9.1 This includes zero rate lending to a financial institution amounting to Rs. 9.7 million (2021: Rs. 9.7 million) which is guaranteed by the SBP.

9.2 These carry mark-up at rates ranging from 16% to 16.5% per annum (2021: 8.7% to 10.7% per annum) with maturities ranging from January 3, 2023 to January 12, 2023.

9.3 This represents Musharaka agreements entered into with Meezan Bank Limited and carrying profit at the rate of Nil (2021: 10.65%) per annum.

9.4 These represent placements made with the SBP as a result of shortfall in respect of time-based mandatory targets of disbursements under Government's scheme "Mera Pakistan Mera Ghar". However, the government has ceased the low-cost housing scheme in July 2022 and announced through the State Bank of Pakistan to continue it for the customers after necessary amendments and revisions of its features.

9.5 These are overdue placements and full provision has been made against these placements as at December 31, 2022.

	2022	2021
	---------- (Rupees in '000) ----------	
9.6 Particulars of lending		
In local currency	**31,446,617**	335,640,825
In foreign currencies	**-**	-
	31,446,617	335,640,825

9.7 Movement in provision held against lendings is as follows:

Opening balance	**174,150**	176,150
Reversal for the year	**-**	(2,000)
Closing balance	**174,150**	174,150

9.8 Securities held as collateral against lendings to financial institutions

	2022			2021		
	Held by Group	**Further given as collateral**	**Total**	Held by Group	Further given as collateral	Total
	(Rupees in '000)					
Market Treasury Bills	**18,699,589**	**-**	**18,699,589**	163,594,180	-	163,594,180
Pakistan Investment Bonds	**12,563,155**	**-**	**12,563,155**	118,457,128	-	118,457,128
Total	**31,262,744**	**-**	**31,262,744**	282,051,308	-	282,051,308

9.8.1 Market value of the securities under repurchase agreement lendings amounts to Rs. 31,027 million (2021: Rs. 279,633 million).

9.9 Category of classification

	2022		2021	
	Classified Lending	**Provision held**	Classified Lending	Provision held
	(Rupees in '000)			
Domestic				
Loss	**174,150**	**174,150**	174,150	174,150
Total	**174,150**	**174,150**	174,150	174,150

10. INVESTMENTS

10.1 Investments by type:

	Note	2022				2021			
		Cost / Amortised Cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
		(Rupees in '000)							
Held-for-trading securities									
Market Treasury Bills		**22,269,343**	**-**	**(2,665)**	**22,266,678**	90,744,281	-	(55,659)	90,688,622
Pakistan Investment Bonds		**61,942,656**	**-**	**(1,031,197)**	**60,911,459**	29,114,020	-	(65,016)	29,049,004
Ordinary shares of listed companies		**424,708**	**-**	**(20,939)**	**403,769**	139,329	-	-	139,329
Investment in mutual funds		**623,941**	**-**	**(10,996)**	**612,945**	451,492	-	(1,160)	450,332
Foreign Government Securities		**1,771,813**	**-**	**-**	**1,771,813**	1,374,638	-	-	1,374,638
		87,032,461	**-**	**(1,065,797)**	**85,966,664**	121,823,760	-	(121,835)	121,701,925
Available-for-sale securities									
Market Treasury Bills		**828,957,708**	**-**	**(2,354,400)**	**826,603,308**	721,736,763	-	(430,492)	721,306,271
Pakistan Investment Bonds		**1,972,276,787**	**-**	**(27,509,276)**	**1,944,767,511**	571,528,321	-	(8,147,316)	563,381,005
Ijarah Sukuks		**20,518,238**	**-**	**(339,589)**	**20,178,649**	14,000,979	-	(31,279)	13,969,700
Ordinary shares of listed companies	10.13 & 10.14	**41,606,225**	**(10,159,936)**	**4,821,267**	**36,267,556**	34,150,987	(6,110,939)	11,765,469	39,805,517
Ordinary shares of unlisted companies		**1,882,463**	**(427,951)**	**-**	**1,454,512**	1,882,198	(410,893)	-	1,471,305
Preference shares		**2,006,756**	**(845,730)**	**209,451**	**1,370,477**	1,706,823	(539,708)	98,614	1,265,729
Term finance certificates / Musharika and Sukuk bonds		**52,146,989**	**(5,990,161)**	**1,047,326**	**47,204,154**	55,505,182	(5,200,180)	959,516	51,264,518
GoP Foreign Currency Bonds		**33,045,353**	**-**	**(18,622,514)**	**14,422,839**	20,778,528	-	26,435	20,804,963
Foreign Government Securities		**1,914,312**	**-**	**(30,359)**	**1,883,953**	880,932	-	26,372	907,304
Investments in mutual funds		**2,219,646**	**(41,167)**	**941,952**	**3,120,431**	619,646	(41,167)	1,289,705	1,868,184
Ordinary shares of a bank outside Pakistan	10.7	**463,294**	**-**	**34,380,951**	**34,844,245**	463,294	-	27,060,912	27,524,206
		2,957,037,771	**(17,464,945)**	**(7,455,191)**	**2,932,117,635**	1,423,253,653	(12,302,887)	32,617,936	1,443,568,702
Held-to-maturity securities	10.6.1								
Market Treasury Bills		**29,519,190**	**-**	**-**	**29,519,190**	-	-	-	-
Pakistan Investment Bonds		**375,285,244**	**-**	**-**	**375,285,244**	324,726,185	-	-	324,726,185
Ijarah Sukuks		**13,130,709**	**-**	**-**	**13,130,709**	-	-	-	-
Debentures, bonds, sukuks, participation term certificates and term finance certificates		**404,585**	**(404,585)**	**-**	**-**	407,164	(407,134)	-	30
Bai Muajjal with Government of Pakistan		**-**	**-**	**-**	**-**	10,914,185	-	-	10,914,185
GoP Foreign Currency Bonds		**2,992,408**	**-**	**-**	**2,992,408**	-	-	-	-
Foreign Government Securities		**36,096,507**	**-**	**-**	**36,096,507**	34,091,600	-	-	34,091,600
Foreign Currency Debt Securities		**871**	**-**	**-**	**871**	680	-	-	680
		457,429,514	**(404,585)**	**-**	**457,024,929**	370,139,814	(407,134)	-	369,732,680
Associates	10.9/10.10 /10.15	**1,127,609**	**(742,298)**	**-**	**385,311**	1,271,766	(674,785)	-	596,981
Joint Venture	10.12	**7,441,308**	**-**	**-**	**7,441,308**	7,140,903	-	-	7,140,903
Subsidiaries	10.16	**1,245**	**(1,245)**	**-**	**-**	1,245	(1,245)	-	-
Total Investments		**3,510,069,908**	**(18,613,073)**	**(8,520,988)**	**3,482,935,847**	1,923,631,141	(13,386,051)	32,496,100	1,942,741,191

10.2 Investments by segments:	Note	2022 Cost / Amortised cost	2022 Provision for diminution	2022 Surplus / (Deficit)	2022 Carrying Value	2021 Cost / Amortised cost	2021 Provision for diminution	2021 Surplus / (Deficit)	2021 Carrying Value
		(Rupees in '000)							
Federal Government Securities:									
Market Treasury Bills		**880,746,241**	**-**	**(2,357,065)**	**878,389,176**	812,481,044	-	(486,151)	811,994,893
Pakistan Investment Bonds		**2,409,504,687**	**-**	**(28,540,473)**	**2,380,964,214**	925,368,526	-	(8,212,332)	917,156,194
Bai Muajjal Government of Pakistan		**-**	**-**	**-**	**-**	10,914,185	-	-	10,914,185
Ijarah Sukuks		**33,648,947**	**-**	**(339,589)**	**33,309,358**	14,000,979	-	(31,279)	13,969,700
		3,323,899,875	**-**	**(31,237,127)**	**3,292,662,748**	1,762,764,734	-	(8,729,762)	1,754,034,972
Shares									
Listed Companies	10.13 & 10.14	**42,030,933**	**(10,159,936)**	**4,800,328**	**36,671,325**	34,290,316	(6,110,939)	11,765,469	39,944,846
Unlisted Companies		**1,882,463**	**(427,951)**	**-**	**1,454,512**	1,882,198	(410,893)	-	1,471,305
		43,913,396	**(10,587,887)**	**4,800,328**	**38,125,837**	36,172,514	(6,521,832)	11,765,469	41,416,151
Non Government Debt Securities									
Term Finance Certificates/Musharka/Bonds/ Debentures and Sukuk Bonds									
Listed		**14,962,715**	**(130,027)**	**335,083**	**15,167,771**	15,671,286	(130,027)	515,523	16,056,782
Unlisted		**37,588,859**	**(6,264,719)**	**712,243**	**32,036,383**	40,241,060	(5,477,287)	443,993	35,207,766
		52,551,574	**(6,394,746)**	**1,047,326**	**47,204,154**	55,912,346	(5,607,314)	959,516	51,264,548
Foreign Securities									
Government securities									
GoP Foreign Currency Bonds		**36,037,761**	**-**	**(18,622,514)**	**17,415,247**	20,778,528	-	26,435	20,804,963
Foreign Government Securities		**39,782,632**	**-**	**(30,359)**	**39,752,273**	36,347,170	-	26,372	36,373,542
Non Government Debt securities									
Foreign Currency Debt Securities		**871**	**-**	**-**	**871**	680	-	-	680
		75,821,264	**-**	**(18,652,873)**	**57,168,391**	57,126,378	-	52,807	57,179,185
Preference shares		**2,006,756**	**(845,730)**	**209,451**	**1,370,477**	1,706,823	(539,708)	98,614	1,265,729
Investments in mutual funds		**2,843,587**	**(41,167)**	**930,956**	**3,733,376**	1,071,138	(41,167)	1,288,545	2,318,516
Ordinary shares of a bank outside Pakistan	10.7	**463,294**	**-**	**34,380,951**	**34,844,245**	463,294	-	27,060,912	27,524,206
Associates	10.10								
- Listed									
First Credit and Investment Bank Limited	10.15	**210,771**	**(47,429)**	**-**	**163,342**	211,537	(17,229)	-	194,308
Land Mark Spinning Mills Limited		**39,710**	**(39,710)**	**-**	**-**	39,710	(39,710)	-	-
SG Allied Businesses Limited		**218,534**	**(218,534)**	**-**	**-**	218,534	(218,534)	-	-
Nina Industries Limited		**49,060**	**(49,060)**	**-**	**-**	49,060	(49,060)	-	-
Agritech Limited	10.8	**-**	**-**	**-**	**-**	-	-	-	-
NBP Stock Fund		**413,825**	**(191,856)**	**-**	**221,969**	512,401	(109,728)	-	402,673
	10.9	**931,900**	**(546,589)**	**-**	**385,311**	1,031,242	(434,261)	-	596,981

	Note	2022				2021			
		Cost/ Amortised cost	**Provision for diminution**	**Surplus / (Deficit)**	**Carrying Value**	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
		---------- (Rupees in '000) ----------							
- Unlisted									
Pakistan Emerging Venture Limited		**50,565**	**(50,565)**	**-**	**-**	50,565	(50,565)	-	-
National Fructose Company Limited		**6,500**	**(6,500)**	**-**	**-**	6,500	(6,500)	-	-
National Assets Insurance Company Limited		**-**	**-**	**-**	**-**	44,815	(44,815)	-	-
Dadabhoy Energy Supply Company Limited		**32,105**	**(32,105)**	**-**	**-**	32,105	(32,105)	-	-
Pakistan Mercantile Exchange Limited		**106,539**	**(106,539)**	**-**	**-**	106,539	(106,539)	-	-
	10.11	**195,709**	**(195,709)**	**-**	**-**	240,524	(240,524)	-	-
		1,127,609	**(742,298)**	**-**	**385,311**	1,271,766	(674,785)	-	596,981
Joint Venture									
United National Bank Limited	10.12	**7,441,308**	**-**	**-**	**7,441,308**	7,140,903	-	-	7,140,903
Subsidiaries									
Cast-N-Link Products Limited	10.16	**1,245**	**(1,245)**	**-**	**-**	1,245	(1,245)	-	-
Total Investments		**3,510,069,908**	**(18,613,073)**	**(8,520,988)**	**3,482,935,847**	1,923,631,141	(13,386,051)	32,496,101	1,942,741,191

	2022	2021
	---------- (Rupees in '000) ----------	
10.2.1 Investments given as collateral		
Pakistan Investment Bonds	**1,136,497,472**	30,682,290
Market Treasury Bills	**689,709,291**	96,128,050
	1,826,206,763	126,810,340

	Number of shares	Percentage of holding	Country of Incorporation	Based on the financial statements as at	Assets	Liabilities	Revenue	Profit / (loss) after taxation	Total comprehensive income / (loss)
					(Rupees in '000)				
10.2.2 Associates									
Listed									
First Credit and Investment Bank Limited	20,000,000	30.77	Pakistan	June 30, 2022	2,052,274	1,330,436	134,082	8,189	(26,210)
National Fibres Limited	17,030,231	20.19	Pakistan	N/A	-	-	-	-	-
Land Mark Spining Mills Limited	3,970,859	32.79	Pakistan	June 30, 2022	144,598	254,888	-	(14,291)	(14,291)
SG Allied Businesses Limited	3,754,900	25.03	Pakistan	June 30, 2022	1,233,803	552,420	14,247	(10,794)	(9,407)
Nina Industries Limited	4,906,000	20.27	Pakistan	N/A	-	-	-	-	-
Agritech Limited	106,014,565	27.01	Pakistan	December 31, 2021	67,216,574	63,460,781	10,100,924	(2,681,238)	(2,684,871)
NBP Stock Fund	31,347,444	3.16	Pakistan	June 30, 2022	13,817,269	149,653	(1,801,489)	(2,370,780)	(2,370,780)
Unlisted									
Pakistan Emerging Venture Limited	12,500,000	33.33	Pakistan	June 30, 2022	478	404	56	(385)	(385)
National Fructose Company Limited	1,300,000	39.50	Pakistan	N/A	-	-	-	-	-
Venture Capital Fund Management	33,333	33.33	Pakistan	N/A	-	-	-	-	-
Kamal Enterprises Limited	11,000	20.37	Pakistan	N/A	-	-	-	-	-
Mehran Industries Limited	37,500	32.05	Pakistan	N/A	-	-	-	-	-
Tharparkar Sugar Mills Limited	2,500,000	21.52	Pakistan	N/A	-	-	-	-	-
Youth Investment Promotion Society	644,508	25.00	Pakistan	N/A	-	-	-	-	-
Dadabhoy Energy Supply Company Limited	9,900,000	23.11	Pakistan	N/A	-	-	-	-	-
K-Agricole Limited	5,000	20.00	Pakistan	N/A	-	-	-	-	-
New Pak Limited	200,000	20.00	Pakistan	N/A	-	-	-	-	-
Pakistan Mercantile Exchange Limited	10,653,860	33.98	Pakistan	June 30, 2022	3,019,257	2,912,866	373,107	56,725	56,725
Prudential Fund Management Limited	150,000	20.00	Pakistan	N/A	-	-	-	-	-
10.2.3 Joint Venture									
United National Bank Limited	20,250,000	45.00	United Kingdom	December 31, 2021	159,345,751	140,263,527	3,617,398	657,400	894,233
10.2.4 Subsidiaries									
Cast-N-Link Products Limited	1,245,000	76.51	Pakistan	N/A*	-	-	-	-	-

* Not available

	2022	2021
	---------- (Rupees in '000) ----------	
10.3 Provision for diminution in value of investments		
Opening balance	**13,386,051**	12,862,773
Charge / (reversals)		
Charge for the year	**5,226,348**	1,242,251
Reversals for the year	**(850,070)**	(718,973)
	4,376,278	523,278
Transfers - net	**850,744**	-
Closing Balance	**18,613,073**	13,386,051

10.3.1 Particulars of provision against debt securities

Category of classification	2022		2021	
	NPI	**Provision**	NPI	Provision
	---------- (Rupees in '000) ----------			
Domestic				
Loss	**6,525,731**	**6,394,746**	5,607,314	5,607,314
Total	**6,525,731**	**6,394,746**	5,607,314	5,607,314

10.4 Movement Schedule for Associates and Joint Venture

	2022									
	Opening balance	**Addition**	**Disposal**	**Dividend paid**	**Share of profit / (loss) for the year - net of tax**	**Exchange transalation reserve**	**Surplus / (deficit) on revaluation properties**	**Surplus / (deficit) on revaluation securities**	**Share of other comprehensive income**	**Closing balance**
	(Rupees in '000)									
Joint Venture										
United National Bank Limited	**7,140,903**	**-**	**-**	**(114,405)**	**545,161**	**999,833**	**8,444**	**(1,153,514)**	**14,886**	**7,441,308**
	7,140,903	**-**	**-**	**(114,405)**	**545,161**	**999,833**	**8,444**	**(1,153,514)**	**14,886**	**7,441,308**
Associates										
Unlisted										
Pakistan Emerging Venture Limited	**50,565**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**50,565**
National Fructose Company Limited	**6,500**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,500**
National Assets Insurance Company	**44,815**	**-**	**(44,815)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Dadabhoy Energy Supply Company Limited	**32,105**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**32,105**
Pakistan Mercantile Exchange Limited	**106,539**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**106,539**
Listed										
First Credit and Investment Bank Limited	**211,537**	**-**	**-**	**-**	**3,492**	**-**	**-**	**(4,258)**	**-**	**210,771**
Land Mark Spining Mills Limited	**39,710**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**39,710**
SG Allied Business Limited	**218,534**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**218,534**
Nina Industries Limited	**49,060**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**49,060**
Agritech Limited	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
NBP Stock Fund	**512,401**	**-**	**-**	**-**	**(98,576)**	**-**	**-**	**-**	**-**	**413,825**
	1,271,766	**-**	**(44,815)**	**-**	**(95,084)**	**-**	**-**	**(4,258)**	**-**	**1,127,609**

	2021									
	Opening Balance	Addition	Disposal	Dividend paid	Share of profit / (loss) for the year - net of tax	Exchange transalation reserve	Surplus / (deficit) on Revaluation Properties	Surplus / (deficit) on Revaluation Securities	Share of other comprehensive income	Closing Balance
	(Rupees in '000)									
Joint Venture										
United National Bank Limited	6,054,005	**-**	**-**	-	217,507	601,092	309,500	(77,008)	35,807	7,140,903
	6,054,005	-	-	-	217,507	601,092	309,500	(77,008)	35,807	7,140,903
Associates										
Unlisted										
Pakistan Emerging Venture Limited	50,565	-	-	-	-	-	-	-	-	50,565
National Fructose Company Limited	6,500	-	-	-	-	-	-	-	-	6,500
National Assets Insurance Company	44,815	-	-	-	-	-	-	-	-	44,815
Dadabhoy Energy Supply Company Limited	32,105	-	-	-	-	-	-	-	-	32,105
Pakistan Mercantile Exchange Limited	106,539	-	-	-	-	-	-	-	-	106,539
Listed										
First Credit and Investment Bank Limited	210,505	-	-	-	4,381	-	-	(3,349)	-	211,537
Land Mark Spining Mills Limited	39,710	-	-	-	-	-	-	-	-	39,710
SG Allied Business Limited	218,534	-	-	-	-	-	-	-	-	218,534
Nina Industries Limited	49,060	-	-	-	-	-	-	-	-	49,060
Agritech Limited	-	-	-	-	-	-	-	-	-	-
NBP Stock Fund	500,734	-	-	(7,009)	18,676	-	-	-	-	512,401
	1,259,067	-	-	(7,009)	23,057	-	-	(3,349)	-	1,271,766

10.5 Quality of available for sale securities

Details regarding quality of available for sale securities are as follows:

	2022	2021
	---------- (Rupees in '000) ----------	
Federal government securities - government guaranteed		
Market Treasury Bills	**828,957,708**	721,736,763
Pakistan Investment Bonds	**1,972,276,787**	571,528,321
Ijarah Sukuks	**20,518,238**	14,000,979
Cost	**2,821,752,733**	1,307,266,063

Shares

Listed companies sector-wise

Automobile Assembler	**1,775,528**	614,233
Automobile Parts and Accessories	**1,115,685**	1,113,967
Cable and Electrical Goods	**384,069**	295,523
Cement	**4,249,593**	2,919,974
Chemical	**627,704**	788,003
Commercial Banks	**6,575,004**	3,648,181
Engineering	**1,422,047**	1,096,335
Fertilizer	**2,985,056**	1,929,148
Food and Personal Care	**1,208,649**	1,218,036
Glass and Ceramics	**64,314**	72,522
Insurance	**1,642,671**	1,642,720
Investment Banks / Investment companies / Securities companies	**513,566**	513,566
Leasing Companies	**12,594**	13,738
Leather and Tanneries	**214,868**	297,568
Modarabas	**-**	-
Oil and Gas Exploration Companies	**2,686,730**	2,702,776
Oil and Gas Marketing Companies	**5,719,991**	6,117,686
Paper and Board	**718,972**	675,319
Pharmaceuticals	**1,000,104**	995,798
Power Generation and Distribution	**3,046,397**	3,000,787
Real Estate Investment Trust	**305,972**	305,972
Refinery	**756,715**	447,422
Sugar and Allied Industries	**259,483**	260,476
Synthetic and Rayon	**15,499**	32,622
Technology and Communication	**1,040,079**	754,027
Textile Composite	**1,918,908**	1,552,549
Textile Spinning	**655,195**	655,364
Textile Weaving	**-**	-
Transport	**236,225**	32,068
Miscellaneous	**454,607**	454,607
Cost	**41,606,225**	34,150,987

	2022		2021	
Unlisted companies entity - wise	**Cost**	**Breakup value**	Cost	Breakup value
	---------- (Rupees in '000) ----------			
Digri Sugar Mills Limited	**4,063**	**135,585**	4,063	135,585
Gelcaps Pakistan Limited	**4,665**	**2,961**	4,665	8,842
Pakistan Agriculture Storage Service Corporation	**5,500**	**3,551,928**	5,500	3,557,522

Unlisted companies entity - wise	2022		2021	
	Cost	**Breakup value**	Cost	Breakup value
	---------- (Rupees in '000) ----------			
Al Ameen Textile	**327**	**N/A***	327	N/A*
Professional Management Modaraba (Formerly Al Zamin Modarba Management (Private) Limited)	**1,000**	**2,134**	1,000	2,134
AMZ Venture Limited Class A	**121**	**N/A**	121	N/A
Arabian Sea Country Club	**6,500**	**(7,664)**	6,500	(6,810)
Atlas Power Limited	**375,000**	**1,282,850**	375,000	1,544,905
Attock Textile Mills Limited	**200**	**N/A**	200	N/A
Pakistan Mortgage Refinance Company Limited	**600,000**	**1,510,050**	600,000	1,006,700
F.T.C. Management Company Private Limited	**250**	**42,759**	250	40,094
Fauji Akbar Portia Marines Terminal Limited	**321,076**	**593,184**	321,076	570,681
Fauji Oil Terminals and Distribution Limited	**10,886**	**130,687**	10,886	119,741
First Women Bank Limited	**21,100**	**79,733**	21,100	79,733
Fortune Securities Limited	**5,000**	**8,804**	5,000	11,411
Frontier Textile Mills Limited	**500**	**272**	500	272
Gulistan Power Generation Limited	**2,200**	**8,096**	2,200	8,096
Hazara Woolen Mills Limited	**200**	**N/A**	200	N/A
Industrial Development Bank of Pakistan	**107**	**N/A**	107	N/A
Inter Asia Leasing Company Limited	**500**	**N/A**	500	N/A
ISE Towers REIT Management Company Limited	**30,346**	**52,988**	30,346	50,902
Junaid Cotton Mills Limited	**327**	**N/A**	327	N/A
Kaisar Arts and Krafts Limited	**8,395**	**N/A**	8,395	N/A
Kaytex Mills Limited	**3,778**	**N/A**	3,778	N/A
Mian Mohammad Sugar Mills Limited	**15**	**N/A**	15	N/A
Muslim Ghee Mills Limited	**1,810**	**N/A**	1,810	N/A
Myfip Video Industries Limited	**5,373**	**N/A**	5,373	N/A
Mutual Fund Association of Pakistan	**265**	**N/A**		
National Asset Leasing Corporation Limited	**14**	**N/A**	14	N/A
National Construction Limited	**250**	**597**	250	597
National Institution of Facilitation Technology (Private) Limi	**1,526**	**64,687**	1,526	35,899
National Investment Trust Limited	**100**	**910,231**	100	1,003,283
National Woolen Mills Limited	**183**	**N/A**	183	N/A
Natover Lease and Refinance	**2,602**	**N/A**	2,602	N/A
Nowshehra Engineering Works Limited	**41**	**N/A**	41	N/A
Pakistan Export Finance Guarantee Agency Limited	**11,529**	**1,152**	11,529	1,152
Pakistan Paper Corporation Limited	**373**	**N/A**	373	N/A
Pakistan Telephone Cables	**143**	**N/A**	143	N/A
Pakistan Textile City	**100,000**	**12,410**	100,000	12,410
Pakistan Tourism Development Corporation	**100**	**138**	100	82
People Steel Mills Limited	**3,276**	**N/A**	3,276	N/A
Qadri Textile Mills Limited	**500**	**N/A**	500	N/A
Rehman Cotton Mills Limited	**16,958**	**107,895**	16,958	107,895
Refrigerator Manufacturing Company Limited	**4,589**	**N/A**	4,589	N/A
Rousch Power Pakistan Limited	**132,888**	**1,089,730**	132,888	1,503,561
Ruby Rice and General Mills Limited	**750**	**N/A**	750	N/A
Sahrish Textile Mills	**21**	**N/A**	21	N/A
Shoaib Capital	**272**	**544**	272	544
SME Bank Limited	**26,950**	**(318)**	26,950	(318)
South Asia Regional Fund	**287**	**N/A**	287	N/A
Star Salica Industries Limited	**267**	**N/A**	267	N/A
Syed Match Industries	**2**	**N/A**	2	N/A
Union Insurance Company of Pakistan	**4**	**N/A**	4	N/A
Unity Modaraba	**28**	**N/A**	28	N/A
Zafar Textiles Mills Limited	**257**	**N/A**	257	N/A

* Not available

Unlisted companies entity - wise	2022 Cost	2022 Breakup value	2021 Cost	2021 Breakup value
	(Rupees in '000)			
Zulsham Engineering Works Limited	**330**	**N/A***	330	N/A*
Information System Associates Limited	**1,719**	**N/A**	1,719	N/A
1 Link (Pvt) Limited	**50,000**	**428,290**	50,000	267,895
Pakistan Corporate Restructuring Company Limited	**96,000**	**N/A**	96,000	N/A
Pakvitae (Private) Limited	**21,000**	**N/A**	21,000	N/A
	1,882,463		1,882,198	

* Not available

	2022	2021
	(Rupees in '000)	
Non Government Debt Securities		
Listed		
- AAA	**21,818**	42,055
- AA+, AA, AA-	**8,010,870**	8,665,870
- A+, A, A-	**800,000**	833,334
- Unrated	**6,130,027**	6,130,027
Cost	**14,962,715**	15,671,286
Unlisted		
- AAA	**18,927,154**	22,132,940
- AA+, AA, AA-	**5,151,626**	4,609,273
- A+, A, A-	**2,147,091**	2,745,811
- BBB+, BBB, BBB-	**299,760**	299,760
- Unrated	**10,658,643**	10,046,112
Cost	**37,184,274**	39,833,896

Foreign Securities

Government Securities	2022 Cost	2022 Rating	2021 Cost	2021 Rating
	(Rupees in '000)		(Rupees in '000)	
USA	**1,914,312**	**AA+**	880,932	AA+

	2022	2021
	---------- (Rupees in '000) ----------	

10.6 Particulars relating to Held to Maturity securities are as follows:

Federal Government Securities - Government guaranteed		
Market Treasury Bills	**29,519,190**	-
Pakistan Investment Bonds	**375,285,244**	324,726,185
Ijarah Sukuks	**13,130,709**	-
Bai Muajjal with Government of Pakistan	**-**	10,914,185
Cost	**417,935,143**	335,640,370
Non Government Debt securities		
Unlisted		
- Unrated	**404,585**	407,164
Cost	**404,585**	407,164

Foreign Securities

	2022		2021	
	Cost	**Rating**	Cost	Rating
	(Rupees in '000)		(Rupees in '000)	
Government Securities				
Azerbaijan	**826,514**	**BB+**	204,494	BB+
Bangladesh	**31,087,653**	**Ba3**	29,672,064	Ba3
Kyrgyzstan	**814,349**	**B2**	841,944	B2
Kingdom of Saudi Arabia	**3,367,991**	**A+**	2,631,097	A
Korea	**-**	**-**	742,001	AA
	36,096,507		34,091,600	

	2022	2021
	---------- (Rupees in '000) ----------	
Non Government Debt Securities		
Listed		
- Unrated - Cost	**871**	680

10.6.1 The market value of securities classified as held-to-maturity as at December 31, 2022 amounted to Rs. 436,150 million (2021: Rs. 366,869 million).

10.7 Investment in shares of a bank incorporated outside Pakistan - Bank Al-Jazira

The Bank holds 30,333,333 (2021: 30,333,333) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 3.7% (2021: 3.7%) holding in total equity of BAJ. The investment has been marked to market using closing price as quoted on the Saudi Stock Exchange in accordance with SBP concurrence vide letter No. BSD/SU-13/331/685/2006 dated February 17, 2006. BAJ's Viability Rating is bb+ with short term and long term IDR at F2 and BBB+ respectivley by Fitch Rating Agency.

10.8 Out of 106,014,565 shares, 94,273,510 shares of Agritech Limited were acquired from Azgard Nine Limited as part of multiple agreements including the Master Restructuring Agreement (MRA). These shares were acquired at an agreed price of Rs. 35 per share. The market value of the shares at December 31, 2022 amounted to Rs. 4.39 per share resulting in an impairment of Rs. 3,200 million (2021: Rs. 3,264 million) which has been fully recorded in these unconsolidated financial statements.

10.9 Aggregate market value of investment in associates (quoted) on the basis of quoted prices amounts to Rs. 1,742 million (2021: Rs. 1,880 million).

10.10 Associates with zero carrying amount, represent the investments acquired from former National Development Finance Corporation (NDFC) which have negative equity or whose operations were closed at the time of amalgamation.

10.11 The details of break-up value based on latest available financial statements of unlisted investments in associates are as follows:

	Year / Period ended	Break-up value
		Rupees in '000
Pakistan Emerging Venture Limited	June 30, 2022	25
Mehran Industries Limited	June 30, 2001	5,681
Tharparkar Sugar Mills Limited	September 30, 200:	(83,140)
Prudential Fund Management	June 30, 2007	(2,482)
Dadabhoy Energy Supply Company Limited	June 30, 2007	103,952
Pakistan Mercantile Exchange Limited	June 30, 2022	36,149

	Note	2022	2021
		---------- (Rupees in '000) ----------	
10.12 Investment in joint venture			
United National Bank Limited (UNBL) (Incorporated in United Kingdom)	10.1 / 10.2 / 10.12.1	**7,441,308**	7,140,903

10.12.1 Under a joint venture agreement, the Bank holds 20.25 million ordinary shares (45%) and United Bank Limited (UBL) holds 23.25 million ordinary shares (55%) in UNBL. In addition to ordinary shares, four preference shares categories as "A", "B", "C" and "D" have been issued and allotted. The "B" and "D" category shares are held by the Bank and category "A" and "C" are held by UBL. Dividends payable on "A" and "B" shares are related to the ability of the venture to utilize tax losses that have been surrendered to it on transfer of business from the Bank or UBL as appropriate. Dividends payable on "C" and "D" shares are related to loans transferred to the venture by the Bank or UBL that have been written-off or provided for at the point of transfer and the ability of the venture to realize in excess of such loan value.

10.13 The investments also include shares acquired under tri-partite consent agreement dated June 29, 2011. These strategic investments comprise of the shares of Pakistan State Oil (38,055,247 shares), shares of Sui Northern Gas Pipeline Limited (18,805,318 shares) and Pakistan Engineering Company (135,242 shares). The cost of these shares amounts to Rs. 4,603 million and market value as at December 31, 2022 amounts to Rs. 6,224 million. These shares have been frozen by the Government of Pakistan for sale in the equity market due to their proposed privatization and can not be sold without concurrence of privatization commission.

10.14 The investments also include 31,665,000 shares of Pakistan Reinsurance. The cost of these shares amounts to Rs. 220 million and market value as at December 31, 2022 amounts to Rs. 217 million. These shares can not be sold without concurrence of privatization commission.

10.15 The investment also include 20,000,000 shares of First Credit and Investment Bank. The cost of these shares amounts to Rs. 157 million and market value as at Decemember 31, 2022 amounts to Rs. 110 million. These shares can not be disinvested without prior consultation with Ministry of Finance.

	2022	2021
	---------- (Rupees in '000) ----------	
10.16 Investments in subsidiaries		
Cast-N-Link Products Limited	**1,245**	1,245
Less: provision for diminution in value of investments	**(1,245)**	(1,245)
	-	-

10.16.1 The financial statements of Cast-N-Link Products Limited (CNL) are not available since the year 1997. Accordingly, the management of the Group had applied to the Securities and Exchange Commission of Pakistan (SECP) for the exemption from the requirements of section 228 of the Companies Act, 2017 (the Act) in respect of consolidating its subsidiary CNL. The SECP, vide its letter EMD/233/627/2002-103 dated November 18, 2019, has not acceded the Bank's request from the exemption from consolidation of CNL in its consolidated financial statements for the year ended December 31, 2019 and further directed to comply with the requirement of section 228 of the Act. However the Bank, based on the fact that investment of the Group in CNL is not material and comprise of 0.000024% of the total assets of the Bank and the investment have been fully provided for, has not consolidated the financial statements of CNL.

11. ADVANCES

	Note	Performing		Non Performing		Total	
		2022	2021	**2022**	2021	**2022**	2021
		---------- (Rupees in '000) ----------					
Loans, cash credits, running finances, etc.		**1,168,292,452**	1,045,532,093	**190,934,209**	183,456,102	**1,359,226,661**	1,228,988,195
Islamic financing and related assets		**46,381,315**	42,316,269	**654,980**	712,762	**47,036,295**	43,029,031
Net Investment in finance lease	11.1	**35,384**	47,548	**28,944**	28,944	**64,328**	76,492
Bills discounted and purchased		**18,598,616**	19,199,730	**14,106,504**	14,147,881	**32,705,120**	33,347,611
Advances - gross	11.2	**1,233,307,767**	1,107,095,640	**205,724,637**	198,345,689	**1,439,032,404**	1,305,441,329
Provision against advances							
- Specific		**-**	-	**191,014,747**	179,654,610	**191,014,747**	179,654,610
- General		**17,348,539**	12,472,591	**-**	-	**17,348,539**	12,472,591
	11.4	**17,348,539**	12,472,591	**191,014,747**	179,654,610	**208,363,286**	192,127,201
Advances - net of provision		**1,215,959,228**	1,094,623,049	**14,709,890**	18,691,079	**1,230,669,118**	1,113,314,128

11.1 Net Investment in Finance Lease

	2022				2021			
	Not later than one year	**Later than one and upto five years**	**Over five years**	**Total**	Not later than one year	Later than one and upto five years	Over five years	Total
	---------- (Rupees in '000) ----------							
Lease rentals receivable	**52,152**	**-**	**-**	**52,152**	51,796	64	-	51,860
Residual value	**36,505**	**-**	**-**	**36,505**	48,804	185	-	48,989
Minimum lease payments	**88,657**	**-**	**-**	**88,657**	100,600	249	-	100,849
Less: Financial charges for future periods	**24,329**	**-**	**-**	**24,329**	24,356	1	-	24,357
Present value of minimum lease payments	**64,328**	**-**	**-**	**64,328**	76,244	248	-	76,492

The leases executed are for a term of 1 to 5 years. Security deposit is generally obtained upto 10% of the cost of leased assets at the time of disbursement. The Group requires the lessee to insure the leased assets in favour of the Group. Additional surcharge is charged on delayed rentals. The average return implicit ranges from 10.19% to 14.85% (2021: 10.19% to 14.85%) per annum.

11.2 Particulars of advances (Gross)

	2022	2021
	---------- (Rupees in '000) ----------	
In local currency	**1,316,066,358**	1,178,144,911
In foreign currencies	**122,966,046**	127,296,418
	1,439,032,404	1,305,441,329

11.3 Advances include Rs. 205,725 million (excluding the NPLs which are government guaranteed) (2021: Rs. 198,346 million) which have been placed under non-performing status as detailed below:

Category of Classification	2022		2021	
	Non Performing Loans	**Provision**	Non Performing Loans	Provision
	---------- (Rupees in '000) ----------			
Domestic				
Other Assets Especially Mentioned	**1,789,957**	**73,114**	1,950,183	94,550
Substandard	**5,888,114**	**1,439,917**	5,245,094	1,230,458
Doubtful	**8,883,354**	**4,648,305**	17,048,217	8,455,999
Loss	**135,113,451**	**132,837,538**	127,537,486	124,864,376
	151,674,876	**138,998,874**	151,780,980	134,645,383
Overseas				
Not past due but impaired	**-**	**-**	-	-
Overdue by:				
Upto 90 days	**-**	**-**	-	-
91 to 180 days	**-**	**-**	-	-
181 to 365 days	**331,133**	**165,567**	286,746	143,373
> 365 days	**53,718,628**	**51,850,306**	46,277,963	44,865,854
	54,049,761	**52,015,873**	46,564,709	45,009,227
Total	**205,724,637**	**191,014,747**	198,345,689	179,654,610

11.4 Particulars of provision against advances

	Note	2022			2021		
		Specific	**General**	**Total**	Specific	General	Total
		---------- (Rupees in '000) ----------					
Opening balance		**179,654,610**	**12,472,591**	**192,127,201**	154,587,769	22,473,748	177,061,517
Exchange adjustments		**8,349,754**	**107,952**	**8,457,706**	4,293,544	50,984	4,344,528
Charge for the year		**5,227,345**	**9,553,101**	**14,780,446**	15,680,535	513,602	16,194,137
Reversals		**(5,011,542)**	**(1,757,105)**	**(6,768,647)**	(4,238,039)	(952,785)	(5,190,824)
		215,803	**7,795,996**	**8,011,799**	11,442,496	(439,183)	11,003,313
Amounts written off	11.5.2	**(177,162)**	**-**	**(177,162)**	(171,425)	-	(171,425)
Amounts charged off-agriculture financing	11.4.1.3	**(56,258)**	**-**	**(56,258)**	(110,733)	-	(110,733)
Transfer from general to specific provision		**3,028,000**	**(3,028,000)**	**-**	9,612,958	(9,612,958)	-
Closing balance		**191,014,747**	**17,348,539**	**208,363,286**	179,654,610	12,472,591	192,127,201

11.4.1 Particulars of provision against advances

	2022			2021		
	Specific	**General**	**Total**	Specific	General	Total
	---------- (Rupees in '000) ----------					
In local currency	**138,998,874**	**16,741,242**	**155,740,116**	134,645,383	12,220,748	146,866,131
In foreign currencies	**52,015,873**	**607,297**	**52,623,170**	45,009,227	251,843	45,261,070
	191,014,747	**17,348,539**	**208,363,286**	179,654,610	12,472,591	192,127,201

11.4.1.1 General provision includes provision amounting to Rs. 5,211 million (2021: Rs. 5,618 million) against consumer & SME finance portfolio as required by the Prudential Regulations issued by the SBP. General provision also includes Rs. 607 million (2021: Rs. 252 million) pertaining to overseas advances to meet the requirements of regulatory authorities of the respective countries in which the Group operates.

Keeping in view the portfolio assessment and the estimated impact of adoption of IFRS 9, the Bank has also maintained a general provision of Rs. 11,530 million (2021: Rs. 6,603 million) against underperforming portfolio on prudent basis, in view of prevailing economic conditions. This general provision is in addition to the requirements of Prudential Regulations.

11.4.1.2 The SBP has allowed specific relaxation to the Bank for non-classification of overdue loans of certain Public Sector Entities (PSEs) which are guaranteed by Government of Pakistan as non-performing loans up till December 31, 2022. No provision is required against these loans; however, mark-up is being suspended as required by the Prudential Regulations.

11.4.1.3 These represent non-performing advances for agriculture finance which have been classified as loss and fully provided for more than 3 years. These non-performing advances have been charged off by extinguishing them against the provision held in accordance with Prudential Regulations for Agriculture Financing issued by the SBP. This charge off does not, in any way, prejudice the Group's right of recovery from these customers.

		Note	**2022**	2021
			---------- (Rupees in '000) ----------	
11.5	**Particulars of write-offs**			
11.5.1	Against provisions	11.5.2	**170,824**	171,425
11.5.2	Write-offs of Rs. 500,000 and above			
	- Domestic		**128,797**	44,536
	- Overseas		**1,649**	81,364
		11.6	**130,446**	125,900
	Write-offs of below Rs. 500,000		**40,378**	45,525
			170,824	171,425
	Total Reversals		**6,338**	-

11.6 Details of loan write-off of Rs. 500,000/- and above

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the Statement in respect of written-off loans or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended December 31, 2022 is given in Annexure-I to the consolidated financial statements. (except where such disclosure is restricted by overseas regulatory authorities).

11.7 Information related to islamic financing and related assets is given in note 2 of Annexure II and is an integral part of these consolidated financial statements.

		Note	**2022**	2021
			---------- (Rupees in '000) ----------	
12.	**FIXED ASSETS**			
	Capital work-in-progress	12.1	**1,086,001**	1,405,413
	Property and equipment	12.2	**56,518,342**	53,204,991
			57,604,343	54,610,404
12.1	**Capital work-in-progress**			
	Civil works		**1,010,529**	1,335,603
	Equipment		**10,825**	10,825
	Advances to suppliers and contractors		**64,647**	58,985
			1,086,001	1,405,413

12.2 Property and equipment

	2022												
	Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Furniture and fixture	Computer and peripheral equipment	Electrical, office equipment	Vehicles	Assets held under finance lease - Vehicles	Assets held under finance lease - Office Equipment	Assets held under Ijarah - Machinery	Assets held under Ijarah - Vehicle	Total
	(Rupees in '000)												
At January 1, 2022													
Cost / revalued amount	**20,370,446**	**19,465,743**	**6,526,538**	**5,146,223**	**7,123,227**	**5,184,275**	**7,687,505**	**2,015,331**	**454,953**	**9,627**	**192,094**	**14,367**	**74,190,329**
Accumulated depreciation	**-**	**-**	**(1,523,658)**	**(1,239,456)**	**(5,392,205)**	**(4,690,269)**	**(6,550,566)**	**(1,127,562)**	**(284,744)**	**(3,377)**	**(172,342)**	**(1,159)**	**(20,985,338)**
Net book value	**20,370,446**	**19,465,743**	**5,002,880**	**3,906,767**	**1,731,022**	**494,006**	**1,136,939**	**887,769**	**170,209**	**6,250**	**19,752**	**13,208**	**53,204,991**
Year ended December 2022													
Opening net book value	**20,370,446**	**19,465,743**	**5,002,880**	**3,906,767**	**1,731,022**	**494,006**	**1,136,939**	**887,769**	**170,209**	**6,250**	**19,752**	**13,208**	**53,204,991**
Additions	**-**	**-**	**192,827**	**337,325**	**648,311**	**299,428**	**325,542**	**235,871**	**93,001**	**-**	**-**	**-**	**2,132,305**
Movement in surplus on assets revalued	**1,110,306**	**1,622,180**	**791,946**	**167,353**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,691,785**
Disposals	**-**	**-**	**-**	**(61)**	**(19,998)**	**(16,493)**	**(11,336)**	**(186,098)**	**(80,855)**	**-**	**-**	**-**	**(314,841)**
Depreciation charge	**-**	**-**	**(262,362)**	**(195,858)**	**(654,965)**	**(393,592)**	**(525,724)**	**(315,499)**	**(64,057)**	**(962)**	**(28)**	**(4)**	**(2,413,051)**
Depreciation adjustment - disposal	**-**	**-**	**-**	**61**	**16,566**	**16,021**	**11,063**	**135,560**	**54,019**	**-**	**-**	**-**	**233,290**
Exchange rate adjustments	**-**	**-**	**-**	**(11,024)**	**3,652**	**-**	**3,611**	**2,644**	**-**	**-**	**-**	**-**	**(1,117)**
Other adjustments / transfers - cost	**(7,995)**	**-**	**(44,223)**	**(21,787)**	**(263)**	**(1,538)**	**55,230**	**(3,138)**	**-**	**-**	**81,154**	**-**	**57,440**
Other adjustments / transfers - depreciation	**-**	**-**	**1**	**850**	**288**	**1,216**	**3,789**	**2,550**	**-**	**-**	**(81,154)**	**-**	**(72,460)**
Closing net book value	**21,472,757**	**21,087,923**	**5,681,069**	**4,183,626**	**1,724,613**	**399,048**	**999,114**	**759,659**	**172,317**	**5,288**	**19,724**	**13,204**	**56,518,342**
At December 31, 2022													
Cost / revalued amount	**21,472,757**	**21,087,923**	**7,467,088**	**5,618,029**	**7,754,929**	**5,465,672**	**8,060,552**	**2,064,610**	**467,099**	**9,627**	**273,248**	**14,367**	**79,755,901**
Accumulated depreciation	**-**	**-**	**(1,786,019)**	**(1,434,403)**	**(6,030,316)**	**(5,066,624)**	**(7,061,438)**	**(1,304,951)**	**(294,782)**	**(4,339)**	**(253,524)**	**(1,163)**	**(23,237,559)**
Net book value	**21,472,757**	**21,087,923**	**5,681,069**	**4,183,626**	**1,724,613**	**399,048**	**999,114**	**759,659**	**172,317**	**5,288**	**19,724**	**13,204**	**56,518,342**
Rate of depreciation (percentage)	**Nil**	**Nil**	**5% on book value**	**5% on book value**	**20% on cost**	**33.33% on cost**	**20%-50% on cost**	**20% on cost**	**20% on cost**	**10% on cost**	**25% to 33% on cost**	**20% on book value**	

	2021												
	Free hold land	Lease hold land	Building on Free hold land	Building on Lease hold land	Furniture and fixture	Computer and peripheral equipment	Electrical, office equipment	Vehicles	Assets held under finance lease - Vehicles	Assets held under finance lease - Office Equipment	Assets held under Ijarah - Machinery	Assets held under Ijarah - Vehicle	Total
	(Rupees in '000)												
At January 1, 2021													
Cost / revalued amount	20,370,446	19,673,159	6,499,638	4,381,195	6,793,647	4,587,414	6,320,774	1,316,025	450,232	9,627	96,571	299,418	70,798,146
Accumulated depreciation	-	-	(1,242,781)	(911,172)	(4,734,748)	(4,343,448)	(5,220,437)	(923,581)	(244,651)	(2,415)	(42,808)	(277,297)	(17,943,338)
Net book value	20,370,446	19,673,159	5,256,857	3,470,023	2,058,899	243,966	1,100,337	392,444	205,581	7,212	53,763	22,121	52,854,808
Year ended December 2021													
Opening net book value	20,370,446	19,673,159	5,256,857	3,470,023	2,058,899	243,966	1,100,337	392,444	205,581	7,212	53,763	22,121	52,854,808
Additions	-	-	26,900	71,046	545,315	527,110	532,614	865,250	46,007	-	-	-	2,614,242
Cost -Adjustments	-	-	-	712,882	42,560	-	841,822	-	-	-	-	-	1,597,264
Accmulated Depreciation - Adjustments	-	-	-	(132,235)	(34,048)	-	(685,393)	-	-	-	-	-	(851,676)
Movement in surplus on assets revalued	-	(193,330)	-	-	-	-	-	-	-	-	-	-	(193,330)
Disposals	-	-	-	-	(25,841)	(24,670)	(10,397)	(167,874)	(41,286)	-	(988)	(6,612)	(277,668)
Depreciation charge	-	-	(280,879)	(196,061)	(643,298)	(366,707)	(653,369)	(338,800)	(63,393)	(962)	(233)	(13)	(2,543,715)
Depreciation adjustment - disposal	-	-	-	-	19,883	19,154	7,848	134,976	23,300	-	988	5,383	211,532
Exchange rate adjustments	-	-	-	(18,900)	46,337	26,726	2,726	1,977	-	-	-	-	58,866
Other adjustments / transfers - cost	-	(14,086)	-	-	(278,791)	67,695	(34)	(47)	-	-	96,511	(278,439)	(407,191)
Other adjustments / transfers - depreciation	-	-	2	12	6	733	786	(157)	-	-	(130,289)	270,768	141,861
Closing net book value	20,370,446	19,465,743	5,002,880	3,906,767	1,731,022	494,007	1,136,940	887,769	170,209	6,250	19,752	13,208	53,204,993
At December 31, 2021													
Cost / revalued amount	20,370,446	19,465,743	6,526,538	5,146,223	7,123,227	5,184,275	7,687,505	2,015,331	454,953	9,627	192,094	14,367	74,190,329
Accumulated depreciation	-	-	(1,523,658)	(1,239,456)	(5,392,205)	(4,690,269)	(6,550,566)	(1,127,562)	(284,744)	(3,377)	(172,342)	(1,159)	(20,985,338)
Net book value	20,370,446	19,465,743	5,002,880	3,906,767	1,731,022	494,006	1,136,939	887,769	170,209	6,250	19,752	13,208	53,204,991
Rate of depreciation (percentage)	Nil	Nil	5% on book value	5% on book value	20% on cost	33.33% on cost	20%-50% on cost	20% on cost	20% on cost	10% on cost	25% to 33% on cost	20% on book value	

12.2.1 Revaluation of Properties

The properties of the Bank have been revalued by the independent professional valuer as at December 31, 2022. The revaluation was carried out by an independent professional valuer, RBS Associates (Private) Limited (PBA registered valuer) on the basis of professional assessment of present market values. The total surplus against revaluation of fixed assets as at December 31, 2022, amounts to Rs. 47,734 million. Had there been no revaluation, the carrying amount of the revalued assets at December 31, 2022, would have been as follows:

	2022	2021
	---------- (Rupees in '000) ----------	
Freehold land	**1,132,637**	1,132,637
Leasehold land	**890,025**	890,025
Building on freehold land	**1,013,440**	820,613
Building on leasehold land	**1,909,929**	1,575,994
	4,946,031	4,419,269

12.2.2	Carrying amount of temporarily idle property of the Group	**5,319,961**	4,795,454

12.2.3 The cost of fully depreciated assets still in use

Furniture and fixtures	**2,152,106**	2,147,654
Computer and peripheral equipment	**3,282,996**	3,249,228
Electrical and office equipment	**3,278,441**	3,274,617
Vehicles	**1,333,988**	1,333,474
	10,047,531	10,004,973

12.3 Details of disposals of fixed assets to related parties

The particulars of disposal of fixed assets to related parties are given below:

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Buyers name
	----------(Rupees in '000)----------						
Vehicles	1,969	394	394	-	As per Entitlement	Employee	Mr.Khawaja Amin Ul Azam
Vehicles	1,658	166	166	-	As per Entitlement	Employee	Mr.Ghulam Hussain Azhar
Vehicles	5,857	2,928	2,928	-	As per Entitlement	Ex-Employee	Mr.Muhammad Faraz Haider
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Imran Fayyaz
Vehicles	1,764	353	353	-	As per Entitlement	Employee	Mr.Saad Salman Dar
Vehicles	1,664	333	333	-	As per Entitlement	Ex-Employee	Mr.Sohail Hassan Butt
Vehicles	2,525	1,641	1,641	-	As per Entitlement	Ex-Employee	Mr.Manzur Ahmad
Vehicles	1,824	486	486	-	As per Entitlement	Ex-Employee	Mr.Jamil Ahmed
Vehicles	2,380	1,309	1,309	-	As per Entitlement	Ex-Employee	Ms.Rizwana Ammar
Vehicles	1,673	84	335	251	As per Entitlement	Employee	Muhammad Tariq Khattak
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Maj Shabbir Ahmed
Vehicles	1,764	353	353	-	As per Entitlement	Employee	Mr.Asir Hassan
Vehicles	18,450	1,845	1,845	-	As per Entitlement	Ex-President	Mr.Arif Usmani President
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.M.Masood Rizwan
Vehicles	5,857	1,171	1,171	-	As per Entitlement	Employee	Mr.Fouad Farrukh
Vehicles	5,857	1,171	1,171	-	As per Entitlement	Employee	Mr.Faisal Ahmed Topra
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Arshad Zia
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Asim Nizam Siddiqui
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Aurangzeb Ahmed Shaikh
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Jalil Ahmed Tariq
Vehicles	1,664	-	166	166	As per Entitlement	Ex-Employee	Mr.Muhammad Sultan Jaffer
Vehicles	2,229	743	743	-	As per Entitlement	Ex-Employee	Mr.Amin Qazi,
Vehicles	2,723	2,133	2,133	-	As per Entitlement	Employee	Mr.Muhammad Amjad
Vehicles	2,875	1,725	1,725	-	As per Entitlement	Ex-Employee	Mr.Hidayat Ali Shar
Vehicles	2,525	1,431	1,431	-	As per Entitlement	Employee	Mr.Muhammad Akram Khan
Vehicles	2,380	1,190	1,190	-	As per Entitlement	Employee	Mr.Muhammad Saleem Tahir
Vehicles	2,525	1,263	1,263	-	As per Entitlement	Employee	Mr.Syed Waseem Akhtar
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Rana Muhammad Asif Wakeel
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Nasir Mahmood
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Parkash
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Ghazanfar Abbas Khan
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Muhammad Shafqat Fateen
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Munir Khan
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Syed M.Shahid
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Nafees Ahmed
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Rasheed Ahmed
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Ibrahim M.Sadiq

12.3 Details of disposals of fixed assets to related parties

The particulars of disposal of fixed assets to related parties are given below:

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Buyers name
	----------(Rupees in '000)----------						
Vehicles	2,380	1,150	1,150	-	As per Entitlement	Ex-Employee	Mr.Abdul Wajid
Vehicles	1,658	-	166	166	As per Entitlement	Ex-Employee	Mr.Wajid Ali
Vehicles	2,695	1,976	1,976	-	As per Entitlement	Employee	Mr.Kaleemullah Shaikh
Vehicles	2,525	1,305	1,305	-	As per Entitlement	Employee	Mr.Naveed Asghar
Vehicles	1,824	304	365	61	As per Entitlement	Employee	Mr.Abid Sharif
Vehicles	1,824	304	365	61	As per Entitlement	Employee	Mr.Syed Zamin Raza
Vehicles	1,824	304	365	61	As per Entitlement	Employee	Mr.Tariq Mehmood Rashid
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Muhammad Farooq
Vehicles	1,824	334	365	30	As per Entitlement	Employee	Mr.Amir Faraz
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Zia Ul Haq
Vehicles	2,695	2,066	2,066	-	As per Entitlement	Ex-Employee	Mr.Muhammad Saifuddin
Vehicles	1,673	-	167	167	As per Entitlement	Employee	Mr.Faisal Haq Khan
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Ms.Fauzia Mumtaz
Vehicles	1,949	357	390	32	As per Entitlement	Employee	Mr.Khalid Pervaiz
Vehicles	1,899	348	380	32	As per Entitlement	Employee	Mr.M.Shoaib Qaisrani
Vehicles	1,824	334	365	30	As per Entitlement	Employee	Mr.Iqbal Wahid
Vehicles	2,029	406	406	-	As per Entitlement	Employee	Mr.Wajahat Aziz Qureshi
Vehicles	2,229	446	446	-	As per Entitlement	Employee	Mr.Abdul Rahim Haroon
Vehicles	1,949	390	390	-	As per Entitlement	Employee	Mr.Ahsan Raza
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Naeem Malik
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Mumtaz Ali Bhutto
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.Tanvir Ahmad
Vehicles	1,824	334	365	30	As per Entitlement	Employee	Mr.Waqar Ahmed Zakori
Vehicles	1,899	348	380	32	As per Entitlement	Employee	Mr.Syed Imran Ghani
Vehicles	1,824	334	365	31	As per Entitlement	Employee	Ms.Munazza Abdul Majeed
Vehicles	1,824	365	365	-	As per Entitlement	Employee	Mr.M.Naseem Yousuf
Vehicles	2,029	304	406	101	As per Entitlement	Employee	Mr.Zubaid Ali Shaikh
Vehicles	2,029	372	406	34	As per Entitlement	Employee	Mr.Ehtesham Rashid
Vehicles	1,949	357	390	32	As per Entitlement	Employee	Mr.Chaudhry M.Waseef Aslam
Vehicles	2,695	1,931	1,931	-	As per Entitlement	Employee	Mr.Muhammad Arshad
Vehicles	2,703	1,982	1,982	-	As per Entitlement	Employee	Mr.Fouad Mohsin
Vehicles	2,525	1,094	1,094	-	As per Entitlement	Ex-Employee	Mr.Muhammad Iqbal Malik
Vehicles	2,229	483	483	-	As per Entitlement	Ex-Employee	Mr.Shahid Majeed,
Vehicles	2,855	1,142	1,142	-	As per Entitlement	Ex-Employee	Mr.Shahid Iqbal Dar
	171,299	48,182	49,500	1,318			

12.3 Details of disposals of fixed assets to related parties

The particulars of disposal of fixed assets to related parties are given below:

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Buyers name
	----------(Rupees in '000)----------						
Computer & peripheral equipments	112	-	11	11	As per Entitlement	Ex-Employee	Mr.Muhammad Hassan Zahid
Computer & peripheral equipments	96	-	10	10	As per Entitlement	Ex-Employee	Mr.Syed Muhammad Raza
Computer & peripheral equipments	64	-	6	6	As per Entitlement	Employee	Mr. Mashood Shahid
Computer & peripheral equipments	107	-	11	11	As per Entitlement	Ex-Employee	Mr.Muhammad Noman Siddiqui
Computer & peripheral equipments	124	-	12	12	As per Entitlement	Employee	Mr.Khawar Saeed
Computer & peripheral equipments	99	-	10	10	As per Entitlement	Ex-Employee	Ms.Rizwana Ammar
Computer & peripheral equipments	106	-	11	11	As per Entitlement	Employee	Mr.Maj ® Shabbir Ahmed
Computer & peripheral equipments	123	-	12	12	As per Entitlement	Employee	Mr.Heera Nand Khatri
Computer & peripheral equipments	64	-	6	6	As per Entitlement	Employee	Mr.Waseem Azhar
Computer & peripheral equipments	94	-	9	9	As per Entitlement	Employee	Mr.Shoaib Ahmed Chaudry
Computer & peripheral equipments	104	-	10	10	As per Entitlement	Employee	Mr.Mukesh Kumar Jeswani
Computer & peripheral equipments	50	-	5	5	As per Entitlement	Employee	Mr.Tahir Sartaj
Computer & peripheral equipments	64	-	6	6	As per Entitlement	Employee	Mr.Awais Memon
Computer & peripheral equipments	123	-	12	12	As per Entitlement	Employee	Mr.Haris Muzaffar
Computer & peripheral equipments	99	-	10	10	As per Entitlement	Employee	Mr.Syed Alay Raza
Computer & peripheral equipments	67	-	7	7	As per Entitlement	Employee	Mr.Fawad Ahsan
Computer & peripheral equipments	64	-	6	6	As per Entitlement	Employee	Mr.Asif Ishaq
Computer & peripheral equipments	114	-	11	11	As per Entitlement	Employee	Mr.Ahmed Naseem
Computer & peripheral equipments	106	-	11	11	As per Entitlement	Employee	Mr.Abdul Majid Sheikh
Computer & peripheral equipments	120	-	12	12	As per Entitlement	Employee	Mr.Muhammad Arshad Khan
Computer & peripheral equipments	109	-	11	11	As per Entitlement	Employee	Mr.Muhammad Shoaib
Computer & peripheral equipments	127	-	13	13	As per Entitlement	Employee	Mr.Arsalan Abdul Samad
Computer & peripheral equipments	122	-	12	12	As per Entitlement	Employee	Mr.Hakim Ali Laghari
Computer & peripheral equipments	64	-	6	6	As per Entitlement	Employee	Mr.Muhammad Hasnain Raza
Computer & peripheral equipments	100	-	10	10	As per Entitlement	Employee	Mr.Tanvir Ahmed
Computer & peripheral equipments	121	-	12	12	As per Entitlement	Employee	Mr.Shakir Ahmed Lakhana
Computer & peripheral equipments	64	-	6	6	As per Entitlement	Employee	Mr.Akif Badar
Computer & peripheral equipments	112	-	11	11	As per Entitlement	Employee	Mr.Muhammad Rizwan Yasin
Computer & peripheral equipments	100	-	10	10	As per Entitlement	Employee	Mr.Javed Ashraf
Computer & peripheral equipments	109	-	11	11	As per Entitlement	Employee	Mr.Qazafi Soomro
Computer & peripheral equipments	146	-	0	-	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Computer & peripheral equipments	95	-	0	-	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Computer & peripheral equipments	192	-	19	19	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Computer & peripheral equipments	101	-	10	10	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari

12.3 Details of disposals of fixed assets to related parties

The particulars of disposal of fixed assets to related parties are given below:

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Buyers name
	----------(Rupees in '000)----------						
Computer & peripheral equipments	96	-	10	10	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Computer & peripheral equipments	285	-	29	28	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
	3,841	-	360	360			
Electrical & Office equipments	50	-	-	-	As per Entitlement	Ex-Employee	Mr.Muhammad Hassan Zahid
Electrical & Office equipments	50	-	-	-	As per Entitlement	Ex-Employee	Mr.Kaleemullah Shaikh
Electrical & Office equipments	50	-	-	-	As per Entitlement	Ex-Employee	Ms.Rizwana Ammar
Electrical & Office equipments	115	-	-	-	As per Entitlement	Ex-Employee	Mr.Amin Qazi,
Electrical & Office equipments	115	-	-	-	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Electrical & Office equipments	52	-	-	-	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Electrical & Office equipments	97	-	-	-	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Electrical & Office equipments	115	-	-	-	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Electrical & Office equipments	35	-	-	-	As per Entitlement	Ex-Employee	Mr.Parkash Lal Khetpal
	678	-	-	-			
Furniture and fixture	190	1	1	-	As per Entitlement	Ex-Employee	Mr.Muhammad Hanif
Furniture and fixture	190	43	43	-	As per Entitlement	Ex-Employee	Mr.Sajid Mirza
Furniture and fixture	160	68	68	-	As per Entitlement	Ex-Employee	Mr.Syed Shad Ahmed
Furniture and fixture	160	141	141	-	As per Entitlement	Ex-Employee	Mr.Atta Ullah Zia
Furniture and fixture	160	64	64	-	As per Entitlement	Ex-Employee	Mr.Muhammad Shoaib
Furniture and fixture	160	30	30	-	As per Entitlement	Ex-Employee	Mr.Sultan Ahmed
Furniture and fixture	200	85	85	-	As per Entitlement	Ex-Employee	Mr.Sohail Hassan Butt
Furniture and fixture	160	69	69	-	As per Entitlement	Ex-Employee	Mr.Muhammad Iqbal
Furniture and fixture	200	-	-	-	As per Entitlement	Ex-Employee	Mr.Sohail Ahmed
Furniture and fixture	200	80	80	-	As per Entitlement	Ex-Employee	Mr.Rizwana Ammar
Furniture and fixture	200	52	52	-	As per Entitlement	Ex-Employee	Mr.Ghulam Hussain Azhar
Furniture and fixture	200	19	19	-	As per Entitlement	Ex-Employee	Mr.Jamil Ahmed
Furniture and fixture	160	68	68	-	As per Entitlement	Ex-Employee	Mr.Muhammad Khalid Awa
Furniture and fixture	160	47	47	-	As per Entitlement	Ex-Employee	Mr.Amjad Ali Abbasi
Furniture and fixture	190	32	32	-	As per Entitlement	Ex-Employee	Mr.Aftab Ghani
Furniture and fixture	200	58	58	-	As per Entitlement	Ex-Employee	Mr.Nadeem Khan
Furniture and fixture	160	61	61	-	As per Entitlement	Ex-Employee	Mr.Muhammad Younas Raz
Furniture and fixture	160	45	45	-	As per Entitlement	Ex-Employee	Mr.Noor Ahmed Memon
Furniture and fixture	190	13	13	-	As per Entitlement	Ex-Employee	Mr.Muhammad Qasim

12.3 Details of disposals of fixed assets to related parties

The particulars of disposal of fixed assets to related parties are given below:

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Buyers name
	----------(Rupees in '000)----------						
Furniture and fixture	160	11	11	-	As per Entitlement	Ex-Employee	Mr.Hadi Bakhsh S Memon
Furniture and fixture	200	37	37	-	As per Entitlement	Ex-Employee	Mr.Muhammad Akram Khan
Furniture and fixture	200	20	20	-	As per Entitlement	Ex-Employee	Mr.Muhammad Amjad
Furniture and fixture	160	11	11	-	As per Entitlement	Ex-Employee	Mr.Humayun Naseer Khan
Furniture and fixture	190	12	12	-	As per Entitlement	Ex-Employee	Mr.Imtiaz Ahmed Arain
Furniture and fixture	160	69	69	-	As per Entitlement	Ex-Employee	Ms.Late Naheed Kausar
Furniture and fixture	190	9	9	-	As per Entitlement	Ex-Employee	Mr.Sadaqat Hussain Shah
Furniture and fixture	200	10	10	-	As per Entitlement	Ex-Employee	Mr.Muhammad Sultan Jaffar
Furniture and fixture	200	80	80	-	As per Entitlement	Ex-Employee	Mr.Nazir Ahmed Dayo
Furniture and fixture	160	79	79	-	As per Entitlement	Ex-Employee	Mr.Abdul Hameed
Furniture and fixture	160	79	79	-	As per Entitlement	Ex-Employee	Mr.Ghulam Qadir Chand
Furniture and fixture	200	33	33	-	As per Entitlement	Ex-Employee	Mr.Muhammad Saleem Tahir
Furniture and fixture	160	44	44	-	As per Entitlement	Ex-Employee	Mr.Muhammad Ashraf
Furniture and fixture	160	40	40	-	As per Entitlement	Ex-Employee	Mr.Fahimuddin
Furniture and fixture	200	73	73	-	As per Entitlement	Ex-Employee	Mr.Muhammad Saifuddin
Furniture and fixture	200	35	35	-	As per Entitlement	Ex-Employee	Mr.Abdul Wajid
Furniture and fixture	200	34	34	-	As per Entitlement	Ex-Employee	Mr.Syed Wasim Akhtar
Furniture and fixture	200	58	58	-	As per Entitlement	Ex-Employee	Mr.Syed Naveed Asghar
Furniture and fixture	200	32	32	-	As per Entitlement	Ex-Employee	Mr.Ijaz Ahmed
Furniture and fixture	190	48	48	-	As per Entitlement	Ex-Employee	Mr.Muhammad Naeem Baig
Furniture and fixture	200	75	75	-	As per Entitlement	Ex-Employee	Mr.Wajid Ali
Furniture and fixture	200	75	75	-	As per Entitlement	Ex-Employee	Mr.Allah Ditta Naul
Furniture and fixture	160	45	45	-	As per Entitlement	Ex-Employee	Mr.Badar Munir
Furniture and fixture	160	21	21	-	As per Entitlement	Ex-Employee	Mr.Zafar Ali
Furniture and fixture	160	36	36	-	As per Entitlement	Ex-Employee	Mr.Rooh Ullah Jan
Furniture and fixture	160	152	152	-	As per Entitlement	Ex-Employee	Ms.Saira Farman
Furniture and fixture	160	19	19	-	As per Entitlement	Ex-Employee	Mr.Humayun Shafiq
Furniture and fixture	160	7	7	-	As per Entitlement	Ex-Employee	Mr.Muhammad Fuad Mohsin
Furniture and fixture	160	60	60	-	As per Entitlement	Ex-Employee	Mr.Muhammad Taqi Leghari
Furniture and fixture	190	-	-	-	As per Entitlement	Ex-Employee	Mr.Akbar Hussain
Furniture and fixture	160	120	120	-	As per Entitlement	Ex-Employee	Mr.Syed Zafar Ali
Furniture and fixture	160	51	51	-	As per Entitlement	Ex-Employee	Mr.Javed Iqbal
Furniture and fixture	335	45	45	-	As per Entitlement	Ex-Employee	Mr.Shahid Iqbal Bar
Furniture and fixture	160	35	35	-	As per Entitlement	Ex-Employee	Mr.Aftab Gul
Furniture and fixture	160	3	3	-	As per Entitlement	Ex-Employee	Mr.Merajuddin Shaikh
Furniture and fixture	335	5	5	-	As per Entitlement	Ex-Employee	Mr.Shahid Majeed
Furniture and fixture	200	6	6	-	As per Entitlement	Ex-Employee	Mr.Muhammad Iqbal Malik

12.3 Details of disposals of fixed assets to related parties

The particulars of disposal of fixed assets to related parties are given below:

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Buyers name
	----------(Rupees in '000)----------						
Furniture and fixture	200	72	72	-	As per Entitlement	Ex-Employee	Mr.Muhammad Arshad
Furniture and fixture	160	71	71	-	As per Entitlement	Ex-Employee	Mr.Fazal Ur Rehman
Furniture and fixture	160	35	35	-	As per Entitlement	Ex-Employee	Mr.Jahangir Ahmad
Furniture and fixture	190	74	74	-	As per Entitlement	Ex-Employee	Mr.Tanveer Ahmad
Furniture and fixture	190	76	76	-	As per Entitlement	Ex-Employee	Mr.Shahid Iqbal
Furniture and fixture	190	42	42	-	As per Entitlement	Ex-Employee	Mr.Tahir Mahmood
Furniture and fixture	160	123	123	-	As per Entitlement	Ex-Employee	Mr.Sheraz Ashraf Bajwa
Furniture and fixture	160	33	33	-	As per Entitlement	Ex-Employee	Mr.Muhammad Afzal
Furniture and fixture	190	8	8	-	As per Entitlement	Ex-Employee	Mr.Muhammad Javed Hassan
Furniture and fixture	160	44	44	-	As per Entitlement	Ex-Employee	Mr.Muhammad Aftab
Furniture and fixture	190	3	3	-	As per Entitlement	Ex-Employee	Mr.Shoukat Ali
Furniture and fixture	160	53	53	-	As per Entitlement	Ex-Employee	Mr.Saddique Akbar
Furniture and fixture	200	49	49	-	As per Entitlement	Ex-Employee	Mr.Muhammad Sultan Jaffar Svp
Furniture and fixture	160	7	7	-	As per Entitlement	Ex-Employee	Ms.Naila Zafar
	12,780	3,236	3,236	-			
				-			
	188,598	51,418	53,096	1,678			

13. INTANGIBLE ASSETS

	2022					
	Core Banking Application	**Computer software**	**Website**	**Goodwill on NBP Fund Acquisition**	**Others**	**Total**
	(Rupees in '000)					
At January 1, 2022						
Cost	**2,913,953**	**1,870,623**	**1,041**	**655,146**	**-**	**5,440,763**
Accumulated amortisation and impairment	**(2,913,953)**	**(1,261,730)**	**(1,041)**	**(92,593)**	**-**	**(4,269,317)**
Net book value	**-**	**608,893**	**-**	**562,553**	**-**	**1,171,446**
Year ended December 2022						
Opening net book value	**-**	**608,893**	**-**	**562,553**	**-**	**1,171,446**
Additions:						
- developed internally	**-**	**57,315**	**-**	**-**	**-**	**57,315**
- through acquisitions / purchase	**-**	**296,952**	**-**	**-**	**-**	**296,952**
Adjustments - addition	**-**	**28,750**	**-**	**-**	**-**	**28,750**
Amortisation charge	**-**	**(365,818)**	**-**	**-**	**-**	**(365,818)**
Exchange rate adjustments	**-**	**42,770**	**-**	**-**	**-**	**42,770**
Closing net book value	**-**	**668,862**	**-**	**562,553**	**-**	**1,231,415**
Capital work in progress - Intangibles	**-**	**869,907**	**-**	**-**	**-**	**869,907**
Total Intangibles	**-**	**1,538,769**	**-**	**562,553**	**-**	**2,101,322**
At December 31, 2022						
Cost	**2,913,953**	**2,296,410**	**1,041**	**655,146**	**-**	**5,866,550**
Accumulated amortisation and impairment	**(2,913,953)**	**(1,627,548)**	**(1,041)**	**(92,593)**	**-**	**(4,635,135)**
Net book value	**-**	**668,862**	**-**	**562,553**	**-**	**1,231,415**
Rate of amortisation (percentage)	**33.33 % on cost**	**33.33 % on cost**	**33.33 % on cost**	**Nil**	**Nil**	
Useful life	**3 years**	**3 years**	**3 years**			

	2021					
	Core Banking Application	Computer software	Website	Goodwill on NBP Fund Acquisition	Others	Total
	(Rupees in '000)					
At January 1, 2021						
Cost	2,913,953	1,499,470	1,041	655,146	4,774	5,074,384
Accumulated amortisation and impairment	(2,913,953)	(1,041,912)	(1,041)	(92,593)	(2,742)	(4,052,241)
Net book value	-	457,558	-	562,553	2,032	1,022,143
Year ended December 2021						
Opening net book value	-	457,558	-	562,553	2,032	1,022,143
Additions:						
- developed internally	-	39,043	-	-	-	39,043
- directly purchased	-	305,012	-	-	-	305,012
Adjustments - addition	-	223,556	-	-	-	223,556
Disposals	-	(69,040)	-	-	-	(69,040)
Amortisation charge	-	(428,807)	-	-	-	(428,807)
Amortisation adjustment - disposal		68,406	-	-	-	68,406
Other adjustments - cost	-	(127,418)	-	-	(4,774)	(132,192)
Other adjustments - amortization	-	140,583	-	-	2,742	143,325
Closing net book value	-	608,893	-	562,553	-	1,171,446
Capital work in progress - Intangibles	-	223,397	-	-	-	223,397
Total Intangibles	-	832,290	-	562,553	-	1,394,843
At December 31, 2021						
Cost	2,913,953	1,870,623	1,041	655,146	-	5,440,763
Accumulated amortisation and impairment	(2,913,953)	(1,261,730)	(1,041)	(92,593)	-	(4,269,317)
Net book value	-	608,893	-	562,553	-	1,171,446
Rate of amortisation (percentage)	33.33 % on cost	33.33 % on cost	33.33 % on cost	Nil	Nil	
Useful life	3 years	3 years	3 years			

13.1 For the purpose of impairment testing of goodwill, management has considered discounted cash flow method using cost of equity of 20% and terminal growth of 4.0% considering five years cash flows. Further, discount for lack of marketability is also considered at the rate of 20%. Other key assumption used in the method are management fees, growth rates on asset under management keeping in view of industry growth, expenses based on the historic growth trends, short term investment with the assumption of reinvestment and discount rate which is based on risk free rate, sector beta and market equity risk premium.

For the past 5 years, the company has provided sustainable profitability. As a result, the recoverable amount exceeds the carrying value as at December 31, 2022, therefore, management did not identify any impairment.

13.2 The cost of fully amortised intangible assets that are still in use.

	2022	2021
	(Rupees in '000)	
Core Banking Application	**2,913,952**	2,913,952
Computer software	**873,310**	430,570
Website	**1,041**	1,041
	3,788,303	3,345,563

14. RIGHT OF USE ASSETS

	2022	2021
	---------- (Rupees in '000) ----------	
Opening balance	**7,090,980**	7,017,020
Additions during the year	**2,421,546**	2,201,551
Derecognition during the year	**(19,860)**	(37,767)
Depreciation charged for the year	**(2,306,599)**	(2,089,824)
Closing balance	**7,186,067**	7,090,980

15. DEFERRED TAX ASSETS

	2022			
	At January 1, 2022	**Recognised in profit and loss account**	**Recgonised in other comprehensive income**	**At December 31, 2022**
	---------- (Rupees in '000) ----------			
Deductible temporary differences on				
- Tax losses carried forward	**10,705**	**-**	**-**	**10,705**
- Post retirement employee benefits	**5,072,768**	**34,236**	**2,360,545**	**7,467,549**
- Provision for diminution in the value of investments	**236,751**	**-**	**-**	**236,751**
- Provision against loans and advances	**10,457,938**	**2,467,259**	**-**	**12,925,197**
- Provision against off-balance sheet obligations	**115,222**	**-**	**-**	**115,222**
- Fixed assets	**1,079,805**	**315,919**	**-**	**1,395,724**
- Other provisions	**107,841**	**-**	**-**	**107,841**
- Right of use assets	**502,538**	**168,066**	**-**	**670,604**
	17,583,568	**2,985,480**	**2,360,545**	**22,929,593**
Taxable temporary differences on				
- Surplus on revaluation of fixed assets	**(2,446,324)**	**149,134**	**(671,197)**	**(2,968,387)**
- Excess of accounting book value of leased assets over lease liabilities	**796**	**(8,655)**	**(31)**	**(7,890)**
- Surplus on revaluation of investments	**(12,715,501)**	**82**	**15,924,335**	**3,208,916**
- Surplus on revaluation of non-banking assets	**(52,732)**	**-**	**30,980**	**(21,752)**
- Exchange translation reserve	**(466,996)**	**-**	**(267,254)**	**(734,250)**
	(15,680,757)	**140,561**	**15,016,833**	**(523,363)**
	1,902,811	**3,126,041**	**17,377,378**	**22,406,230**

	2021			
	At January 1, 2021	Recognised in profit and loss account	Recgonised in other comprehensive income	At December 31, 2021
	---------- (Rupees in '000) ----------			
Deductible temporary differences on				
- Tax losses carried forward	10,705	-	-	10,705
- Post retirement employee benefits	4,188,201	13,272	871,295	5,072,768
- Provision for diminution in the value of investments	236,751	-	-	236,751
- Provision against loans and advances	9,084,601	1,373,337	-	10,457,938
- Provision against off-balance sheet obligations	115,222	-	-	115,222
- Fixed assets	1,025,894	53,911	-	1,079,805
- Other provision	105,416	2,425	-	107,841
- Right of use assets	-	502,538	-	502,538
- Others	3,058	(3,058)	-	-
	14,769,848	1,942,425	871,295	17,583,568
Taxable temporary differences on				
- Surplus on revaluation of fixed assets	(2,298,739)	123,756	(271,341)	(2,446,324)
- Excess of accounting book value of leased assets over lease liabilities	(12,680)	11,581	1,895	796
- Surplus on revaluation of investments	(15,346,840)	(82)	2,631,421	(12,715,501)
- Surplus on revaluation of non-banking assets	(44,713)	-	(8,019)	(52,732)
- Exchange translation reserve	-	-	(466,996)	(466,996)
	(17,702,972)	135,255	1,886,960	(15,680,757)
	(2,933,124)	2,077,680	2,758,256	1,902,811

	Note	2022	2021
		---------- (Rupees in '000) ----------	

16. OTHER ASSETS

Income / return / mark-up accrued in local currency - net of provision		**99,446,324**	41,787,103
Income / return / mark-up accrued in foreign currency - net of provision		**4,012,820**	2,842,699
Advances, deposits, advance rent and other prepayments	16.1	**3,176,299**	4,047,973
Advance taxation (payments less provisions) and Income tax refunds receivable	16.6	**11,063,715**	12,983,211
Compensation for delayed tax refunds		**20,809,580**	19,221,431
Non-banking assets acquired in satisfaction of claims	16.4	**1,179,943**	1,195,660
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)		**208,423**	208,423
Mark to market gain on forward foreign exchange contracts		**-**	3,058,205
Acceptances		**20,644,122**	10,311,259
Commission receivable on Government treasury transactions		**5,253,389**	5,006,019
Stationery and stamps on hand		**437,900**	470,402
Barter trade balances		**195,399**	195,399
Receivable on account of Government transactions	16.2	**323,172**	323,172
Receivable from Government under VHS scheme	16.3	**418,834**	418,834
Receivable against sale / purchase of shares		**823,140**	435,422
Receivable from Pakistan Stock Exchange		**173,941**	159,949
Receivable from mutual funds		**985,894**	896,162
Others		**8,312,213**	7,718,051
		177,465,108	111,279,374
Less: Provision held against other assets	16.5	**12,244,043**	11,709,318
Other assets (net of provision)		**165,221,065**	99,570,056
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		**2,520,000**	2,863,886
Other assets - total		**167,741,065**	102,433,942

16.1 This includes Rs. 1,400 million (2021: Rs. 2,800 million) advance against Pre-IPO placement of Term Finance Certificates and REIT Fund

16.2 This represents amount receivable from GoP on account of encashment of various instruments handled by the Group for GoP as an agent of the SBP. Due to uncertainty about its recoverability, full amount has been provided for.

16.3 This represents payments made under the Voluntary Handshake Scheme (VHS), recoverable from GoP. Due to uncertainty about its recoverability, full amount has been provided for.

		2022	2021
		---------- (Rupees in '000) ----------	
16.4	Market value of Non-banking assets acquired in satisfaction of claims	**3,699,943**	4,059,546

An independent valuation of the Bank's non-banking assets was performed by an independent professional valuer to determine the fair value of the assets as at December 31, 2022. The valuation was carried out by RBS Associates (Private) Limited (PBA registered valuer) on the basis of an assessment of present market values.

	2022	2021
	---------- (Rupees in '000) ----------	
16.4.1 Non-banking assets acquired in satisfaction of claims		
Opening balance	**4,059,546**	3,968,329
Surplus / (deficit)	**(343,886)**	106,679
Depreciation	**(15,717)**	(15,462)
Closing Balance	**3,699,943**	4,059,546

16.5 Provision held against other assets		
Income / mark-up accrued in local currency	**152,607**	152,607
Advances, deposits, advance rent and other prepayments	**837,949**	837,949
Stationery and stamps on hand	**96,542**	96,542
Barter trade balances	**195,399**	195,399
Receivable on account of Government transactions	**323,172**	323,172
Receivable from Government under VHS scheme	**418,834**	418,834
Protested bills	**4,297,516**	4,164,485
Ex-MBL / NDFC	**770,398**	770,398
Assets acquired from Corporate and Industrial Restructuring Corporation asset (CIRC)	**208,423**	208,423
Others	**4,943,203**	4,541,509
	12,244,043	11,709,318

16.5.1 Movement in provision held against other assets		
Opening balance	**11,709,318**	11,882,119
Charge for the year	**562,955**	70,781
Adjustment against provision	**(28,230)**	(243,582)
Closing balance	**12,244,043**	11,709,318

16.6 During the year, the Bank has adjusted an amount of Rs. 7,475 million (2021: Rs. 11,322 million) against its advance tax liability and demand of previous tax year against income tax refunds receivables. Further, refunds amounting to Rs. 5,404 million were also determined.

	2022	2021
	---------- (Rupees in '000) ----------	
17. BILLS PAYABLE		
In Pakistan	**54,969,587**	21,775,348
Outside Pakistan	**298,432**	72,922
	55,268,019	21,848,270

	Note	2022	2021
		---------- (Rupees in '000) ----------	
18. BORROWINGS			
Secured			
Borrowings from State Bank of Pakistan			
Under Export Refinance Scheme	18.2	**38,217,784**	34,250,502
Financing Scheme for Renewable Energy	18.3	**1,019,611**	740,493
Refinance Facility for Modernization of SMEs	18.4	**43,824**	130,288
Financing Facility for storage of Agriculture Produce (FFSAP)	18.5	**667,327**	526,479
Under Long Term Financing Facility (LTFF)	18.6	**20,254,808**	19,465,068
Refinance Scheme for Payment of Wages and Salaries	18.7	**35,950**	566,315
Temporary Economic Refinance Facility	18.8	**24,126,421**	12,122,947
Refinance Facility for Combating Covid-19	18.9	**66,159**	79,976
		84,431,884	67,882,068
Repurchase agreement borrowings	18.10	**1,826,206,763**	126,810,340
Bai Muajjal		**-**	72,195,209
Total secured		**1,910,638,647**	266,887,617
Unsecured			
Call borrowings	18.10	**25,810,145**	46,011,009
Overdrawn nostro accounts		**-**	26,480
Bai Muajjal		**4,036,995**	-
Total unsecured		**29,847,140**	46,037,489
		1,940,485,787	312,925,106

18.1 Particulars of borrowings with respect to currencies

In local currency	**1,923,848,931**	275,739,772
In foreign currencies	**16,636,856**	37,185,334
	1,940,485,787	312,925,106

18.2 The Bank has entered into an agreement with the SBP for extending export finance to customers. As per the terms of the agreement, the Bank has granted the SBP the right to recover the outstanding amounts from the Bank at the date of maturity of the finances by directly debiting the Bank's current account maintained with the SBP. These borrowings are repayable within 180 days. These carry mark-up at rates ranging from 0% to 12.00% (2021: 2.00%) per annum.

18.3 These borrowings have been obtained from the SBP for providing financing facilities to address challenges of energy shortage and climate change through promotion of renewable energy. These borrowings shall be repayable for a maximum period of twelve (12) years. These carry mark-up at rates ranging from 2.00% to 3.00% (2021: 2.00% to 3.00%) per annum.

18.4 These borrowings have been obtained from the SBP under a scheme to finance modernization of Small and Medium Enterprises by providing financing facilities for setting up of new units, purchase of new plant and machinery for Balancing, Modernization and Replacement (BMR) of existing units and financing for import / local purchase of new generators upto a maximum capacity of 500 KVA. These borrowings shall be repayable for a maximum period of ten years and carry mark-up at rates upto 2.00% (2021: 6.00%) per annum.

18.5 These borrowings have been obtained from the SBP for providing financing facilities to develop the agricultural produce marketing and enhance storage capacity, to encourage Private Sector to establish Silos, Warehouses and Cold Storages. These borrowings shall be repayable for a maximum period of ten years. These carry mark-up at rates ranging from 2.5% to 3.5% (2021: 2.5% to 3.5%) per annum.

18.6 These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These borrowings shall be repayable for a maximum period of ten years. These carry mark-up at rates ranging from 2.00% to 4.00% (2021: 1.50% to 3.00%) per annum.

18.7 These borrowings have been obtained from the SBP with a view to support businesses to continue payment of wages and salaries to their workers and employees in the aftermath corona virus (COVID-19) outbreak. These borrowings are repayable for a maximum period of 2.5 years. These carry mark-up at rates ranging from 1.00% to 2.00% (2021: 1.00% to 2.00%) per annum.

18.8 These borrowings have been obtained from the SBP under a scheme to provide concessionary refinance for setting up new industrial units in the backdrop of challenges faced by the industries during the pandemic. These borrowings are repayable for a maximum period of 10 years. These carry mark-up at rates ranging at 3.00% (2021: 3.00%) per annum.

18.9 These borrowings have been obtained from the SBP with a view to provide long term local currency finance for imported and locally manufactured medical equipment to be used for combating COVID – 19. The facility will be available to all the Hospitals and Medical Centres duly registered with respective provincial / federal agencies / commissions and engaged in controlling & eradication of COVID – 19. These borrowings are repayable for a maximum period of 5 years. These carry mark-up at rates at 0.00% (2021: 0.00%) per annum.

18.10 Mark-up / interest rates and other terms are as follows:

- Repurchase agreement borrowings carry mark-up ranging from 15.2% to 17% per annum (2021: 9.7% to 10.21% per annum) having maturity on January 03, 2023 to March 03, 2023.

- Call borrowings carry interest ranging from 3% to 16.5% per annum (2021: 0.63% to 4.15% per annum).

18.1 Bai Muajjal borrowings carry mark-up rate of 16.42% per annum (2021: Nil) having maturity on January 03, 2023.

18.12 Borrowings from the SBP under export oriented projects refinance schemes of the SBP are secured by the Bank's cash and security balances held by the SBP.

18.13 Pakistan Investment Bonds and Market Treasury Bills having maturity of 2 - 10 Years and 3 - 12 Months respectively, are pledged as security under borrowing having carrying amount of Rs. 1,826,206 million (2021: Rs.126,810 million).

19. DEPOSITS AND OTHER ACCOUNTS

	2022			2021		
	In Local Currency	**In Foreign currencies**	**Total**	In Local Currency	In Foreign currencies	Total
	(Rupees in '000)					
Customers						
Current deposits - remunerative	**733,037,562**	**-**	**733,037,562**	648,854,267	-	648,854,267
Current deposits - non-remunerative	**408,169,670**	**159,575,493**	**567,745,163**	476,510,388	145,931,064	622,441,452
Savings deposits	**681,287,543**	**108,029,851**	**789,317,394**	675,591,525	79,434,496	755,026,021
Term deposits	**400,618,865**	**116,541,863**	**517,160,728**	400,905,240	70,853,064	471,758,304
Others	**9,563,715**	**7,855**	**9,571,570**	-	6,463	6,463
	2,232,677,355	**384,155,062**	**2,616,832,417**	2,201,861,420	296,225,087	2,498,086,507
Financial Institutions						
Current deposits	**5,795,356**	**3,492,893**	**9,288,249**	444,904,430	1,169,235	446,073,665
Savings deposits	**15,190,328**	**2,924,782**	**18,115,110**	7,075,299	3,842,651	10,917,950
Term deposits	**9,716,964**	**6,442,283**	**16,159,247**	21,470,450	5,760,597	27,231,047
Others	**4,878,234**	**-**	**4,878,234**	35,838,540	-	35,838,540
	35,580,882	**12,859,958**	**48,440,840**	509,288,719	10,772,483	520,061,202
	2,268,258,237	**397,015,020**	**2,665,273,257**	2,711,150,139	306,997,570	3,018,147,709

19.1 Composition of deposits

	2022	2021
	(Rupees in '000)	
Individuals	**990,051,893**	1,032,316,946
Government (Federal and Provincial)	**1,101,408,344**	931,199,067
Public Sector Entities	**244,103,310**	279,984,059
Banking Companies	**20,352,975**	460,090,410
Non-Banking Financial Institutions	**28,087,865**	59,970,792
Private Sector	**281,268,870**	254,586,435
	2,665,273,257	3,018,147,709

19.2 Foreign currencies deposits include deposit of foreign branches amounting to Rs. 75,917 million (2021: Rs. 75,485 million).

19.3 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 1,025,757 million (2021: Rs. 1,132,236 million) including islamic branches.

20. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2022			2021		
	Minimum lease payments	**Financial charges for future periods**	**Principal outstanding**	Minimum lease payments	Financial charges for future periods	Principal outstanding
	(Rupees in '000)					
Not later than one year	**55,683**	**10,935**	**44,748**	83,418	5,302	78,116
Later than one year and upto five years	**85,093**	**8,388**	**76,705**	57,804	2,322	55,482
Over five years	**-**	**-**	**-**	-	-	-
	140,776	**19,323**	**121,453**	141,222	7,624	133,598

The Group has entered into lease agreements with various financial institutions for lease of vehicles. Lease rentals are payable in monthly installments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rate of 6M KIBOR + 1.5% per annum (2021: 6M KIBOR + 1.5% per annum). At the end of lease term, the Group has option to acquire the assets, subject to adjustment of security deposits.

21. LEASE LIABILITIES AGAINST RIGHT-OF-USE ASSETS

	2022	2021
	(Rupees in '000)	
Lease liabilities included in the statement of financial position		
As at December 31	**8,761,015**	8,360,755
Of which are:		
Current lease liability	**1,734,848**	1,646,939
Non-current lease liability	**7,026,167**	6,713,816
	8,761,015	8,360,755
Maturity analysis - contractual undiscounted cashflows		
Less than one year	**2,557,743**	2,379,333
One to five years	**6,963,768**	6,387,263
More than five years	**7,969,041**	6,504,031
Total undiscounted lease liabilities as at December 31,	**17,490,552**	15,270,627

	Note	2022	2021
		---------- (Rupees in '000) ----------	

22. OTHER LIABILITIES

Mark-up / Return / Interest payable in local currency		**126,228,969**	48,801,768
Mark-up / Return / Interest payable in foreign currency		**655,802**	384,638
Unearned commission and income on bills discounted		**271,126**	440,231
Accrued expenses		**13,955,633**	21,168,039
Advance payments		**372,406**	387,576
Acceptances		**20,644,122**	10,311,259
Unclaimed dividends		**181,851**	181,997
Mark to market loss on forward foreign exchange contracts		**125,371**	-
Unrealised loss on put option		**-**	306,339
Branch adjustment account		**1,916,850**	1,342,640
Payable to defined benefit plan:			
Pension fund	40.4	**23,063,894**	17,834,945
Post retirement medical benefits	40.4	**29,176,898**	24,516,717
Benevolent scheme	40.4	**1,697,838**	1,778,825
Gratuity scheme	40.4	**4,100,617**	3,467,939
Compensated absences	40.4	**8,734,235**	9,952,554
Provision against off-balance sheet obligations		**627,494**	627,494
Provision against contingencies	22.1	**4,170,799**	3,805,376
Staff welfare fund		**371,257**	371,257
Liabilities relating to barter trade agreements		**3,629,389**	3,006,122
Payable to brokers		**350,446**	155,001
Payable to customers		**940,854**	781,522
PIBs shortselling		**11,043,029**	34,144,415
Others		**19,297,251**	16,829,474
		271,556,131	200,596,128

22.1 Provision against contingencies

Opening balance		**3,805,376**	4,180,071
Charge during the year		**165,423**	53,239
Other movement		**200,000**	200,000
Adjustment		**-**	(627,934)
Closing balance	22.1.1	**4,170,799**	3,805,376

22.1.1 This represents provision made on account of regulatory violations and reported instances of financial improprieties for which investigations are in progress.

23. SHARE CAPITAL

23.1 Authorized Capital

2022	2021		2022	2021
--------- (Number of shares) ---------			---------- (Rupees in '000) ----------	
2,500,000,000	2,500,000,000	Ordinary shares of Rs. 10 each	**25,000,000**	25,000,000

23.2 Issued, subscribed and paid up

2022	2021	Ordinary shares	2022	2021
--------- (Number of shares) ---------			---------- Rupees in '000 ----------	
140,388,000	140,388,000	Fully paid in cash	**1,403,880**	1,403,880
1,987,125,026	1,987,125,026	Issued as bonus shares	**19,871,251**	19,871,251
2,127,513,026	2,127,513,026		**21,275,131**	21,275,131

The Federal Government and the SBP hold 75.60% (2021: 75.60%) shares of the Bank.

23.3 Shares of the Bank held by subsidiary and associate

	2022	2021
	---------(Number of shares) ---------	
Following shares were held by the associate of the Bank as of year end:		
First Credit & Investment Bank Limited	**70,000**	70,000
	70,000	70,000

24. RESERVES

24.1 Exchange translation reserve

This comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

24.2 Statutory reserve

Every bank incorporated in Pakistan is required to transfer 20% of their profits to a statutory reserve until the reserve equals share capital, thereafter 10% of the profits of the Bank are to be transferred to this reserve.

24.3 General loan loss reserve

During the year ended December 31, 2022, the Board of Directors in their meeting held on April 23, 2022 have approved transfer of Rs 8 billion from general loss reserve to unappropriated profit.

25. SURPLUS ON REVALUATION OF ASSETS

	Note	2022	2021
		---------- (Rupees in '000) ----------	
Net surplus on revaluation of :			
- Available for sale securities	10.1	**(7,455,191)**	32,617,936
- Fixed Assets	25.1	**48,590,472**	45,168,797
- Non-banking assets accquired in satisfaction of claims	25.2	**2,520,000**	2,863,886
- On securities of associates and joint venture		**(1,507,560)**	(349,787)
		42,147,721	80,300,833
Deferred tax on surplus on revaluation of:			
- Available for sale securities		**3,208,915**	(12,715,419)
- Fixed Assets	25.1	**(3,061,347)**	(2,537,701)
- Non-banking assets accquired in satisfaction of claims	25.2	**(21,752)**	(52,732)
		125,816	(15,305,852)
		42,273,537	64,994,980

	Note	2022	2021
		---------- (Rupees in '000) ----------	

25.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets as at January 1	**44,320,452**	44,882,399
Recognised during the year	**3,691,785**	-
Realised on disposal during the year - net of deferred tax	**-**	(220,819)
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	**(197,684)**	(208,088)
Adjustment	**68,260**	-
Related deferred tax liability on incremental depreciation charged during the year	**(149,130)**	(133,040)
Surplus on revaluation of fixed assets as at December 31	**47,733,683**	44,320,452
Less: related deferred tax liability on:		
- revaluation as at January 1	**(2,537,701)**	(2,396,819)
- revaluation recognised during the year	**(412,499)**	-
- rate adjustment	**(260,277)**	(273,922)
- incremental depreciation charged during the year	**149,130**	133,040
	(3,061,347)	(2,537,701)
Share of surplus on revaluation of fixed assets of associates and joint venture	**856,789**	848,345
	45,529,125	42,631,096

25.2 Surplus on revaluation of non-banking assets acquired in satisfaction of claims

Surplus on revaluation as at January 1	**2,863,886**	2,757,207
Recognised during the year	**(343,886)**	106,679
Surplus on revaluation as at December 31	**2,520,000**	2,863,886
Less: related deferred tax liability on:		
- revaluation as at January 1	**(52,732)**	(44,713)
- revaluation recognised during the year	**42,022**	(8,019)
- Rate adjustment	**(11,042)**	-
	(21,752)	(52,732)
	2,498,248	2,811,154

26. CONTINGENCIES AND COMMITMENTS

Guarantees	26.1	**377,561,372**	261,356,068
Commitments	26.2	**2,373,285,184**	2,213,570,534
Other contingent liabilities	26.3	**26,619,691**	36,196,804
		2,777,466,247	2,511,123,406

26.1 Guarantees:

Financial guarantees	**287,741,990**	197,024,912
Performance guarantees	**89,819,382**	64,331,156
	377,561,372	261,356,068

	Note	2022	2021
		---------- (Rupees in '000) ----------	
26.2 Commitments:			
Documentary credits and short-term trade-related transactions			
- letters of credit		**1,696,635,726**	1,582,757,532
Commitments in respect of:			
- forward foreign exchange contracts	26.2.1	**570,881,591**	571,111,340
- forward government securities transactions	26.2.2	**54,568,834**	38,255,954
- forward lending	26.2.3	**50,363,949**	20,618,971
Commitments for acquisition of:			
- operating fixed assets		**798,234**	826,737
Other commitments	26.2.4	**36,850**	-
		2,373,285,184	2,213,570,534

26.2.1 Commitments in respect of forward foreign exchange contracts

Purchase	**368,380,755**	337,970,120
Sale	**202,500,836**	233,141,220
	570,881,591	571,111,340

Commitments for outstanding forward foreign exchange contracts are disclosed in these consolidated financial statements at contracted rates. Commitments denominated in foreign currencies are expressed in rupee terms at the rates of exchange prevailing at the statement of financial position date.

	2022	2021
	---------- (Rupees in '000) ----------	
26.2.2 Commitments in respect of forward government securities transactions		
Purchase	**10,988,627**	30,218,032
Sale	**43,580,207**	8,037,922
	54,568,834	38,255,954

Commitments for outstanding forward government securities transactions are disclosed in these consolidated financial statements at contracted rates.

26.2.3 Commitments in respect of forward lending

Undrawn formal standby facilities, credit lines and other commitments to lend	**50,363,949**	20,618,971

These represent commitments that are irrevocable because they cannot be withdrawn at the discretion of the bank without the risk of incurring significant penalty or expense.

	2022	2021
	---------- (Rupees in '000) ----------	
26.2.4 Other commitments		
Professional services to be received	**36,850**	-

26.3 Other contingent liabilities

26.3.1 Claim against the Group not acknowledged as debt	**26,619,691**	36,196,804

26.3.2 Claims against the Group not acknowledged as debts including claims relating to former Mehran Bank Limited amounting to Rs. 1,597 million (2021: Rs. 1,597 million).

26.3.3 Taxation

Tax returns of the Bank have been filed up to tax year 2022 and amended by tax authorities up to tax year 2021. For Azad Kashmir and Gilgit Baltistan branches no amendment to returns filed under section 120 of the Ordinance has been made, hence returns filed are deemed assessments for all the years till tax year 2022.

a) During the period under review the appeals for tax years 2006 and 2007 have been decided against the Bank by CIR(Appeals) and the Bank has filed further appeal before ATIR on legal grounds u/s 161 of The Ordinance. The Tax Advisor is confident that the ultimate outcome of the proceeding will be decided in the Bank's favor. Amount of contingency involved is Rs. 1,032 million and Rs. 1,395 million respectively.

b) Honourable Tribunal has decided the appeals filed by the Bank for tax years 2009, 2010 and 2016 for which appeal effect orders have also been issued determining tax refund of Rs. 948.44 million, Rs. 814.54 million in 2009 and 2010 respectively. Whereby for tax year 2016, the department has created demand of Rs. 118.11 million which has been adjusted against tax refunds of tax year 2018.

c) Honourable CIR(Appeals) through judgement dated December 31, 2021 has decided the appeal filed by the Bank for tax year 2018 in favor of the Bank for which appeal effect order has been issued determining refund of Rs. 1,199.29 million.

d) Honourable CIR(Appeals) has decided the appeals filed by the Bank for tax years 2019 and 2020 partially allowing relief to the Bank. The Bank filed further appeal before ATIR which is pending. The bank has shown additional tax liability of Rs. 1,773 million and Rs. 4,298 million for the year 2019 and 2020 respectively as contingency based on the tax consultant's expectations that the issue would be decided in the bank's favor.

e) Honourable CIR(Appeals) through its recent judgement for tax year 2021 dated December 21, 2022 has decided appeal filed by the Bank confirming the Order of assessing officer. The Bank intends to file appeal before ATIR on legal and factual grounds. The bank has shown additional tax liability of Rs. 3,757 million as contingency based on the tax consultant's expectations that the issue would be decided in the bank's favor.

f) The aggregate effect of contingencies as on December 31, 2022, excluding amount of Rs. 1,912.242 million (December 31, 2021: Rs. 2,095.657 million) in respect of indirect tax issues, amounts to Rs. 15,418.569 million (December 31, 2021: Rs. 17,982.606 million). No provision has been made against these contingencies, based on the opinion of tax consultant of the Bank, who expect favorable outcome upon decisions of pending appeals.

26.3.4 Contingencies in respect of employees benefits and related matters

The following are the details of the contingencies arising out of the various legal cases pending adjudication in respect of employees' benefits and related matters. The Group considers that except for Pensionary benefits note 26.3.4.1, the financial impact of other matters is impracticable to determine with sufficient reliability.

26.3.4.1 Pensionary benefits to retired employees

In 1977 the Federal Government vide letter No. 17 (9) 17 XI / 77 dated November 30, 1977, addressed to the Pakistan Banking Council, directed that all executives / officers of all the nationalized banks would be paid pension as calculated at 70% of average emoluments upon completion of 30 years of qualifying service of employees and where qualifying service was less than 30 years but not less than 10 years, proportionate reduction in percentage was to be made. This pension scheme was made applicable with effect from May 01, 1977.

In the year 1997, the Banks Nationalization Act, 1974 ("BNA, 1974") was substantially amended whereby the Pakistan Banking Council was abolished and the Board of Directors of the nationalized banks were empowered / mandated respectively to determine personnel policies with the President of the Bank deciding the remuneration and benefits of the employees in accordance with policies determined by the Board. In the year 1999, by virtue of the said amendments in BNA, the Board of Directors of the Bank approved the Revised Pay Structure for the officers / executives of the Bank with effect from January 01, 1999 vide Circular No. 37/1999, whereby the basic salary was increased by 110 % to 140% and besides giving multifarious benefits to its employees, formula for monthly gross pension was revised. However, the amount of gross pension on the basis of existing Basic Pay and existing formula was protected.

A number of Bank's employees, after attaining the age of superannuation filed Writ Petitions before the Lahore High Court and the Peshawar High Court, praying for re-calculation of their pensionary benefits and increases in accordance with the Bank Circular No. 228 (C) dated December 26, 1977 and furthermore, for allowing the increases in their pension as per the increases allowed by the Federal Government to its employees. This litigation started in the year 2010 and 2011.

The Peshawar High Court, in terms of judgment dated June 03, 2014, dismissed the petition while observing that the petition was hit by laches and that the petitioners could not claim the benefits granted to the similarly placed employees of other institutions who were governed through different Statutes and Service Rules.

The Lahore High Court vide its judgement dated January 15, 2016, allowed the Writ Petitions on the same matter and the Bank was directed to release the pensionary benefits of the petitioners. The said order was assailed by the Bank by filing Intra Court Appeals in January 2016 which were dismissed by the Lahore High Court, Lahore, through its judgement dated January 16, 2017. The Bank assailed the said judgement by filing appeals in the Supreme Court of Pakistan.

The Honorable Supreme Court of Pakistan after hearing the arguments of both parties, vide its judgement dated September 25, 2017 upheld the decision of the Division Bench of the Lahore High Court on the contention of increase in Bank's employees' pension, thereby instructing the Bank to give pension benefits to its employees in the light of Head Office Instruction Circular No. 228 (C) of 1977. Under this Circular, the pension of employees was to be calculated at 70% of average emoluments upon completion of minimum qualifying service requirement, besides requiring the Bank to follow subsequent revisions in pension scheme and rates granted by the Federal Government to civil servants from time to time as well.

The Bank as well as Federal Government filed review petitions against the aforesaid judgment of the Honorable Supreme Court of Pakistan and also made an application for constitution of larger bench of the Supreme Court to hear the review petition, which was reportedly accepted by the Chief Justice. However on March 18, 2019, the matter came up for hearing before a three member Bench instead of a larger bench. As advised by our legal counsels, the Bank considers that due to conflicting decision of the other bench of the Supreme Court in a case which, in all material facts and circumstances, is identical to the Bank's case and various other legal infirmities in the judgement as highlighted by the Bank in its Review Petition, the Bank has a reasonably strong case on legal grounds to convince the Supreme Court for review of its decision. The Review Petition is ongoing and is expected to be listed for hearing soon.

A related matter has also been appealed in the Supreme Court where the petitioners have asked for increases in pension in accordance with government increases in Pension for Government employees which is pending adjudication and a favorable outcome is expected.

In case the above matters are decided unfavorably, the Bank estimates based on the actuarial advice that the financial impact arising from the additional liability would be approximately Rs. 89.7 billion excluding any penal interest / profit payment (if any) due to delayed payment Pension expense for the current year and onward will also increase by Rs.12.1 billion due to this decision. Based on the opinion of legal counsel, no provision has been made in these consolidated financial statements for the above-mentioned amount as the Bank is confident about the favorable outcome of the matter.

Moreover, the State Bank of Pakistan in the backdrop of Supreme Court's Judgement, through its letter dated February 20, 2018 has instructed the Bank to obtain prior approval of SBP before declaring any dividend.

26.3.4.2 Regularizing the temporary hires / workers deployed by Service provider companies under outsourcing arrangements

The Bank outsourced certain non-core jobs to various service provider companies after entering into contracts with them. The resources deployed by the service provider companies were their employees and the said companies have had sole administrative control over these resources. Some of these resources filed writ petitions before the High Courts and National Industrial Relations Commission (NIRC) seeking to be absorbed by the Bank in its regular service based on grounds that they were in fact employees of the Bank. Presently, there are 6 cases on appeal pending at the Supreme Court where these have been clubbed to be heard as one. The Chief Justice of Pakistan has constituted a larger bench comprising of five Judges being headed by himself for adjudication. The case is ongoing and is presently adjourned for a date to be fixed. A favorable outcome of this case is expected.

26.3.4.3 Litigation related to management trainee program

Treatment of Non-MTOs (regular employees) at Par with the MTOs (also appointed in regular cadres) - Litigation arising out of order dated September 21, 2016 passed by the Supreme Court in our CA No.1644/2013 out of our CPLA No. 805/2013 filed against order dated March 13, 2013 of the Division Bench of Sindh High Court, Sukkur in CP No. D-417/2010 (the "Decision").

Mr. Ashfaq Ali and three (3) others filed a CP No. D-417/2010 before the Sindh High Court, Bench at Sukkur while praying to treat them equally in respect of remunerations with other employees (MTOs) having same grade, nature of job and qualification.

The Honorable Division Bench at Sukkur, vide order dated March 13, 2013, directed the Bank to ensure equal treatment to the petitioners with similarly placed employees without any discrimination.

Certain employees filed petitions in the Honorable High Court of Peshawar who also gave its decision in favor of the petitioners. Review petition filed in the Honorable Supreme Court of Pakistan by the Bank was also dismissed.

Last year, the Bank entered into out of court settlements which have successfully been executed with many Non-MTO employees ('petitioners') and accordingly compromise agreements ('the agreement'), offering waiver of loans, increase in basic salaries and provision of other allowances, were signed with those petitioners who have withdrawn their cases against the Bank. Simultaneously the Bank continues to make payments to claimants as per any court orders from time to time.

26.4 Foreign Exchange repatriation case

While adjudicating Foreign Exchange repatriation cases of exporter namely: M/s Fateh Textile Mills Limited, the Foreign Exchange Adjudicating Court of the State Bank of Pakistan has also adjudicated penalty of Rs. 1,020 million, arbitrarily on the Bank. The Bank has filed appeals before the Appellate Board and Constitutional Petitions in the Honorable High Court of Sindh against the said judgments. The Honorable High Court has granted relief to the Bank by way of interim orders.

As advised by our counsel, NBP has also filed a Constitutional Petition challenging the constitution of the Appellate Board by the Commission and has obtained restraining order on the ground that the Appellate Board constituted by the Commission lacks legal merit in the light of Supreme Court ruling. Our counsel, Mr. Raashid Anwar, Advocate has concluded his arguments in respect of the Foreign Exchange Regulation Appellate Board constitution. However, another petition filed by another company whereby challenging the constitutionality of the Competition Act was also tagged with the petitions filed by the banks.

Based on merits of the appeals management is confident that these appeals shall be decided in favor of the Bank and therefore, no provision has been made against the impugned penalty.

26.5 Compliance and risk matters relating to anti-money laundering at the New York Branch

26.5.1 The New York Branch of NBP continues to make progress against the enforcement actions received in February 2022 from the Federal Reserve Bank and the New York State Department of Financial Services. The Branch has provided regular quarterly and half-yearly progress reporting to its regulators. The management and the Board of Directors continue to provide close oversight of the branches, remedial actions and are committed to ensure compliance with the conditions agreed in the enforcement actions. The management actions implemented by the Bank and Branch, and their associated validation by Internal Audit will be subject to review by the Branch's regulators.

26.5.2 During the year ended December 31, 2019, a case was filed in the District Court for the Southern District of New York against the Bank by the relatives of several US citizens killed in Khost, Afghanistan, during a terrorist attack carried out at Camp Chapman, a US base. The complaint was later extended to several other random terrorist attacks carried out against US servicemen in Afghanistan by various terrorist organisations. The Bank was sued for its alleged role in knowingly facilitating, aiding and abetting, conspiring and providing material support and banking services to several notorious terrorist groups and terrorist fundraisers.

The plaintiff alleged that the Bank transferred funds by using its New York branch to convert the donations they received from outside Pakistan into U.S. dollars. It has been alleged that the Bank was in a position of knowing and preventing the money transfers.

In January 2021, the case was primarily dismissed on the grounds of its non-compliance with the drafting requirements of the civil procedures applicable. Further, three more amended complaints were filed and dismissed, and the fourth complaint was finally dismissed by the court pursuant to the Bank's Motion to Dismiss the case. The complainants had ultimately failed to state a preliminary case against the Bank as a result of the unsubstantiated and baseless nature of the complaints.

The plaintiffs have filed an appeal against the dismissal of the motion and NBP has filed its counter reply and the case is sub judice.

Based on the merits of the appeal, the management is confident that the appeal shall be decided in favour of the Bank and therefore, no provision has been made in these consolidated financial statements.

	Note	2022	2021
		---------- (Rupees in '000) ----------	

27. MARK-UP / RETURN / INTEREST EARNED

On:		
a) Loans and advances	**141,345,000**	87,349,028
b) Investments	**348,343,571**	139,163,731
c) Lendings to financial institutions	**13,004,206**	4,057,559
d) Balances with banks	**883,138**	1,481,927
	503,575,915	232,052,245

28. MARK-UP / RETURN / INTEREST EXPENSED

Deposits	**209,559,709**	87,831,336
Borrowings	**5,116,553**	6,838,985
Cost of foreign currency swaps against foreign currency deposits / borrowings	**10,026,057**	8,018,491
Finance charge on lease liability against right of use assets	**877,000**	801,299
Securities sold under repurchase agreements	**160,894,929**	30,794,533
	386,474,248	134,284,644

29. FEE AND COMMISSION INCOME

Branch banking customer fees	**1,644,009**	1,211,530
Consumer finance related fees	**525,249**	764,985
Card related fees (debit cards)	**2,372,961**	1,751,172
Credit related fees	**215,721**	273,464
Investment banking fees	**767,814**	769,417
Commission on trade	**2,120,399**	1,947,306
Commission on guarantees	**742,496**	459,515
Commission on cash management	**53,907**	95,276
Commission on remittances including home remittances	**1,648,416**	1,756,353
Commission on bancassurance	**308,736**	332,743
Commission on government transactions	**10,506,945**	8,408,285
Management Fee & Sale Load	**1,307,353**	1,239,014
Brokerage Income	**72,177**	123,673
Others	**271,217**	67,652
	22,557,400	19,200,385

30. GAIN ON SECURITIES - NET

Realised	30.1	**1,746,693**	6,324,359
Unrealised - held for trading	10.1	**(1,065,797)**	(121,834)
Unrealised - Shortselling		**442,320**	-
		1,123,216	6,202,525

30.1 Realised gain on:

Federal Government Securities	**121,098**	1,065,169
Shares and mutual funds	**1,625,517**	5,152,046
Ijarah Sukuks	**-**	10,809
Foreign Securities	**78**	96,335
	1,746,693	6,324,359

	Note	2022	2021
		---------- (Rupees in '000) ----------	

31. OTHER INCOME

Rent on property		**33,455**	55,550
Gain on sale of fixed assets - net		**17,005**	71,702
Postal, SWIFT and other charges recovered / reversed		**48,716**	23,450
Claim from insurance company		**-**	4,355
Compensation for delayed tax refunds	31.1	**1,588,150**	1,664,879
Gain on derecognition on right of use assets		**1,690**	12,378
Tender money		**576**	2,082
Commission on IPS non-competative bids		**5,599**	-
Gain on disposal of subsidiary and branch		**67,007**	-
Others		**27,900**	21,867
		1,790,098	1,856,263

31.1 This represents compensation of delayed refunds determined under Section 171 of Income Tax Ordinance 2001.

	Note	2022	2021
		---------- (Rupees in '000) ----------	

32. OPERATING EXPENSES

Total compensation expenses	32.1	**49,591,298**	37,750,321
Property expense			
Rent and taxes		**1,149,827**	820,046
Insurance	32.2	**66,842**	36,172
Utilities cost		**2,176,886**	1,383,562
Security (including guards)		**3,654,635**	2,914,689
Repair and maintenance (including janitorial charges)		**1,158,187**	913,269
Depreciation		**458,220**	476,940
Depreciation on non banking assets		**15,717**	15,462
Depreciation on Ijarah assets		**53,953**	72,807
Depreciation on ROUA		**2,306,599**	2,089,824
		11,040,866	8,722,771
Information technology expenses			
Software maintenance		**1,958,366**	1,357,334
Hardware maintenance		**121,317**	90,654
Depreciation		**393,592**	366,707
Amortisation		**365,818**	428,807
Network charges		**763,928**	612,209
IT Manage Services		**1,576,444**	359,054
		5,179,465	3,214,765

	Note	2022	2021
		---------- (Rupees in '000) ----------	
Other operating expenses			
Directors' fees and allowances		**25,772**	25,431
Directors' fees and allowances - subsidaries		**13,265**	14,242
Fees and allowances to Shariah Board		**16,667**	12,563
Legal and professional charges		**1,215,057**	1,376,323
Outsourced services costs	32.3	**702,378**	641,428
Travelling and conveyance		**1,287,738**	826,568
NIFT clearing charges		**218,640**	177,432
Depreciation		**1,561,239**	1,700,068
Training and development		**55,923**	63,052
Postage and courier charges		**314,401**	222,069
Communication		**580,056**	372,283
Stationery and printing		**1,359,965**	1,344,782
Marketing, advertisement and publicity		**936,407**	371,405
Donations	32.4	**2,000**	1,000
Contributions for other Corporate and Social Responsibility	32.5	**107,076**	8,197
Auditors' remuneration	32.6	**246,015**	188,304
Fixed Assets / Non-banking asset deficit		**141,403**	18,833
Financial charges on leased assets		**72,086**	44,317
Entertainment		**273,283**	270,757
Clearing charges, verification and licence fee		**532,198**	306,104
Subscription		**1,125**	1,278
Brokerage		**105,290**	134,916
Insurance general		**572,536**	467,891
Vehicle expenses		**278,756**	173,999
Deposit premium expense		**1,813,582**	1,571,107
Repairs and maintenance general		**945,805**	710,695
Others		**397,992**	326,271
		13,776,655	11,371,315
Grand Total		**79,588,284**	61,059,172

32.1 Total compensation expense

Managerial Remuneration		
i) Fixed	**15,919,747**	8,340,084
ii) Variable		
of which;		
a) Cash Bonus / Awards etc.	**5,158,442**	4,513,291
Charge for defined benefit plan	**8,354,267**	7,406,457
Charge for defined benefit plan - Subsidiaries	**72,269**	55,445
Rent & house maintenance	**5,980,507**	5,415,505
Utilities	**2,139,441**	1,988,327
Medical	**3,885,392**	3,466,641
Conveyance	**3,749,778**	3,366,477
Club Membership & Subscription	**140,451**	197,923
Education Allowance	**1,443,112**	1,455,624
Insurance	**485,749**	350,235
Honorarium to Staff and Staff Welfare	**262,284**	208,592
Overtime	**45,255**	44,249
Special Duty Allowance	**2,408**	139
Washing Allowance	**15,044**	16,590
Key Allowance	**71,914**	72,813
Unattractive Area Allowance	**61,969**	56,898
Leave Encashment	**12,967**	9,775
Teaching Allowance	**10,590**	10,392
Incentive on CASA deposits mobilization	**23,739**	20,473
Meal Allowance	**249,065**	255,290
Liveries	**62**	1,265
Inflationary Allowance	**840,224**	-
Saturday Allowances	**149,162**	93,449
Severe Winter Allowance	**54,659**	50,849
Hill Allowance	**35,176**	28,825
ATM Cash Replenish Allowance	**14,977**	7,500
PhD Allowance	**10,441**	5,353
Other retirement benefits for international branches	**85,969**	79,772
Reimbursement of visa fees etc	**13,620**	8,155
Recruting expenses	**7,732**	5,427
Leave Fare Assistance	**-**	17,983
Others	**294,886**	200,523
	49,591,298	37,750,321
	49,591,298	37,750,321

32.2 This includes Rs. 3.442 million (2021: Rs.3.442 million) insurance premium against directors' liability insurance.

32.3 Total cost for the year included in other operating expenses relating to outsourced activities is Rs. 702.4 million (2021: Rs. 640.8 million). Out of this cost, Rs. 693.2 million (2021: Rs. 631.7 million) pertains to the payment to companies incorporated in Pakistan and Rs. 9.1 million (2021: Rs. 9.1 million) pertains to payment to companies incorporated outside Pakistan. Total Cost of outsourced activities for the year given to related parties is Rs. Nil (2021: Rs. Nil). Outsourcing shall have the same meaning as specified in Annexure-I of BPRD Circular No. 06 of 2017. The material outsourcing arrangements along with their nature of services are as follows:

Name of Company	Nature of Services	2022	2021
		(Rupees in '000)	
HTECH Solutions (Private) Limite	Call center management	**81,962**	94,770
		81,962	94,770

During the year, outsourcing services were hired in respect of sales, call centre services, IT support, data entry, protocol services, collection services, janitorial & cleaning services and lift operator and engineering services.

32.4 Donations include following amounts exceeding Rs. 500,000:

Description	2022	2021
	(Rupees in '000)	
Prime Minister's Flood Relief Fund 2022	**2,000**	-
The Patients' Behbud Society for AKUH	**-**	1,000
	2,000	1,000

32.5 Contributions for Corporate & Social Responsibilities include following amounts exceeding Rs. 500,000:

Description	2022	2021
	(Rupees in '000)	
Family Educational Services Foundation (FESF)	**17,000**	-
Sanjan Nagar Public Education Trust (SNPET)	**10,000**	-
Layton Rahmatullah Benevolent Trust (LRBT)	**5,000**	-
Thardeep Microfinance Foundation (TMF)	**6,000**	-
Rural Community Development Programs (RCDP)	**4,000**	-
Prime Minister's Flood Relief Fund 2022	**50,000**	-
Namal Education Foundation (NEF)	**5,197**	5,197
Ghulam Ishaq Khan Institute of Engineering Sciences and Technology	**9,879**	
Pakistan Hindu Council	**-**	1,000
Tehzibul Akhlaq Trust	**-**	2,000
Total	**107,076**	8,197

32.5.1 None of the Directors, Sponsor shareholders and Key Management Personnel or their spouse have an interest in the Donee.

32.6 Auditors' remuneration

	Yousuf Adil	A.F. Ferguson & Co.	Total 2022	Total 2021
	(Rupees in '000)			
Audit fee	**7,471**	**7,471**	**14,942**	12,452
Review of interim financial statements	**2,614**	**2,614**	**5,228**	4,356
Fee for audit of domestic branches	**6,072**	**6,072**	**12,144**	10,120
Special certifications and sundry advisory services	**6,298**	**16,713**	**23,011**	7,934
Sales Tax	**2,406**	**3,718**	**6,124**	3,508
Out-of-pocket expenses	**4,500**	**4,500**	**9,000**	9,000
	29,361	**41,088**	**70,449**	47,370
Fee for audit of overseas branches including advisory services and out-of-pocket expenses	**-**	**-**	**171,960**	136,240
Fee for audit of subsidiaries including out-of-pocket expenses	**-**	**-**	**3,606**	4,694
	29,361	**41,088**	**246,015**	188,304

	Note	2022	2021
		---------- (Rupees in '000) ----------	

33. OTHER CHARGES

Penalties imposed by State Bank of Pakistan		**72,347**	343,698
Penalties imposed by other regulatory bodies (Central Bank of international branches)		**279**	2,765
Penalties imposed by other regulatory bodies (Regulators of subsidiaries)		**222**	516
		72,848	346,979

34. PROVISIONS & WRITE OFFS - NET

Provisions for diminution in value of investments	10.3	**4,376,278**	523,278
Provisions against loans and advances	11.4	**8,011,799**	11,003,313
Provision against other assets	16.5.1	**562,955**	70,781
Provision against contingencies	22.1	**165,423**	53,239
Provision against letter of placement		**-**	(2,000)
Provision against balance with other bank		**-**	10,714
		13,116,455	11,659,325

35. TAXATION

Current	35.1	**31,946,150**	27,109,380
Prior years		**3,828,030**	-
Deferred		**(3,126,041)**	(2,077,680)
		32,648,139	25,031,700

35.1 Current taxation includes Rs. Nil (2021: Nil) of overseas branches.

35.2 Relationship between tax expense and accounting profit

	2022	2021
	---------- (Rupees in '000) ----------	
Accounting profit before tax	**63,597,150**	53,792,081
Income tax at statutory rate @ 39% (2021: 35%)	**24,802,889**	18,827,228
Increase / (decrease) in taxes resulting from:		
Super tax at statutory rate @ 10% (2021: 4%)	**6,273,716**	2,114,416
Inadmissible items	**35,587**	3,948,871
Prior year taxation	**3,828,030**	-
Impact of change in tax rate	**(2,075,075)**	-
Enhanced rate on Govt. Securities	**-**	832,181
Reduced rate on SME / Housing	**(87,432)**	(96,438)
Others	**(129,575)**	(594,558)
Tax charge for current and prior years	**32,648,139**	25,031,700

36. BASIC EARNINGS PER SHARE

	2022	2021
Profit for the year (Rupees in 000's)	**30,834,587**	28,600,461
Weighted average number of ordinary shares (Number in 000's)	**2,127,513**	2,127,513
Basic earnings per share (Rupees)	**14.49**	13.44

	2022	2021
37. DILUTED EARNINGS PER SHARE		
Profit for the year (Rupees in 000's)	**30,834,587**	28,600,461
Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares) (Number in 000's)	**2,127,513**	2,127,513
Diluted earnings per share (Rupees)	**14.49**	13.44

	Note	2022	2021
		---------- (Rupees in '000) ----------	
38. CASH AND CASH EQUIVALENTS			
Cash and balance with treasury banks	7	**230,226,311**	278,868,736
Balance with other banks	8	**19,623,124**	19,211,237
Call / clean money lendings	9	**9,723**	21,009,723
Call borrowings	18	**(25,810,145)**	(46,011,009)
Overdrawn nostro accounts	18	**-**	(26,480)
		224,049,013	273,052,207

38.1 Reconciliation of movements of liabilities to cash flows arising from financing activities

	2022	
	Lease Obligations	**Unclaimed Dividend**
	---------- (Rupees in '000) ----------	
Balance as at January 1, 2022	**8,494,353**	**181,997**
Changes from financing cashflows		
Payment of lease obligation / dividend	**(2,680,093)**	**(146)**
Total charges from financing activities	**(2,680,093)**	**(146)**
Other charges		
Renewed lease during the year	**2,486,545**	**-**
Interest unwinding	**872,775**	**-**
Foreign exchange loss	**(291,112)**	**-**
Total other charges	**3,068,208**	**-**
Balance as at December 31, 2022	**8,882,468**	**181,851**

	2021	
	Lease Obligations	**Unclaimed Dividend**
	---------- (Rupees in '000) ----------	
Balance as at January 1, 2021	8,066,579	185,516
Changes from financing cashflows		
Payment of lease obligation / dividend	(2,753,249)	(3,519)
Total charges from financing activities	(2,753,249)	(3,519)
Other charges		
Renewed lease during the year	2,241,526	-
Increase in unclaimed dividend	798,284	-
Foreign exchange gain	141,213	-
Total other charges	3,181,023	-
Balance as at December 31, 2021	8,494,353	181,997

	2022	2021
	---------- (Number) ----------	

39. STAFF STRENGTH

Permanent	**10,580**	11,005
On contract	**5,380**	5,355
Staff strength at the end of the year	**15,960**	16,360

39.1 In addition to the above, 1,218 (2021: 1,273) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services. Out of these, 1,211 employees are working domestically (2021: 1,258) and 7 (2021: 15) abroad respectively.

40. DEFINED BENEFIT PLAN

40.1 General description

General description of the type of defined benefit plan and accounting policy for remeasurements of the net defined liability / asset is disclosed in note 5.15 to the consolidated financial statements.

40.2 Number of Employees under the scheme

The number of employees covered under the following defined benefit schemes are:

	2022	2021
	---------- (Number) ----------	
Pension fund	**10,018**	10,437
Post retirement medical scheme	**10,018**	10,437
Benevolent scheme	**10,018**	10,437
Gratuity scheme	**4,855**	4,685
Compensated absences	**10,018**	10,437

40.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2022 using the following significant assumptions:

	2022	2021
	---------- (Per annum) ----------	
Discount rate	**14.50%**	11.75%
Expected rate of return on plan assets	**14.50%**	11.75%
Expected rate of salary increase	**14.50%**	11.75%
Expected rate of increase in pension	**53% for next one year, 10% onwards**	29% for next one year, 7.25% onwards
Expected rate of increase in medical benefit	**14.50%**	11.75%

40.4 Reconciliation of (receivable from) / payable to defined benefit plans

	2022						2021					
	Pension fund	**Post retirement medical scheme**	**Benevolent scheme**	**Gratuity scheme**	**Compensated absences**	**Total**	Pension fund	Post retirement medical scheme	Benevolent scheme	Gratuity scheme	Compensated absences	Total
	(Rupees in '000)											
Present value of obligations	**89,128,297**	**29,176,898**	**1,697,838**	**3,767,858**	**8,734,235**	**132,505,126**	79,608,695	24,516,717	1,778,825	3,168,258	9,952,554	119,025,049
Fair value of plan assets	**(66,064,403)**	**-**	**-**	**-**	**-**	**(66,064,403)**	(61,773,750)	-	-	-	-	(61,773,750)
Holding Company	**23,063,894**	**29,176,898**	**1,697,838**	**3,767,858**	**8,734,235**	**66,440,723**	17,834,945	24,516,717	1,778,825	3,168,258	9,952,554	57,251,299
Subsidaries	**-**	**-**	**-**	**332,759**	**-**	**332,759**	-	-	-	299,681	-	299,681
Payable / (Receivable)	**23,063,894**	**29,176,898**	**1,697,838**	**4,100,617**	**8,734,235**	**66,773,482**	17,834,945	24,516,717	1,778,825	3,467,939	9,952,554	57,550,980

40.5 Movement in defined benefit obligations

Obligations at the beginning of the year	**79,608,695**	**24,516,717**	**1,778,825**	**3,168,258**	**9,952,554**	**119,025,049**	72,742,130	22,282,747	2,054,218	2,711,914	9,251,755	109,042,764
Current service cost	**1,034,974**	**856,635**	**63,621**	**473,120**	**11,299**	**2,439,649**	1,036,822	794,194	72,381	379,017	16,194	2,298,608
Past Service due to early retirement gratuity	**1,119,100**	**441,385**	**-**	**-**	**-**	**1,560,485**	119,800	-	-	-	-	119,800
Adjustment against contigency reserve	**240,914**	**52,731**	**328**	**-**	**31,837**	**325,810**	245,833	70,731	2,939	-	31,950	351,453
Interest cost	**9,162,030**	**2,808,493**	**196,854**	**364,696**	**1,149,972**	**13,682,045**	6,939,689	2,118,798	189,497	258,343	887,413	10,393,740
Benefits paid by the Bank	**(3,267,938)**	**(1,229,299)**	**(206,937)**	**(128,928)**	**(331,125)**	**(5,164,227)**	(3,131,668)	(1,102,980)	(221,326)	(124,479)	(300,163)	(4,880,616)
Re-measurement loss / (gain) - Profit and Loss	**-**	**-**	**-**	**-**	**(2,080,302)**	**(2,080,302)**	-	-	-	-	65,405	65,405
Re-measurement loss / (gain) - OCI	**1,230,522**	**1,730,236**	**(134,853)**	**(109,288)**	**-**	**2,716,617**	1,656,089	353,227	(318,884)	(56,537)	-	1,633,895
Obligations at the end of the year	**89,128,297**	**29,176,898**	**1,697,838**	**3,767,858**	**8,734,235**	**132,505,126**	79,608,695	24,516,717	1,778,825	3,168,258	9,952,554	119,025,049

40.6 Movement in fair value of plan assets

Fair value at the beginning of the year	**61,773,750**	**-**	**-**	**-**	**-**	**61,773,750**	57,038,053	-	-	-	-	57,038,053
Interest income on plan assets	**7,247,610**	**-**	**-**	**-**	**-**	**7,247,610**	5,471,096	-	-	-	-	5,471,096
Contribution by the Bank - net	**1,345,187**	**-**	**-**	**-**	**-**	**1,345,187**	1,283,178	-	-	-	-	1,283,178
Benefits paid	**(3,267,938)**	**-**	**-**	**-**	**-**	**(3,267,938)**	(3,131,668)	-	-	-	-	(3,131,668)
Benefits paid on behalf of fund	**1,738,818**	**-**	**-**	**-**	**-**	**1,738,818**	1,713,284	-	-	-	-	1,713,284
Actuarial gain / (loss) on assets	**(2,773,024)**	**-**	**-**	**-**	**-**	**(2,773,024)**	(600,193)	-	-	-	-	(600,193)
Fair value at the end of the year	**66,064,403**	**-**	**-**	**-**	**-**	**66,064,403**	61,773,750	-	-	-	-	61,773,750

Movement in (receivable) / payable under defined benefits scheme of Holding Company

Opening balance	**17,834,945**	**24,516,717**	**1,778,825**	**3,168,258**	**9,952,554**	**57,251,299**	15,704,077	22,282,747	2,054,218	2,711,914	9,251,755	52,004,711
Charge / (reversal) for the year	**2,949,394**	**3,665,128**	**260,475**	**837,816**	**(919,031)**	**6,793,782**	2,505,415	2,912,992	261,878	637,360	969,012	7,286,657
Past Service due to early retirement gratuity	**1,119,100**	**441,385**	**-**	**-**	**-**	**1,560,485**	119,800	-	-	-	-	119,800
Adjustment against contigency Reserve	**240,914**	**52,731**	**328**	**-**	**31,837**	**325,810**	245,833	70,731	2,939	-	31,950	351,453
Contribution by the bank - net	**(1,345,187)**	**-**	**-**	**-**	**-**	**(1,345,187)**	(1,283,178)	-	-	-	-	(1,283,178)
Re-measurement loss / (gain) recognized in OCI during the year	**4,003,546**	**1,730,236**	**(134,853)**	**(109,288)**	**-**	**5,489,641**	2,256,282	353,227	(318,884)	(56,537)	-	2,234,088
Benefits paid on behalf of fund	**(1,738,818)**	**(1,229,299)**	**(206,937)**	**(128,928)**	**(331,125)**	**(3,635,107)**	(1,713,284)	(1,102,980)	(221,326)	(124,479)	(300,163)	(3,462,232)
	23,063,894	**29,176,898**	**1,697,838**	**3,767,858**	**8,734,235**	**66,440,723**	17,834,945	24,516,717	1,778,825	3,168,258	9,952,554	57,251,299

40.7 Charge for defined benefit plans

40.7.1 Cost recognised in profit and loss

Current service cost	**1,034,974**	**856,635**	**63,621**	**473,120**	**11,299**	**2,439,649**	1,036,822	794,194	72,381	379,017	16,194	2,298,608
Past Service due to early retirement gratuity	**1,119,100**	**441,385**	**-**	**-**	**-**	**1,560,485**	119,800	-	-	-	-	119,800
Actuarial loss recognized - Profit and Loss	**-**	**-**	**-**	**-**	**(2,080,302)**	**(2,080,302)**	-	-	-	-	65,405	65,405
Net interest on defined benefit asset / liability	**1,914,420**	**2,808,493**	**196,854**	**364,696**	**1,149,972**	**6,434,435**	1,468,593	2,118,798	189,497	258,343	887,413	4,922,644
	4,068,494	**4,106,513**	**260,475**	**837,816**	**(919,031)**	**8,354,267**	2,625,215	2,912,992	261,878	637,360	969,012	7,406,457

40.7.2 Re-measurements recognised in OCI during the year

Loss / (gain) on obligation												
- Financial assumptions	**4,049,273**	**1,259,537**	**(278,861)**	**45,522**	**-**	**5,075,471**	1,356,738	1,516,049	(213,037)	19,552	-	2,679,302
- Experience adjustment	**(2,818,751)**	**470,699**	**144,008**	**(154,810)**	**-**	**(2,358,854)**	299,351	(1,162,822)	(105,847)	(76,089)	-	(1,045,407)
Return on plan assets over interest income	**2,773,024**	**-**	**-**	**-**	**-**	**2,773,024**	600,193	-	-	-	-	600,193
Total re-measurements recognised in OCI	**4,003,546**	**1,730,236**	**(134,853)**	**(109,288)**	**-**	**5,489,641**	2,256,282	353,227	(318,884)	(56,537)	-	2,234,088

	2022	2021
	---------- (Rupees in '000) ----------	

40.8 Components of plan assets - Pension fund

Cash and cash equivalents - net	**284,476**	133,034
Government securities	**53,824,866**	41,244,674
Shares	**5,565,760**	6,969,297
Non-Government debt securities	**100,000**	104,000
PLS - Term Deposit Receipts	**-**	6,625,201
Mutual funds	**6,289,301**	6,697,543
	66,064,403	61,773,750

40.8.1 The Funds primarily invests in government securities which do not carry any significant credit risk. These are subject to interest rate risk based on market movements. Investment in term finance certificates are subject to credit risk and interest rate risks, while equity securities are subject to price risk. These risks are regularly monitored by Trustees of the Pension fund.

40.9 Sensitivity analysis

The increase / (decrease) in the present value of defined benefit obligations as a result of change in each assumption is summarised as below:

	2022					
	Pension fund	**Post retirement medical scheme**	**Benevolent scheme**	**Gratuity fund**	**Compensated absences**	**Total**
	---------- (Rupees in '000) ----------					
1% increase in discount rate	**(5,915,892)**	**(3,240,793)**	**(86,365)**	**(398,462)**	**(594,451)**	**(10,235,963)**
1% decrease in discount rate	**6,726,947**	**3,998,573**	**95,833**	**468,138**	**674,544**	**11,964,035**
1 % increase in expected rate of salary increase	**3,793,814**	**1,044,078**	**2,931**	**482,184**	**708,338**	**6,031,345**
1 % decrease in expected rate of salary increase	**(3,443,751)**	**(944,533)**	**(3,147)**	**(416,432)**	**(634,014)**	**(5,441,877)**
1% increase in expected rate of pension increase	**2,580,807**	**1,579,961**	**-**	**-**	**-**	**4,160,768**
1% decrease in expected rate of pension increase	**(2,257,907)**	**(1,367,944)**	**-**	**-**	**-**	**(3,625,851)**
1% increase in expected rate of medical benefit increase	**-**	**1,282,639**	**-**	**-**	**-**	**1,282,639**
1% decrease in expected rate of medical benefit increase	**-**	**(1,089,185)**	**-**	**-**	**-**	**(1,089,185)**

40.10 Expected contributions to be paid to the fund in the next financial year **1,682,436**

40.11 Expected charge for the next financial year **11,365,650**

40.12 Maturity profile

The weighted average duration of the obligation

	Years
Pension fund	7.09
Post retirement medical scheme	12.41
Benevolent scheme	5.37
Gratuity scheme	11.50
Compensated absences	7.22

40.13 Funding Policy

Pension Fund - Bank's current assets and its percentage is given below.

Current Assets	**Amount Rupees in '000**	**Percentage**
Cash and cash equivalents - net	**284,476**	**0.4%**
Government Securities	**53,824,866**	**81.5%**
Shares	**5,565,760**	**8.4%**
Non-Government Debt Securities	**100,000**	**0.2%**
PLS - Term Deposit Receipts	**-**	**0.0%**
Mutual Funds	**6,289,301**	**9.5%**
	66,064,403	**100.0%**

Bank will continue to invest with the same percentage in the asset categories mentioned but increase the assets gradually so that there is no deficit in the pension fund.

40.14 The significant risks associated with the staff retirement benefit schemes are as follows:

Asset volatility	The risk arises when the future earnings are lower than expectation. This risk is measured at a plan level over the obligation period of the current population. The company assets are either invested in fixed securities or cash.
Changes in bond yields	The risk arises when the actual return on plan assets is lower than expectation.
Inflation risk	The most common type of retirement benefit is one where the benefit is linked with last drawn salary. The risk arises when the actual increases are higher than expectation and impacts the liability accordingly.
Life expectancy / Withdrawal rate	The risk arises when the actual lifetime of retirees is longer than expectation. This risk is measured at the plan level over the entire retiree population. The risk of actual withdrawals varying with the actuarial assumptions can impose a risk to the benefit obligation. The movement of the liability can go either way.
Investment Risk	The risk arises when the actual performance of the investments is lower than expectation and thus creating a shortfall in the funding objectives.

41. DEFINED CONTRIBUTION PLAN

Provident Fund

The NBP employees Provident Fund was created under National Bank of Pakistan Employees Provident Fund Rules on April 01st, 1950 under the Provident Fund Act, 1925. The Rules have been superseded by revised NBP Employees' Provident Fund Rules which came into force on 01st January, 1958.

As per rules, the Officers, Executives and Clerical and Non Clerical staff in regular cadre make monthly contribution of 10% and 12.5% of their basic salary respectively towards the fund and the bank has to pay interest on balances of member's provident fund half yearly.

This scheme covers 9,737 employees (2021: 9,801 employees).

42. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

42.1 Total Compensation Expense

Items	2022					
	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non-Executives				
	(Rupees in '000)					
Fees and Allowances etc.	**2,705**	**23,067**	**11,370**	**-**	**-**	**-**
Managerial Remuneration						
i) Fixed	**-**	**-**	**1,793**	**28,756**	**231,791**	**744,615**
ii) Total Variable	**-**	**-**	**-**	**-**	**-**	**-**
of which						
a) Cash Bonus / Awards	**-**	**-**	**727**	**-**	**156,019**	**388,106**
Charge for defined benefit plan	**-**	**-**	**450**	**6,945**	**40,039**	**224,986**
Rent & house maintenance	**-**	**-**	**986**	**5,038**	**106,721**	**367,150**
Utilities	**-**	**-**	**305**	**1,557**	**32,986**	**106,573**
Medical	**-**	**-**	**224**	**1,145**	**25,334**	**112,302**
Conveyance	**-**	**-**	**408**	**-**	**29,957**	**146,485**
Others	**-**	**-**	**105**	**31,151**	**16,351**	**141,917**
Total	**2,705**	**23,067**	**16,368**	**74,592**	**639,198**	**2,232,134**
Number of Persons	**1**	**6**	**5**	**2**	**23**	**185**

The President and certain executives are also provided with free use of Bank's cars, household equipment, mobile phones and free membership of clubs.

Others also included end retirement benefits of Ex-President Mr. Arif Usmani.

42.1.1 The total amount of deferred bonus as at December 31, 2022 for the Key Management Personnel and other Material Risk Takers (MRT) / Material Risk Controllers (MRC) is Rs 149.7 million (December 2021: Rs. 55 million). The deferred bonus is held in a trust fund.

Performance bonus is accounted for on payment basis.

Items	2021					
	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non-Executives				
	(Rupees in '000)					
Fees and Allowances etc.	4,874	20,557	9,981	-	-	-
Managerial Remuneration						
i) Fixed	-	-	-	54,000	181,256	550,870
ii) Total Variable	-	-	-	-	-	-
of which						
a) Cash Bonus / Awards	-	-	774	-	162,086	256,035
Charge for defined benefit plan	-	-	98	4,500	30,631	105,691
Rent & house maintenance	-	-	869	-	99,691	266,605
Utilities	-	-	269	-	48,007	87,545
Medical	-	-	198	-	23,964	79,310
Conveyance	-	-	375	-	19,536	74,492
Others	-	-	-	3,970	9,463	104,668
Total	4,874	20,557	12,564	62,470	574,634	1,525,216
Number of Persons	1	7	5	1	32	144

42.2 Remuneration paid to Directors for participation in Board and Committee Meetings

2022

S.No.	Name of Director	Meeting Fees and Allowances Paid								
		For Board Meetings	For Board Committees						Allowances**	Total Amount Paid
			Board Audit Committee	Board Risk & Compliance Committee	Board HR & Remuneration Committee	Board Technology & Digitalization Committee	Board Inclusive Development Committee	Board International Franchises & Remittance Committee		
		(Rupees in '000)								
1	Mr. Zubyr Soomro *	900	-	-	150	-	300	-	1,355	2,705
2	Mr. Farid Malik	2,250	750	450	750	600	300	-	1,158	6,258
3	Mr. Tawfiq Asghar Hussain *	900	450	600***	-	-	-	-	-	1,950
4	Mr. Imam Bukhsh Baloch *	900	450	450	-	-	-	-	47	1,847
5	Ms. Sadaffe Abid *	900	-	-	-	150	450	-	292	1,792
6	Mr. Asif Jooma	2,250	1,200	450	750	-	600	-	-	5,250
7	Mr. Ahsan Ali Chughtai	2,250	750	900	600	450	450	-	570	5,970
	Total Amount Paid	**10,350**	**3,600**	**2,850**	**2,250**	**1,200**	**2,100**	**-**	**3,422**	**25,772**

*** Retired on April 16, 2022**
**** Allowances include accommodation and travel expenses.**
***** Amount includes NBP - NY Governance Council (Sub-Committee of BRCC).**

2021

S.No.	Name of Director	Meeting Fees and Allowances Paid								
		For Board Meetings	For Board Committees						Allowances**	Total Amount Paid
			Board Audit Committee	Board Risk & Compliance Committee	Board HR & Remuneration Committee	Board Technology & Digitalization Committee	Board Inclusive Development Committee	Board International Franchises & Remittance Committee*		
		(Rupees in '000)								
1	Mr. Zubyr Soomro	1,650	-	-	900	-	-	-	2,324	4,874
2	Mr. Farid Malik	1,650	-	-	750	900	-	-	301	3,601
3	Mr. Tawfiq Asghar Hussain	1,650	900	1,500 ***	-	-	-	150	-	4,200
4	Mr. Imam Bukhsh Baloch	1,650	750	750	-	-	150	-	-	3,300
5	Ms. Sadaffe Abid	1,500	-	-	-	900	750	-	368	3,518
6	Mr. Asif Jooma	1,350	900	-	900	-	450	-	-	3,600
7	Mr. Ahsan Ali Chughtai	750	-	-	-	-	450	-	238	1,438
8	Mr. Muhammad Sohail	450	150	-	-	-	300	-	-	900
	Total Amount Paid	10,650	2,700	2,250	2,550	1,800	2,100	150	3,231	25,431

* Dissolved in 317th Board Meeting held on February 24, 2021.
** Allowances include accommodation and travel expenses.
*** Amount includes NBP - NY Governance Council (Sub-Committee of BRCC).

42.3 Remuneration paid to Shariah Board Members

Items	2022				2021			
	Chairman	**Resident Member**	**Non-Resident Member(s)**	**Total**	Chairman	Resident Member	Non-Resident Member(s)	Total
	(Rupees in '000)							
Retainer Fee & Fixed Remuneration	**4,050**	**4,998**	**7,320**	**16,368**	3,462	4,163	4,938	12,564
Total Amount Paid	**4,050**	**4,998**	**7,320**	**16,368**	3,462	4,163	4,938	12,564
Total Number of Persons	**1**	**1**	**3**	**5**	1	1	3	5

The above information does not include particulars of subsidiaries.

43. FAIR VALUE MEASUREMENTS

The fair value of quoted securities other than those classified as held to maturity, is based on quoted market price. Quoted instruments classified as held to maturity are carried at cost. The fair value of unquoted equity securities, other than investments in associates and subsidiaries, is determined on the basis of the break-up value of these investments as per their latest available audited financial statements.

The fair value of unquoted debt securities, fixed-term loans, other assets, other liabilities, fixed-term deposits and borrowings cannot be calculated with sufficient reliability due to the absence of a current and active market for these assets and liabilities and reliable data regarding market rates for similar instruments.

43.1 Fair value of financial assets

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using input for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	2022				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
	(Rupees in '000)				
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Market Treasury Bills	**848,869,986**	**-**	**848,869,986**	**-**	**848,869,986**
Pakistan Investment Bonds	**2,005,678,970**	**-**	**2,005,678,970**	**-**	**2,005,678,970**
Ijarah Sukuks	**20,178,649**	**-**	**20,178,649**	**-**	**20,178,649**
Ordinary shares of listed companies	**36,671,325**	**36,671,325**	**-**	**-**	**36,671,325**
Investment in mutual funds	**3,733,376**	**-**	**3,733,376**	**-**	**3,733,376**
Preference shares	**1,370,477**	**1,370,477**	**-**	**-**	**1,370,477**
Term Finance Certificates / Musharika and Sukuk Bonds	**47,204,154**	**15,167,771**	**32,036,383**	**-**	**47,204,154**
GoP Foreign Currency Bonds	**14,422,839**	**-**	**14,422,839**	**-**	**14,422,839**
Foreign Government Securities	**3,655,766**	**-**	**3,655,766**	**-**	**3,655,766**
Ordinary shares of a bank outside Pakistan	**34,844,245**	**34,844,245**	**-**	**-**	**34,844,245**
	3,016,629,787	**88,053,818**	**2,928,575,969**	**-**	**3,016,629,787**
Financial assets - disclosed but not measured at fair value					
Investments					
Market Treasury Bills	**29,519,190**	**-**	**29,519,190**	**-**	**29,519,190**
Pakistan Investment Bonds	**375,285,244**	**-**	**375,285,244**	**-**	**375,285,244**
Ijarah Sukuks	**13,130,709**	**-**	**13,130,709**	**-**	**13,130,709**
GoP Foreign Currency Bonds	**2,992,408**	**-**	**2,992,408**	**-**	**2,992,408**
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	**-**	**-**	**-**	**-**	**-**
Foreign Government Securities	**36,096,507**	**-**	**36,096,507**	**-**	**36,096,507**
Foreign Currency Debt Securities	**871**	**-**	**871**	**-**	**871**
	457,024,929	**-**	**457,024,929**	**-**	**457,024,929**
	3,473,654,716	**88,053,818**	**3,385,600,898**	**-**	**3,473,654,716**
Off-balance sheet financial instruments - measured at fair value					
Foreign exchange contracts purchase and sale	**570,881,591**	**-**	**(125,371)**	**-**	**(125,371)**
Forward government securities transactions	**54,568,834**	**-**	**(14,626)**	**-**	**(14,626)**

	2021				
	Carrying Value	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Market Treasury Bills	811,994,893	-	811,994,893	-	811,994,893
Pakistan Investment Bonds	592,430,009	-	592,430,009	-	592,430,009
Ijarah Sukuks	13,969,700	-	13,969,700	-	13,969,700
Ordinary shares of listed companies	39,944,846	39,944,846	-	-	39,944,846
Investments in mutual funds	2,318,516	-	2,318,516	-	2,318,516
Preference shares	1,265,729	1,265,729	-	-	1,265,729
Term Finance Certificates / Musharika and Sukuk Bonds	51,264,518	16,056,782	35,207,736	-	51,264,518
GoP Foreign Currency Bonds	20,804,963	-	20,804,963	-	20,804,963
Foreign Government Securities	2,281,942	-	2,281,942	-	2,281,942
Foreign Currency Debt Securities	-	-	-	-	-
Ordinary shares of a bank outside Pakistan	27,524,206	27,524,206	-	-	27,524,206
	1,563,799,322	84,791,563	1,479,007,759	-	1,563,799,322

	2021				
	Carrying Value	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
Financial assets - disclosed but not measured at fair value					
Investments					
Market Treasury Bills	-	-	-	-	-
Pakistan Investment Bonds	324,726,185	-	324,726,185	-	324,726,185
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	30	-	30	-	30
Bai Muajjal with Government of Pakistan	10,914,185	-	10,914,185	-	10,914,185
GoP Foreign Currency Bonds	-	-	-	-	-
Foreign Government Securities	34,091,600	-	34,091,600	-	34,091,600
Foreign Currency Debt Securities	680	-	680	-	680
	369,732,680	-	369,732,680	-	369,732,680
	1,933,532,002	84,791,563	1,848,740,439	-	1,933,532,002
Off-balance sheet financial instruments - measured at fair value					
Foreign exchange contracts purchase and sale	571,111,340	-	3,058,205	-	3,058,205
Forward government securities transactions	38,255,954	-	(308,328)	-	(308,328)

Valuation techniques used in determination of fair valuation of financial instruments within level 2 and level 3

Item	**Valuation approach and input used**
Market Treasury Bills	PKRV (MUFAP)
Pakistan Investment Bonds	PKRV & PKFRV (MUFAP)
Ijarah Sukuks	PKISRV (MUFAP)
Ordinary shares of unlisted companies	Breakup value as per latest available audited financial statements
Term Finance Certificates / Musharika and Sukuk Bonds	MUFAP & Pakistan Stock Exchange
GoP Foreign Currency Bonds	Reuter page
Foreign Government Securities	Reuter page
Foreign Currency Debt Securities	Reuter page
Investment in mutual funds	MUFAP
Forward foreign exchange contracts and Forward Government securities transactions	The fair values of forward foreign exchange contracts and forward Government securities transactions are determined using forward pricing calculations.
Fixed assets and non-banking assets acquired in satisfaction of claims	Land, buildings and non-banking assets acquired in satisfaction of claims are revalued on a periodic basis using professional valuers. The valuation is based on their assessment of the market value of the assets. The effect of changes in the unobservable inputs used in the valuations cannot be determined with certainty. Accordingly, a qualitative disclosure of sensitivity has not been presented in these consolidated financial statements

43.2 Fair value of non-financial assets

Information about the fair value hierarchy of Group's non-financial assets as at the end of the reporting period are as follows:

	2022				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
	(Rupees in '000)				
Land & building (fixed assets)	**52,425,375**	**-**	**-**	**52,425,375**	**52,425,375**
Non-banking assets acquired in satisfaction of claims	**3,699,943**	**-**	**-**	**3,699,943**	**3,699,943**
	56,125,318	**-**	**-**	**56,125,318**	**56,125,318**

	2021				
	Carrying Value	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
Land & building (fixed assets)	48,745,835	-	-	48,745,835	48,745,835
Non-banking assets acquired in satisfaction of claims	4,059,546	-	-	4,059,546	4,059,546
	52,805,381	-	-	52,805,381	52,805,381

44. SEGMENT INFORMATION

44.1 Segment Details with respect to Business Activities

	2022									
	Retail Banking Group	Inclusive Development Group	Corporate and Investment Banking Group	Treasury	International, Financial Institution and Remittance Group	Aitemaad and Islamic Banking Group	Head Office / Others	Sub total	Eliminations	Total
	(Rupees in '000)									
Profit and loss account										
Net mark-up / return / profit	(162,183,572)	25,161,999	36,956,951	205,604,613	4,645,932	7,046,951	(131,207)	117,101,667	-	117,101,667
Inter segment revenue - net	242,679,059	(25,749,912)	(32,666,816)	(206,725,877)	-	(1,932,090)	24,395,636	-	-	-
Non mark-up / return / interest income	16,238,007	491,382	4,513,056	11,563,167	1,816,805	475,181	4,175,473	39,273,071	-	39,273,070
Total Income	96,733,494	(96,531)	8,803,191	10,441,903	6,462,737	5,590,042	28,439,902	156,374,738	-	156,374,737
Segment direct expenses	34,945,405	3,410,975	1,234,244	355,659	7,675,997	3,105,252	1,895,026	52,622,558	-	52,622,558
Inter segment expense allocation	-	-	-	-	-	-	27,038,574	27,038,574	-	27,038,574
Total expenses	34,945,405	3,410,975	1,234,244	355,659	7,675,997	3,105,252	28,933,600	79,661,132	-	79,661,132
Provisions charge / (reversal)	39,252	1,823,824	5,642,750	4,066,055	153,204	187,806	1,203,566	13,116,457	-	13,116,455
Profit / (loss) before tax	61,748,837	(5,331,330)	1,926,197	6,020,189	(1,366,464)	2,296,984	(1,697,264)	63,597,149	-	63,597,150
Statement of financial position										
Cash and bank balances	75,111,055	8,471,928	272,335	116,207,653	41,420,355	6,110,320	2,255,789	249,849,435	-	249,849,435
Investments	-	-	26,566,790	3,338,860,011	55,396,579	53,920,119	8,192,348	3,482,935,847	-	3,482,935,847
Net inter segment lending	1,913,764,601	-	-	-	-	-	161,978,230	2,075,742,831	(2,075,742,831)	-
Lendings to financial institutions	-	-	-	31,272,467	-	-	-	31,272,467	-	31,272,467
Advances - performing	221,901,091	236,174,990	608,412,187	-	68,916,285	46,381,315	51,521,899	1,233,307,767	-	1,233,307,767
Advances - non-performing	4,107,960	21,853,219	23,902,314	-	53,726,670	654,979	101,479,495	205,724,637	-	205,724,637
Provision against Advances	(8,972,018)	(19,791,641)	(23,100,384)	-	(52,356,953)	(655,299)	(103,486,991)	(208,363,286)	-	(208,363,286)
Advances - net	217,037,033	238,236,568	609,214,117	-	70,286,002	46,380,995	49,514,403	1,230,669,118	-	1,230,669,118
Others	31,988,215	3,619,414	41,795,925	381,562	6,402,399	2,842,469	170,009,042	257,039,026	-	257,039,027
Total Assets	2,237,900,904	250,327,910	677,849,167	3,486,721,693	173,505,335	109,253,903	391,949,812	7,327,508,724	(2,075,742,831)	5,251,765,894
Borrowings	-	6,032,537	78,172,283	1,839,417,048	16,636,856	-	227,063	1,940,485,787	-	1,940,485,787
Deposits & other accounts	2,088,472,344	-	406,454,898	-	75,916,594	93,591,714	837,707	2,665,273,257	-	2,665,273,257
Net inter segment borrowing	-	227,691,242	157,769,526	1,581,730,692	96,687,516	11,863,855	-	2,075,742,831	(2,075,742,831)	-
Others	149,428,560	16,604,131	35,169,167	44,395,276	2,896,990	3,373,893	83,838,601	335,706,618	-	335,706,618
Total liabilities	2,237,900,904	250,327,910	677,565,874	3,465,543,016	192,137,956	108,829,462	84,903,371	7,017,208,493	(2,075,742,831)	4,941,465,662
Equity	-	-	283,293	21,178,677	(18,632,621)	424,441	307,046,441	310,300,231	-	310,300,232
Total Equity & liabilities	2,237,900,904	250,327,910	677,849,167	3,486,721,693	173,505,335	109,253,903	391,949,812	7,327,508,724	(2,075,742,831)	5,251,765,894
Contingencies & Commitments	-	183,082,386	1,907,266,393	625,450,425	28,425,093	-	33,241,950	2,777,466,247	-	2,777,466,247

	2021									
	Retail Banking Group	Inclusive Development Group	Corporate and Investment Banking Group	Treasury	International, Financial Institution and Remittance Group	Aitemaad and Islamic Banking Group	Head Office / Others	Sub total	Eliminations	Total
	(Rupees in '000)									
Profit and loss account										
Net mark-up / return / profit	(58,755,894)	17,163,761	25,963,957	105,182,793	3,798,879	4,682,056	(267,953)	97,767,601	-	97,767,601
Inter segment revenue - net	111,902,235	(14,376,019)	(22,474,486)	(91,149,527)	-	(577,589)	16,675,387	-	-	-
Non mark-up / return / interest income	13,490,925	406,372	4,153,941	15,344,239	1,284,540	336,316	3,852,473	38,868,804	-	38,868,804
Total Income	66,637,266	3,194,114	7,643,412	29,377,506	5,083,419	4,440,783	20,259,907	136,636,405	-	136,636,405
Segment direct expenses	30,900,118	3,031,845	1,121,182	387,232	6,363,529	2,816,952	1,818,948	46,439,807	-	46,439,807
Inter segment expense allocation	-	-	-	-	-	-	24,745,192	24,745,192	-	24,745,192
Total expenses	30,900,118	3,031,845	1,121,182	387,232	6,363,529	2,816,952	26,564,140	71,184,999	-	71,184,999
Provisions charge / (reversal)	731,529	1,721,582	9,235,188	542,703	(111,737)	121,444	(581,383)	11,659,325		11,659,325
Profit / (loss) before tax	35,005,619	(1,559,313)	(2,712,958)	28,447,571	(1,168,373)	1,502,387	(5,722,850)	53,792,081	-	53,792,081
Statement of financial position										
Cash and bank balances	90,784,756	8,185,926	248,408	131,293,182	58,290,758	6,603,670	2,673,273	298,079,973	-	298,079,973
Investments	-	-	26,543,698	1,803,150,092	55,804,559	49,548,759	7,694,080	1,942,741,191	-	1,942,741,191
Net inter segment lending	2,319,442,077	-	-	-	-	-	274,915,854	2,594,357,931	(2,594,357,931)	-
Lendings to financial institutions	2,405,644	-	-	333,061,031	-	-	-	335,466,675	-	335,466,675
Advances - performing	184,159,822	224,303,465	566,192,602	-	80,731,709	42,316,269	9,391,774	1,107,095,640	-	1,107,095,640
Advances - non-performing	4,180,477	21,115,711	61,407,649	-	46,293,148	712,762	64,635,942	198,345,689	-	198,345,689
Provision against advances	(9,024,982)	(18,226,471)	(56,033,619)	-	(44,989,510)	(712,762)	(63,139,858)	(192,127,201)	-	(192,127,201)
Advances - net	179,315,317	227,192,704	571,566,632	-	82,035,347	42,316,269	10,887,859	1,113,314,128	-	1,113,314,128
Others	25,276,052	2,297,783	18,315,585	3,581,004	4,964,806	2,302,955	110,694,804	167,432,980	-	167,432,980
Total Assets	2,617,223,846	237,676,413	616,674,323	2,271,085,310	201,095,470	100,771,653	406,865,869	6,451,392,878	(2,594,357,931)	3,857,034,947
Borrowings	-	4,148,727	63,341,278	207,857,704	37,185,334	-	392,062	312,925,106	-	312,925,106
Deposits & other accounts	2,562,636,790	-	286,586,523	-	75,485,252	84,849,519	8,589,626	3,018,147,709	-	3,018,147,709
Net inter segment borrowing	-	228,687,313	249,365,896	2,016,684,060	85,836,008	13,784,654	-	2,594,357,931	(2,594,357,931)	0
Others	54,587,057	4,840,373	17,044,690	11,549,539	2,536,069	1,543,475	138,837,548	230,938,751	-	230,938,751
Total liabilities	2,617,223,847	237,676,413	616,338,387	2,236,091,302	201,042,663	100,177,648	147,819,236	6,156,369,497	(2,594,357,931)	3,562,011,566
Equity	-	-	335,936	34,994,008	52,807	594,005	259,046,633	295,023,381	-	295,023,381
Total Equity & liabilities	2,617,223,846	237,676,413	616,674,323	2,271,085,310	201,095,470	100,771,653	406,865,869	6,451,392,878	(2,594,357,931)	3,857,034,947
										-
Contingencies & Commitments	-	81,061,636	1,740,040,766	629,986,265	22,910,804	-	37,123,935	2,511,123,406	-	2,511,123,406

44.2 Segment details with respect to geographical locations

	2022					
	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	Total
	(Rupees in '000)					
Profit and loss account						
Net mark-up / return/profit	112,263,338	1,866,603	44,424	508,358	2,418,944	117,101,667
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	37,455,935	763,885	281,607	322,301	449,343	39,273,070
Total Income	149,719,273	2,630,488	326,031	830,659	2,868,287	156,374,737
Segment direct expenses	44,828,438	2,038,821	1,083,965	3,420,453	1,250,882	52,622,559
Inter segment expense allocation	27,038,573	-	-	-	-	27,038,573
Total expenses	71,867,011	2,038,821	1,083,965	3,420,453	1,250,882	79,661,132
Provisions	12,977,499	(143,602)	(306)	2,564	280,300	13,116,455
Profit / (loss) before tax	64,874,763	735,269	(757,628)	(2,592,358)	1,337,105	63,597,150
Statement of financial position						
Cash and bank balances	208,424,475	16,781,559	12,524,181	9,444,994	2,674,226	249,849,435
Investments	3,425,767,455	37,691,741	-	2,759,589	16,717,062	3,482,935,847
Net inter segment lendings	96,707,768	-	-	-	-	96,707,768
Lendings to financial institutions	31,272,467	-	-	-	-	31,272,467
Advances - performing	1,194,733,223	5,207,650	420	561,473	32,805,001	1,233,307,767
Advances - non-performing	121,333,135	74,961,917	1,584,372	-	7,845,213	205,724,637
Provision against advances	(155,930,253)	(44,257,482)	(1,584,372)	(12,401)	(6,578,778)	(208,363,286)
Advances - net	1,160,136,105	35,912,085	420	549,072	34,071,436	1,230,669,118
Others	250,490,178	3,964,364	178,130	251,226	2,155,129	257,039,027
Total Assets	5,172,798,448	94,349,749	12,702,731	13,004,881	55,617,853	5,348,473,662
Borrowings	1,923,848,931	1,928,779	-	-	14,708,077	1,940,485,787
Deposits & other accounts	2,589,356,663	35,927,275	7,941,305	5,574,521	26,473,493	2,665,273,257
Net inter segment borrowing	-	59,264,940	4,503,017	8,442,184	24,497,627	96,707,768
Others	332,799,850	974,569	258,409	667,328	1,006,462	335,706,618
Total liabilities	4,846,005,444	98,095,563	12,702,731	14,684,033	66,685,659	5,038,173,430
Equity	326,793,004	(3,745,815)	-	(1,679,152)	(11,067,804)	310,300,232
Total Equity & liabilities	5,172,798,448	94,349,749	12,702,731	13,004,881	55,617,853	5,348,473,662
Contingencies & Commitments	2,749,041,154	9,797,537	1,803,538	6,737,008	10,087,010	2,777,466,247

	2021					
	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	Total
	(Rupees in '000)					
Profit and loss account						
Net mark-up/return/profit	93,828,309	1,880,481	(275)	198,227	1,860,859	97,767,601
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	37,573,302	407,936	305,047	340,208	242,310	38,868,804
Total Income	131,401,611	2,288,417	304,773	538,435	2,103,170	136,636,405
Segment direct expenses	39,835,857	1,942,128	869,557	2,882,547	909,718	46,439,807
Inter segment expense allocation	24,745,192	-	-	-	-	24,745,192
Total expenses	64,581,050	1,942,128	869,557	2,882,547	909,718	71,184,999
Provisions	11,775,953	(223,488)	66,636	4,585	35,639	11,659,325
Profit / (loss) before tax	55,044,608	569,776	(631,421)	(2,348,696)	1,157,812	53,792,081
Statement of financial position						
Cash and bank balances	238,998,368	16,870,383	12,409,372	28,845,835	956,015	298,079,973
Investments	1,885,561,995	39,818,951	-	2,834,242	14,526,004	1,942,741,191
Net inter segment lendings	85,836,007	-	-	-	-	85,836,007
Lendings to financial institutions	335,466,675	-	-	-	-	335,466,675
Advances - performing	1,026,363,931	20,282,504	494,294	5,025,734	54,929,177	1,107,095,640
Advances - non-performing	151,780,980	39,122,266	1,311,119	-	6,131,324	198,345,689
Provision against advances	(147,056,269)	(38,847,232)	(1,311,119)	(7,489)	(4,905,092)	(192,127,201)
Advances - net	1,031,088,642	20,557,538	494,294	5,018,245	56,155,410	1,113,314,128
Others	162,326,911	3,157,485	164,067	219,828	1,564,688	167,432,980
Total Assets	3,739,278,598	80,404,357	13,067,733	36,918,149	73,202,117	3,942,870,955
Borrowings	275,739,772	1,971,822	-	-	35,213,512	312,925,106
Deposits & other accounts	2,942,662,457	37,237,231	8,815,589	7,455,103	21,977,329	3,018,147,709
Net inter segment borrowing	-	37,978,569	4,040,045	28,932,868	14,884,525	85,836,007
Others	228,400,207	834,027	212,099	548,076	944,344	230,938,751
Total liabilities	3,446,802,437	78,021,648	13,067,733	36,936,047	73,019,710	3,647,847,574
Equity	292,476,163	2,382,709	-	(17,897)	182,406	295,023,381
Total Equity & liabilities	3,739,278,598	80,404,357	13,067,733	36,918,149	73,202,117	3,942,870,955
Contingencies & Commitments	2,488,212,600	2,554,088	3,073,302	8,003,060	9,280,355	2,511,123,406

45. TRUST ACTIVITIES

45.1 Endowment Fund

Students Loan Scheme was launched by Government of Pakistan in collaboration with major commercial banks with a view to extend financial help by way of mark-up free loan to the meritorious students without sufficient resources for pursuing scientific technical and professional education within Pakistan.

The Scheme is being administered by a high powered committee headed by the Deputy Governor, State Bank of Pakistan and the Presidents of NBP, HBL, UBL, MCB, ABL and the Deputy Secretary, Ministry of Finance as member and Senior Director of IH&SME Finance Department (Infrastructure, Housing & SME Finance Department) as a secretary of the Committee. The State Bank of Pakistan has assigned National Bank of Pakistan to operate the scheme.

The Committee in its meeting held on August 7, 2001 approved creation of Endowment Fund initially at an amount of Rs. 500 million, Rs. 396 million were transferred from the old Qarz-e-Hasna (Defunct) Fund, Rs.50 million contributed by the Government of Pakistan and Rs. 54 million were contributed by participating banks (HBL, NBP and UBL 25% each, MCB 17.5% and ABL 7.5%).

The amount of the Endowment Funds in investments stands at Rs. 875.179 million as at December 31, 2022 (2021: Rs. 835.77 million).

45.2 The Bank undertakes Trustee and other fiduciary activities that result in the holding or placing of assets on behalf of individuals and other organisations. These are not assets of the Bank and, therefore, are not included as such in these unconsolidated financial statements. Assets held under trust are shown in the table below:

As at December 31, 2022

Category	No. of IPS Accounts	Securities Held (Face Value)			Total
		Market Treasury Bills	Pakistan Investment Bonds	Government Ijarah Sukuks	
		----------(Rs. in '000)----------			
Assets Management companies	**48**	**-**	**-**	**-**	**-**
Charitable institutions	**6**	**-**	**-**	**-**	**-**
Companies	**33**	**111,150,080**	**53,771,500**	**27,417,400**	**192,338,980**
Employee Funds	**42**	**76,006,000**	**67,408,800**	**-**	**143,414,800**
Individuals	**1,680**	**723,040**	**63,000**	**-**	**786,040**
Insurance Companies	**8**	**28,850,000**	**160,826,800**	**-**	**189,676,800**
Others	**79**	**198,320,900**	**672,294,130**	**-**	**870,615,030**
Total	**1,896**	**415,050,020**	**954,364,230**	**27,417,400**	**1,396,831,650**

As at December 31, 2021

Category	No. of IPS Accounts	Securities Held (Face Value)			Total
		Market Treasury Bills	Pakistan Investment Bonds	Government Ijarah Sukuks	
		----------(Rs. in '000)----------			
Assets Management companies	31	-	-	-	-
Charitable institutions	5	205,320	854,000	-	1,059,320
Companies	31	41,314,365	128,980,600	27,417,400	197,712,365
Employee Funds	41	12,597,120	43,178,900	-	55,776,020
Individuals	944	203,025	79,700	-	282,725
Insurance Companies	8	23,821,000	172,528,500	-	196,349,500
Others	74	76,701,745	234,918,697	-	311,620,442
Total	1,134	154,842,575	580,540,397	27,417,400	762,800,372

46. RELATED PARTY TRANSACTIONS

The Group has related party transactions with its associates, joint ventures, employee benefit plans and its directors and Key Management Personnel. The details of investment in joint venture and associated undertaking and their provisions are stated in note 10 of the financial statement of the Group.

The Group enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Contributions to and accruals in respect of staff retirement benefits and other benefit plans are made in accordance with the actuarial valuations / terms of the contribution plan. Remuneration to the executives / officers is determined in accordance with the terms of their

Details of transactions with related parties during the year, other than those which have been disclosed elsewhere in these consolidated financial statements are as follows:

	2022									2021								
	Directors	**Key manage-ment personnel**	**Associates**	**Joint venture**	**Pension Fund (Current)**	**Pension Fund (Fixed Deposit)**	**Pension Fund (N.I.D.A A/c)**	**Provident Fund**	**Other related parties**	Directors	Key manage-ment personnel	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.I.D.A A/c)	Provident Fund	Other related parties
	(Rupees in '000)																	
Balances with other banks																		
In current accounts	**-**	**-**	**-**	**395,137**	**-**	**-**	**-**	**-**	**-**	-	-	-	295,951	-	-	-	-	-
	-	**-**	**-**	**395,137**	**-**	**-**	**-**	**-**	**-**	-	-	-	295,951	-	-	-	-	-
Advances																		
Opening balance	**-**	**347,592**	**2,934,162**	**-**	**-**	**-**	**-**	**-**	**641,483**	-	233,267	2,981,029	-	-	-	-	-	305,117
Addition during the year	**-**	**86,147**	**-**	**-**	**-**	**-**	**-**	**-**	**2,229,175**	-	254,860	-	-	-	-	-	-	35,589,939
Repaid during the year	**-**	**(52,240)**	**(268,942)**	**-**	**-**	**-**	**-**	**-**	**(1,435,378)**	-	(36,216)	(46,867)	-	-	-	-	-	(35,253,573)
*Transfer in / (out) - net		**(41,765)**	**-**						**650,516**		(104,319)	-						-
Closing balance	**-**	**339,734**	**2,665,220**	**-**	**-**	**-**	**-**	**-**	**2,085,796**	-	347,592	2,934,162	-	-	-	-	-	641,483
Provision held against advances	**-**	**-**	**2,665,220**	**-**	**-**	**-**	**-**	**-**	**-**	-	-	2,837,287	-	-	-	-	-	-

	2022									2021								
	Directors	**Key manage-ment personnel**	**Associates**	**Joint venture**	**Pension Fund (Current)**	**Pension Fund (Fixed Deposit)**	**Pension Fund (N.I.D.A A/c)**	**Provident Fund**	**Other related parties**	**Directors**	**Key manage-ment personnel**	**Associates**	**Joint venture**	**Pension Fund (Current)**	**Pension Fund (Fixed Deposit)**	**Pension Fund (N.I.D.A A/c)**	**Provident Fund**	**Other related parties**
	(Rupees in '000)																	
Other Assets																		
Interest / mark-up accrued	**-**	**-**	**1,717,167**	**-**	**-**	**-**	**-**	**-**	**-**	-	-	1,719,049	-	-	-	-	-	-
Borrowings																		
Opening balance	**-**	**-**	**-**	**35,741**	**-**	**-**	**-**	**-**	**-**	-	-	-	9,111	-	-	-	-	-
Borrowings during the year	**-**	**-**	**-**	**16,504**	**-**	**-**	**-**	**-**	**-**	-	-	-	26,630	-	-	-	-	-
Settled during the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-	-	-	-	-
Closing balance	**-**	**-**	**-**	**52,245**	**-**	**-**	**-**	**-**	**-**	-	-	-	35,741	-	-	-	-	-
Deposits and other accounts																		
Opening balance	**1,760**	**131,454**	**-**	**-**	**86,264**	**10,100,000**	**46,769**	**12,854,755**	**43,336,142**	1,320	177,236	-	-	58,871	-	1,369,644	13,282,016	227,967
Received during the year	**-**	**885,658**	**3,000**	**-**	**41,951,279**	**-**	**8,370,003**	**5,025,151**	**5,647,309**	9,334	777,224	-	-	27,393	10,100,000	-	-	235,269,981
Withdrawn during the year	**(14)**	**(894,821)**	**-**	**-**	**(42,010,321)**	**(10,100,000)**	**(8,159,520)**	**(4,616,736)**	**(5,669,604)**	(8,984)	(763,659)	-	-	-	-	(1,322,875)	(427,261)	(196,497,842)
* Transfer in (out) - net	**(1,746)**	**(23,803)**	**-**	**-**	**-**	**-**	**-**	**-**	**(42,798,288)**	90	(59,347)	-	-	-	-	-	-	4,336,036
Closing balance	**(0)**	**98,488**	**3,000**	**-**	**27,222**	**-**	**257,252**	**13,263,170**	**515,559**	1,760	131,454	-	-	86,264	10,100,000	46,769	12,854,755	43,336,142
Contingencis & Commitments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-	-	-	-	-

* Transfer in (out) - net due to retirement / appointment of directors and changes in key management executives.

RELATED PARTY TRANSACTIONS

	2022							2021						
	Directors	Key manage-ment personnel	Associates	Joint venture	Pension Fund	Provident Fund	Funds / Others	Directors	Key manage-ment personnel	Associates	Joint venture	Pension Fund	Provident Fund	Funds / Others
	(Rupees in '000)													
Income														
Mark-up / return / interest earned	-	-	**3,384**	**1**	-	-	-	-	-	9,857	-	-	-	-
Debts due by Companies in which Directors of the Bank is interested as Directors	-	-	-	-	-	-	**457,362**		-	-	-	-	-	8,137
Dividend income	-	-	-	**114,405**	-	-	**86,114**	-	-	7,009	-	-	-	-
Rent income / Lighting & Power and Bank charges	-	-	**5,533**	-	-	-	-	-	-	5,109	-	-	-	-
Expense														
Mark-up / return / interest paid	-	**4,846**	-	**20,556**	**477,113**	**1,787,633**	**1,683,174**	88	3,873	-	41	55,888	1,417,701	1,625,178
Expenses paid to company in which Director of the bank is interested as CEO		-	-	-	-	-	**79,487**		-	-	-	-	-	23,387
Remuneration to key management executives including charge for defined benefit plan	-	**713,790**	-	-	-	-	-	-	637,103	-	-	-	-	-
Contribution for other corporate & social responsibility paid to company inwhich Directors of the bank is interested as director	-	-	-	-	-	-	**5,000**	-	-	-	-	-	-	-
Directors fee & other allowances	**25,772**	-	-	-	-	-	-	25,431	-	-	-	-	-	-
Post Retirement Benefit paid to Director cum Ex-employee	-	-	-	-	-	-	**522**	-	-	-	-	-	-	2,087

46.1 Transactions with Government-related entities

The Federal Government through State Bank of Pakistan holds controlling interest (75.60% shareholding) in the Bank and therefore entities which are owned and / or controlled by the Federal Government, or where the Federal Government may exercise significant influence, are related parties of the Group.

The Bank in the ordinary course of business enters into transaction with Government–related entities. Such transactions include lending to, deposits from and provision of other banking service to Government–related entities.

The Group also earned commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs.10,507 million (2021: 8,408 million) for the year ended December 31, 2022. As at the statement of financial position date the loans and advances, deposits and contingencies relating to Government–related entities amounted to Rs. 593,486 million (2021: 405,294 million), Rs. 1,403,331 million (2021: 1,247,457 million) and Rs. 1,714,807 million (2021: 1,540,238 million) respectively and income earned on advances and investment and profit paid on deposits amounted to Rs. 40,225 million (2021: 31,846 million) and Rs. 199,052 million (2021: 51,110 million) respectively.

47. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- to comply with the capital requirements set by the regulators of the banking markets where the Group operates;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

Basel-III instructions comprise the following three capital standards:

i. Minimum Capital Requirement (MCR):

The MCR standard sets the nominal amount of capital banks / DFIs are required to hold. Currently, the MCR for banks and DFIs is Rs. 10 billion as prescribed by SBP.

ii. Capital Adequacy Ratio (CAR):

The Capital Adequacy Ratio assesses the capital requirement based on the risks faced by the banks / DFIs. The banks / DFIs are required to comply with the minimum requirements as specified by the SBP on standalone as well as consolidated basis. As of December 31, 2022, the required CAR for banks is 11.50% (plus 1.50% for NBP as D-SIB requirement).

iii. Leverage Ratio:

Tier-1 Leverage Ratio of 3% is introduced in response to Basel III Accord as the third capital standard. Group level disclosure of the leverage ratio and its components has started from December 31, 2015. The Group has a leverage ratio of 3.15% in the year December 31, 2022 (2021: 3.54%) and Tier-1 capital of Rs. 236,742 million (2021: Rs. 204,320 million).

The SBP's regulatory capital as managed by the Group is analysed into following tiers:

1. Tier 1 Capital (going-concern capital)

- Common Equity Tier 1
- Additional Tier 1

- Tier I capital, which comprises highest quality capital element and include fully paid up capital, balance in share premium account, reserve for issue of bonus shares, general reserves and un-appropriate profits (net of accumulated losses, if any).

2. Tier 2 Capital (gone-concern capital)

- Tier II capital, which includes general reserve for loan losses, revaluation reserve, exchange translation reserve and subordinated debt.

Basel III capital rules require bank to make certain deductions from the capital before arriving at the Capital Adequacy Ratio (CAR).

Risk weighted assets are measured according to the nature of the asset and reflect an estimate of credit, market and other risks associated with each asset and counterparty, after taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposures, with some adjustments to reflect more contingent nature of potential losses.

The Group's policy is to maintain strong capital base so as to maintain, investor, creditor and market confidence, and to sustain future development of the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the SBP. The ratios compare the amount of eligible capital with the total of risk-weighted assets. The Bank monitors and reports its capital ratio under the SBP rules, which ultimately determine the regulatory capital, required to be maintained by Banks and DFIs.

The paid-up capital of the Bank for the year ended December 31, 2022 stood at Rs. 21,275 million (2021: Rs. 21,275 million) and is in compliance with the SBP requirement for the said year. In addition the Bank has maintained minimum Capital Adequacy Ratio (CAR) of 22.02% (2021: 20.76%).

There have been no material changes in the Group's management of capital during the year.

	2022	2021
	---------- (Rupees in '000) ----------	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	**21,275,131**	21,275,131
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	**236,742,118**	204,320,445
Eligible Additional Tier 1 (ADT 1) Capital	**-**	-
Total Eligible Tier 1 Capital	**236,742,118**	204,320,445
Eligible Tier 2 Capital	**78,089,129**	66,135,418
Total Eligible Capital (Tier 1 + Tier 2)	**314,831,247**	270,455,863
Risk Weighted Assets (RWAs):		
Credit Risk	**1,073,032,570**	987,646,626
Market Risk	**94,062,413**	82,621,030
Operational Risk	**262,697,854**	232,459,233
Total	**1,429,792,837**	1,302,726,889
Common Equity Tier 1 Capital Adequacy ratio	**16.56%**	15.68%
Tier 1 Capital Adequacy Ratio	**16.56%**	15.68%
Total Capital Adequacy Ratio	**22.02%**	20.76%
Leverage Ratio (LR):		
Tier-1 Capital	**236,742,118**	204,320,445
Total Exposures	**7,511,889,497**	5,768,455,790
Leverage Ratio	**3.15%**	3.54%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	**1,418,328,644**	1,362,545,096
Total Net Cash Outflow	**963,197,902**	828,459,514
Liquidity Coverage Ratio	**147%**	164%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	**2,684,457,394**	2,753,443,506
Total Required Stable Funding	**1,069,401,835**	990,042,101
Net Stable Funding Ratio	**251%**	278%

47.1 The full disclosure on the Capital Adequacy, Leverage Ratio and Liquidity Requirements as per SBP instructions issued from time to time, is available on NBP's website. The link to the full disclosure is available at https://www.nbp.com.pk/blsd/

48. RISK MANAGEMENT

Risk management is about understanding and managing the potential for volatility of earnings, loss of access to reliable deposits and funding and depletion of capital arising from the business activities, whilst pursuing its strategic objectives. The Group has in place a well-defined risk management strategy / policy with clear objectives and deliverables through multi-pronged risk management processes.

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

- Identification and assessment of significant material risks.

- Overseeing and managing the risk profile of the Bank within the context of the risk appetite.

- Optimize risk / return decisions by aligning them to business objective of achieving sustainable optimum growth.

Information Security Division (ISD) is also an integral part of Risk Management Group to oversee independently the emerging information/ cyber security risks.

In order to support Risk Management Group (RMG's) activities, a strong data management mechanism is also in place to collect and consolidate exposure wise information for various risk related analysis and reviews. The mechanism also helps in identification of e-CIB related information, periodic reviews, generation of reports and highlighting inconsistencies and errors, and issuing instructions to the relevant data entry points for rectification.

During 2022, Pakistan witnessed significant economic headwinds. Rising inflation, increasing fuel prices, depleting foreign exchange reserves, massive devaluation of the Pakistani rupee, political instability, increasing interest rates, and high budget deficit made the year more challenging.In this backdrop, Fitch, Moody's and S&P Global lowered the country's sovereign credit rating. In June 2022, Pakistan was hit with a natural catastrophe in the shape of worst ever floods in the history of the country. The floods resulted in millions of people being displaced and severe damage to both crops and livestock. Additionally, international commodity prices also remained elevated through the year. The headline inflation increased significantly touching a multi-year high of 27.32% in August. During the year, SBP increased the benchmark interest rate by a cumulative 625 bps to 16%. This steep increase was aimed at reducing aggregate demand in the economy and also to counter high inflation. This led to a steep uptick in domestic food prices. The Bank is regularly conducting assessments of the credit portfolio, with robust post disbursement credit review mechanism to identify borrowers most likely to be affected in the challenging business and economic environment. Bank is confident that it has more than sufficient risk bearing capacity to with stand these difficult times.

48.1 Risk Governance Structure

Risk Management Group (RMG) operates as an independent group under the supervision of Chief Risk Officer (CRO). RMG's scope and coverage has been enhanced to cater enterprise-wide risk management, credit approvals, and program lending. CRO reports directly to the President with dotted line reporting to Board Risk & Compliance Committee (BRCC). The group is responsible to perform the functions pertaining to development and oversight of the risk management framework, methodologies and other functions assigned from time to time in line with local/ international best practices and under the supervision of SBP's regulations/ guidelines.

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

48.2 Risk Management Framework

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions, products and services offered.

The Bank implements risk management framework through a 'Three Lines of Defence' model which defines clear responsibilities and accountabilities for various offices and ensures effective and independent oversight and also that the activities take place as intended. RMG together with Compliance Group acts as second line of defense and performs integrated function of oversight and independently challenges the effectiveness of risk management actions taken by business groups, who are the first line of defense. The risk management is further strengthened by the third line of defense, where Board Audit and Compliance Committee and Audit and Inspection Group add value through independent and objective assurance in improving risk management functions of the Bank.

Following paragraphs introduce Group's exposures to material risks associated with its business activities and explain overall strategies and processes to manage those risks:

48.2.1 Credit Risk

Credit risk is one of the significant risks faced by banks by due to the nature of their core activities. Through effective management of credit risk exposure, banks not only support the viability and profitability of their own business but also contribute to systemic stability and efficient allocation of capital in the economy. Credit Risk arises from the potential that a customer's or counterparty's willingness or ability to meet such an obligation is impaired, resulting in an economic loss to the bank. NBP's lending activities account for most of the Bank's credit risk which is continuously evolving in various financial activities including loans and advances, commitments to lend, contingent liabilities such as letter of credit and guarantees, and other types of both on and off-balance sheet transactions. The Bank has a dedicated setup led by Chief Risk Officer that ensures the effectiveness of the risk management frameworks for assessment / measurement, review and reporting of credit risk under supervision of Board Risk and Compliance Committee.

A prudent path to identify, assess and monitor credit risk management through structured assessment models, effective pre-disbursement evaluation tools and an array of post disbursement review systems has enabled NBP to effectively manage its credit risk and to keep the Bank resilient and minimize losses within the defined risk tolerance levels. Strategic goal, embedded into our approach to risk management is to maintain a robust framework, identify and escalate risks and to support sustainable business growth. The Bank has in place Risk Appetite Framework and Credit Risk Concentration Management Framework to control and mitigate the levels of credit risk it undertakes by placing limits on exposures in relation to existing or potential obligors, economic groups and to various industry segments.

The Risk Management function of the Bank is regularly conducting assessments, on perpetual basis, of the credit portfolio to identify borrowers and sectors through portfolio reports and dashboards most likely to get affected due to changes in the business and economic environment locally as well as globally. Bank is proactively keeping an eye on the delinquency in the accounts, financial position of the counterparty, current economic situation and other relevant information.

Credit review and approval process of the Bank is well-defined and is managed under strict supervision of senior management. For analysis of counterparties within various asset classes / constitutions / economic group, the Bank has in place rating models / scorecards, which further enhances the effective decision making. Concentration of exposure / risk in any of counterparty, economic group, or industry is assessed frequently and limit setting is tailored accordingly within Bank's overall risk appetite. Furthermore, during the year several automation initiatives were also undertaken by RMG for more efficient and effective decision making.

The Bank has also embarked on implementation of IFRS 9 standard, which is currently in parallel-run phase. The standard sets out new model for financial assets, which requires recognition of impairment charge based on an 'Expected Credit Loss' approach rather than the 'Incurred Credit Loss' approach as currently followed.

Moreover, under the leadership of CEO & CRO, the credit approval process was brought in line with global best practices by implementing the delegated approval authorities to Chief Credit Officer (CCO) & Senior Credit Officers (SCOs). This has vastly improved the turnaround time (TAT) for credit approvals besides a focused approach to asset / loan underwriting and monitoring. Furthermore, the risk team has also started making joint visits with the business teams to customers sites which has proved to be very helpful in understanding the ground realities and also supports in making informed decisions.

Retail & Program Lending Group manages the risk side of products governed on a program basis. Group has been organized on a Credit Cycle approach that adapts an end-to-end credit view. It is engaged in areas of Policy & Portfolio Management, MIS & Analytics, Credit Approvals, Collection & Recovery, Quality Assurance, etc. Head of Retail & Program Lending Group reports to CRO of the bank and is also a voting member of Management Credit Committee.

Currently under Basel Framework, Standardized Approach is used to calculate capital charge for credit risk weighted assets, with simple approach for credit risk mitigation. Additionally, stress testing for credit risk is completed on regular basis to evaluate the conceivable effects of scenarios provided by the regulator.

Particulars of the Group's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

48.2.1.1 *Lendings to financial institutions*

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
	(Rupees in '000)					
Public/ Government	**-**	-	**-**	-	**-**	-
Private	**31,446,617**	335,640,825	**174,150**	174,150	**174,150**	174,150
	31,446,617	335,640,825	**174,150**	174,150	**174,150**	174,150

48.2.1.2 ***Investment in debt securities***

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
	(Rupees in '000)					
Cement	**357,668**	470,168	**20,168**	20,168	**20,168**	20,168
Chemical	**326,742**	2,076,742	**326,742**	326,742	**326,742**	326,742
Construction	**2,962,405**	3,380,824	**1,633,739**	1,633,739	**1,633,739**	1,633,739
Engineering	**4,842**	4,842	**4,842**	4,842	**4,842**	4,842
Fertilizer	**1,330,815**	655,109	**1,330,815**	655,109	**1,199,830**	655,109
Sugar	**655,219**	709,719	**655,219**	709,719	**655,219**	709,719
Textile	**936,767**	1,079,625	**651,053**	651,053	**651,053**	651,053
Transport	**-**	-	**-**	-	**-**	-
Financial	**14,920,842**	9,734,656	**501,012**	201,252	**501,012**	201,252
Electronics and electrical appliances	**1,308,738**	1,308,738	**1,308,738**	1,308,738	**1,308,738**	1,308,738
Glass and Ceramics	**11,361**	11,361	**11,361**	11,361	**11,361**	11,361
Miscelleneous	**464,627**	467,203	**23,447**	25,996	**23,448**	25,996
Leather and Tenneries	**5,288**	5,288	**5,288**	5,288	**5,288**	5,288
Food and Personal Care Products	**11,184**	11,184	**11,184**	11,184	**11,184**	11,184
Pharmaceuticals	**2,413**	2,413	**2,413**	2,413	**2,413**	2,413
Technology and Communication	**11,072**	11,072	**11,072**	11,072	**11,072**	11,072
Vanaspati and Allied Industries	**4,238**	4,238	**4,238**	4,238	**4,238**	4,238
Oil and Gas Marketing	**687**	9,049	**687**	687	**687**	687
Cable and Electrical Goods	**4,509**	4,509	**4,509**	4,509	**4,509**	4,509
Automobile Parts and Accessories	**1,185**	1,185	**1,185**	1,185	**1,185**	1,185
Power (electricity), Gas, Water, Sanitary	**27,714,075**	34,579,163	**-**	-	**-**	-
Tobacco	**144**	144	**144**	144	**144**	144
Paper and Board	**10,794**	10,794	**10,794**	10,794	**10,794**	10,794
Jute	**7,081**	7,081	**7,081**	7,081	**7,080**	7,081
Metal Products	**375,000**	500,000	**-**	-	**-**	-
Services	**823,878**	867,239	**-**	-	**-**	-
Telecom	**300,000**	-	**-**	-	**-**	-
	52,551,574	55,912,346	**6,525,731**	5,607,314	**6,394,746**	5,607,314

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
	(Rupees in '000)					
Public / Government	**23,556,270**	29,898,025	**18,862**	18,862	**18,862**	18,862
Private	**28,995,304**	26,014,321	**6,506,869**	5,588,452	**6,375,884**	5,588,452
	52,551,574	55,912,346	**6,525,731**	5,607,314	**6,394,746**	5,607,314

48.2.1.3 ***Advances***

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
	(Rupees in '000)					
Agriculture, Forestry, Hunting & Fishing	**80,495,011**	71,243,087	**7,362,301**	7,208,158	**5,713,024**	5,192,290
Mining & Quarrying	**3,164,044**	88,334	**184,765**	11,336	**184,765**	11,336
Textile	**165,340,123**	160,297,014	**38,063,274**	37,125,362	**36,586,116**	37,067,714
Chemical & Pharmaceuticals	**7,461,927**	5,284,057	**4,439,102**	2,731,312	**4,394,734**	2,661,064
Cement	**35,175,010**	32,057,795	**5,768,647**	6,317,887	**3,786,389**	4,094,267
Sugar	**39,138,958**	36,671,049	**15,337,931**	15,386,592	**15,331,156**	15,354,821
Footwear and Leather garments	**2,534,796**	2,016,893	**1,168,627**	892,779	**1,079,224**	887,472
Automobile & Transportation Equipment	**10,875,288**	8,567,080	**921,095**	940,147	**905,813**	937,466
Electronics & Electrical Appliances	**10,782,697**	9,684,327	**2,379,854**	2,380,885	**2,377,270**	2,370,272
Construction	**24,955,900**	20,193,083	**9,447,671**	9,643,454	**9,441,049**	6,754,352
Oil & Gas	**178,706,498**	102,762,247	**19,619,278**	20,216,650	**19,339,190**	20,074,535
Power (electricity), Gas, Water, Sanitary	**194,522,795**	198,946,668	**15,156,096**	13,209,849	**12,981,169**	9,311,105
Wholesale and Retail Trade	**53,375,862**	42,510,970	**10,720,360**	10,801,296	**10,682,265**	10,745,332
Exports / Imports	**1,599,410**	1,501,450	**235,284**	-	**235,284**	-
Transport, Storage and Communication	**57,689,946**	55,070,251	**14,851,559**	12,789,768	**12,575,382**	10,368,778
Financial	**14,687,975**	31,806,152	**104,380**	92,331	**96,280**	92,331
Services	**42,121,726**	38,110,525	**3,219,193**	4,242,115	**1,826,174**	2,554,475
Individuals	**203,306,181**	198,236,486	**6,496,272**	6,215,945	**4,381,003**	4,342,413
Flour Mills	**2,552,518**	2,767,236	**725,603**	752,338	**676,963**	689,028
Rice Trading & Processing	**35,552,848**	37,707,929	**4,546,743**	4,780,678	**4,432,434**	4,555,487
Food and Tobacco	**20,562,295**	16,109,497	**7,134,439**	6,988,672	**6,767,830**	6,367,546
Fertilizer	**9,096,871**	11,602,568	**2,861,321**	2,988,462	**2,822,795**	2,947,541
Metal Products	**70,882,534**	71,007,705	**26,476,676**	25,680,256	**26,473,372**	25,511,029
Telecommunication	**30,839,889**	22,011,036	**1,180,028**	1,136,813	**1,180,028**	1,136,813
Public Sector Commodity Operations	**96,305,380**	77,346,473	**74,198**	74,198	**74,198**	74,198
General traders	**-**	-	**-**	-	**-**	-
Engineering	**29,549,358**	32,121,933	**1,637,447**	1,422,820	**1,482,884**	1,415,349
Glass and Ceramics	**6,626,264**	8,070,726	**274,739**	389,447	**274,739**	389,447
Media	**916,067**	1,529,488	**151,334**	381,881	**151,334**	208,971
Paper & Board	**3,063,869**	2,726,772	**1,177,882**	1,193,719	**1,168,683**	1,193,719
Plastic products	**3,305,648**	2,662,060	**1,507,205**	672,095	**1,157,387**	670,607
Sports goods	**140,062**	1,280,713	**14,688**	93,818	**14,688**	93,818
Surgical equipments	**790,887**	824,409	**13,200**	12,151	**9,430**	8,558
Others	**2,913,767**	2,625,316	**2,473,445**	1,572,475	**2,411,695**	1,572,476
	1,439,032,404	1,305,441,329	**205,724,637**	198,345,689	**191,014,747**	179,654,610

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
	(Rupees in '000)					
Public / Government	**498,932,567**	420,736,532	**-**	-	**-**	-
Private	**940,099,837**	884,704,797	**205,724,637**	198,345,689	**191,014,747**	179,654,610
	1,439,032,404	1,305,441,329	**205,724,637**	198,345,689	**191,014,747**	179,654,610

	2022	2021
	---------- (Rupees in '000) ----------	

48.2.1.4 ***Contingencies and Commitments***

Credit risk by industry sector

Agriculture, Forestry, Hunting and Fishing	**504,418**	100,504
Mining and Quarrying	**426,948**	1,418,487
Textile	**15,852,803**	25,421,310
Chemical and Pharmaceuticals	**3,774,815**	6,001,560
Cement	**3,402,417**	9,718,289
Sugar	**93,200**	592,840
Footwear and Leather garments	**-**	182
Automobile and Transportation Equipment	**2,712,927**	4,435,897
Electronics and Electrical Appliances	**2,433,354**	2,843,195
Construction	**9,005,223**	9,718,062
Oil & Gas	**67,938,534**	104,645,267
Power (electricity), Water, Sanitary	**59,726,777**	61,808,701
Wholesale and Retail Trade	**1,464,278**	2,346,916
Exports / Imports	**139,941**	272,733
Transport, Storage and Communication	**117,805,517**	47,721,546
Financial	**836,176,841**	740,274,595
Services	**1,532,587,528**	1,355,079,802
Individuals	**316,559**	77,114
Fertilizer	**3,272,384**	3,652,239
Metal Products	**21,853,185**	15,961,141
Telecommunication	**25,204,570**	25,141,952
Public Sector Commodity Operations	**199,543**	8,249,178
Rice processing and Trading	**459,325**	20,825
Food and Tobacco	**460,902**	448,128
Glass and Ceramics	**977,165**	1,484,463
Paper and Board	**523,793**	2,046,783
Engineering	**68,544,006**	77,952,489
Plastic Products	**159,060**	258,541
Surgical equipments	**19,459**	19,459
Others	**1,430,775**	3,411,208
	2,777,466,247	2,511,123,406

* Contingent liabilities for the purpose of this note are presented at cost and includes direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities.

Credit risk by public / private sector

Public / Government	**1,775,401,082**	1,411,475,036
Private	**1,002,065,165**	1,099,648,370
	2,777,466,247	2,511,123,406

48.2.1.5 Concentration of Advances

The bank's top ten (10) exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 1,851,158 million (2021: Rs. 1,474,941 million) are as following:

	2022	2021
	---------- (Rupees in '000) ----------	
Funded	**306,636,922**	244,605,208
Non Funded	**1,544,521,600**	1,230,335,750
Total Exposure	**1,851,158,522**	1,474,940,958

The sanctioned limits against these top 10 exposures aggregated to Rs. 1,899,110 million (2021: Rs. 1,563,667 million).

For the purpose of this note, exposure means outstanding funded facilities and utilised non-funded facilities as at the reporting date.

48.2.1.6 Advances - Province / Region-wise Disbursement and Utilization

	2022						
	Disbursements	**Utilization**					
Province/Region		**Punjab**	**Sindh**	**KPK including FATA**	**Balochistan**	**Islamabad**	**AJK including Gilgit-Baltistan**
	---------- (Rupees in '000) ----------						
Punjab	**422,286,297**	**421,433,044**	**853,253**	**-**	**-**	**-**	**-**
Sindh	**491,891,761**	**826,000**	**489,953,056**	**-**	**500,000**	**612,705**	**-**
KPK including FATA	**11,459,625**	**-**	**-**	**11,459,625**	**-**	**-**	**-**
Balochistan	**4,073,074**	**-**	**-**	**-**	**4,073,074**	**-**	**-**
Islamabad	**129,737,810**	**-**	**-**	**-**	**-**	**129,737,810**	**-**
AJK including Gilgit-Baltistan	**7,244,799**	**-**	**-**	**-**	**-**	**-**	**7,244,799**
Total	**1,066,693,366**	**422,259,044**	**490,806,309**	**11,459,625**	**4,573,074**	**130,350,515**	**7,244,799**

	2021						
	Disbursements	Utilization					
Province/Region		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	---------- (Rupees in '000) ----------						
Punjab	227,503,496	221,078,413	1,855,596	3,944,464	-	11,120	613,903
Sindh	479,243,405	4,500,000	466,243,405	-	-	8,500,000	-
KPK including FATA	11,698,517	-	-	11,698,517	-	-	-
Balochistan	3,678,107	-	-	-	3,678,107	-	-
Islamabad	62,861,679	12,830,357	9,892,187	3,099,940	-	37,039,195	-
AJK including Gilgit-Baltistan	7,310,487	-	-	-	-	-	7,310,487
Total	792,295,691	238,408,770	477,991,188	18,742,921	3,678,107	45,550,315	7,924,390

48.2.2 Market Risk

Market Risk is the value of on and off-balance sheet positions of a financial institution that will be adversely affected by movements in market factors such as interest rates, foreign exchange rates, equity prices, credit spreads and / or commodity prices resulting in a loss to earnings and capital.

The Group's market risk is managed through Market Risk Management (MRM) Framework approved by the Board which is comprised of related policies / procedures with the objective to mitigate market risk. Group has in-place market risk limits to maintain risk emanating from such market drivers within the Group's risk appetite. Under the developed Value-at-Risk (VaR) models and policy framework, VaR limits are being monitored with an objective to be used for capital charge calculation under IMA approach in future.

Standardized Approach is used to calculate capital charge for market risk as per Basel framework. Stress testing for interest rate, equity prices, and exchange rates risks activities is carried out regularly to estimate the impact on the capital of the Group and maintain the Group's capital at appropriate level.

In addition to the regulatory requirements, Bank has devised proprietary market risk stress testing scenarios which are performed on periodic basis to assess the impact on capital of the Bank for Internal Capital Adequacy and Assessment Process (ICAAP). Limits / zones and Management Action Triggers and Management Action Plans corresponding to Liquidity Ratios, Balance Sheet Duration Gap, Government Securities' PVBP and Duration have also been developed.

48.2.2.1 Statement of Financial position split by trading and banking books

	2022			2021		
	Banking book	**Trading book**	**Total**	**Banking book**	**Trading book**	**Total**
	(Rupees in '000)					
Cash and balances with treasury banks	**230,226,311**	**-**	**230,226,311**	278,868,736	-	278,868,736
Balances with other banks	**19,623,124**	**-**	**19,623,124**	19,211,237	-	19,211,237
Lendings to financial institutions	**31,272,467**	**-**	**31,272,467**	335,466,675	-	335,466,675
Investments	**3,396,969,183**	**85,966,664**	**3,482,935,847**	1,821,039,266	121,701,925	1,942,741,191
Advances	**1,230,669,118**	**-**	**1,230,669,118**	1,113,314,128	-	1,113,314,128
Fixed assets	**57,604,343**	**-**	**57,604,343**	54,610,404	-	54,610,404
Intangible assets	**2,101,322**	**-**	**2,101,322**	1,394,843	-	1,394,843
Right of use assets	**7,186,067**	**-**	**7,186,067**	7,090,980	-	7,090,980
Deferred tax asset	**22,406,230**	**-**	**22,406,230**	1,902,811	-	1,902,811
Other assets	**167,741,065**	**-**	**167,741,065**	102,433,942	-	102,433,942
	5,165,799,230	**85,966,664**	**5,251,765,894**	3,735,333,022	121,701,925	3,857,034,947

48.2.2.2 Foreign Exchange Risk

Foreign exchange and translation risk arises from the impact of currency movements on the value of the Bank's cash flows, profits and losses, and assets and liabilities as a result of participation in global financial markets and international operations.

In order to manage currency risk exposure the Bank enters into ready, spot, forward and swaps transactions with the SBP and in the interbank market, financial institutions and corporates. The Group's foreign exchange exposure comprises of forward contracts, purchases of foreign bills, foreign currency cash in hand, balances with Banks abroad, foreign placements with the SBP and foreign currency assets and liabilities. Foreign Exchange exposure is managed within the statutory limits, as fixed by the SBP. Appropriate segregation of duties exists between the front, middle and back office functions.

	2022				2021			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in 000')							
United States Dollar	**211,429,664**	**370,954,485**	**141,296,815**	**(18,228,007)**	230,696,801	321,594,407	87,452,155	(3,445,451)
Great Britain Pound	**3,736,408**	**7,473,268**	**5,377,060**	**1,640,200**	5,012,811	5,950,831	4,303,047	3,365,027
Japanese Yen	**4,521,164**	**1,566,256**	**109,675**	**3,064,583**	3,939,522	3,283,911	2,315,294	2,970,904
Euro	**11,899,656**	**22,030,243**	**14,029,417**	**3,898,830**	13,413,044	19,043,837	7,628,249	1,997,456
Other currencies	**85,538,450**	**17,315,572**	**5,066,952**	**73,289,829**	75,261,167	18,382,109	3,130,155	60,009,213
	317,125,342	**419,339,824**	**165,879,919**	**63,665,435**	328,323,345	368,255,095	104,828,900	64,897,149

	2022		2021	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates				
- Profit and loss account	**-**	**261,830**	-	620,409
- Other comprehensive income	**636,654**	**-**	-	-

48.2.2.3 Equity position Risk

Stock trading activities also raise risk which occurs resulting in negative fluctuations of daily stock prices specifically in those stocks which are held by the Group, hence, deplete capital. The Bank's equity position is managed through limits imposed by regulator for both, overall investment and exposure in single scrip. Moreover, internal limits are set to possibly manage overall earnings in the form of placing of stop loss, VaR limits and/ or through diversification within the structure of overall equity position portfolio.

	2022		2021	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 5% change in equity prices				
- Profit and loss account	**-**	**20,188**	-	-
- Other comprehensive income	**2,577,256**	**-**	2,671,767	-

48.2.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

Interest rate risk specifically arises due to adverse movements in yield curve that is being monitored by ALCO with an objective to possibly limiting the potential adverse impact on the profitability of the Group, which may result due to volatility of market interest rates and any mismatch or gaps in the amount of financial assets and financial liabilities in different maturity time bands. Bank assumes that the sources of IRR are based on following sub-risks.

- Re-pricing risk; arising from changes to the overall level of interest rates and inherent mismatches in the re-pricing term of banking book items.

- Yield curve risk; arising from a change in the relative level of interest rates for different tenors and changes in the slope or shape of the yield curve.

- Basis risk; arising from differences between the actual and expected interest margins on Banking book items over the implied cost of funds of those items.

	2022		2021	
	Banking book	**Trading book**	Banking book	Trading book
	---------- (Rupees in '000) ----------			
Impact of 1% change in interest rates on				
- Profit and loss account	**-**	**758,615**	-	368,677
- Other comprehensive income	**17,740,339**	**-**	8,629,166	-

48.2.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

	2022											
	Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk									Non-interest bearing financial instruments
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
On-balance sheet financial instruments		---------- (Rupees in '000) ----------										
Assets												
Cash and balances with treasury banks	1.6%	230,226,311	19,664,696	-	-	-	-	-	-	-	-	210,561,615
Balances with other banks	5.5%	19,623,124	4,080,785	1,796,603	556,760	797,970	-	-	-	-	-	12,391,006
Lending to financial institutions	16.2%	31,272,467	31,262,744	-	-	-	-	-	-	-	-	9,723
Investments	13.2%	3,482,935,847	623,770,208	1,495,119,190	545,060,870	201,640,994	121,415,872	114,581,645	175,991,374	115,774,778	7,150,694	82,430,222
Advances	10.4%	1,230,669,118	324,139,397	280,098,870	173,991,260	165,871,653	25,742,864	43,745,383	66,856,032	53,927,228	31,850,855	64,445,576
Other assets	0.0%	128,133,163	961,390	49,943	86,973	38,709	-	-	-	-	-	126,996,148
		5,122,860,030	1,003,879,219	1,777,064,606	719,695,862	368,349,326	147,158,736	158,327,028	242,847,407	169,702,005	39,001,549	496,834,290
Liabilities												
Bills payable	0.0%	55,268,019	-	-	-	-	-	-	-	-	-	55,268,019
Borrowings	15.8%	1,940,485,787	1,386,993,998	481,134,339	24,758,723	4,359,766	3,941,769	4,278,460	12,396,285	22,578,300	44,147	-
Deposits and other accounts	7.9%	2,665,273,257	1,692,284,015	56,331,627	143,645,001	62,752,364	87,857,931	21,560,944	14,583,213	1,997,543	-	584,260,619
Liabilities against assets subject to finance lease	16.1%	121,453	44,748	-	-	-	-	76,705	-	-	-	-
Lease liability against right of use assets	10.4%	8,761,015	50	21,308	60,618	295,566	416,971	1,376,016	1,921,963	2,978,296	1,690,227	-
Other liabilities	0.0%	267,719,271	992,453	-	-	-	-	-	-	-	-	266,726,818
		4,937,628,802	3,080,315,264	537,487,274	168,464,342	67,407,696	92,216,671	27,292,125	28,901,461	27,554,139	1,734,374	906,255,456
On-balance sheet gap		185,231,228	(2,076,436,045)	1,239,577,332	551,231,520	300,941,631	54,942,065	131,034,903	213,945,945	142,147,867	37,267,175	(409,421,166)
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactior		1,696,635,726	-	-	-	-	-	-	-	-	-	1,696,635,726
Commitments in respect of:												
- forward foreign exchange contracts		165,879,918	78,713,612	62,008,252	25,158,054	-	-	-	-	-	-	-
- forward government securities transactions		(32,591,580)	(32,591,580)	-	-	-	-	-	-	-	-	-
- Forward lending		50,363,949	-	-	-	-	-	-	-	-	-	50,363,949
Commitments for acquisition of:												
- fixed assets		798,234	-	-	-	-	-					798,234
Other commitments		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		1,881,086,247	46,122,032	62,008,252	25,158,054	-	-	-	-	-	-	1,747,797,909
Total Yield/Interest Risk Sensitivity Gap			(2,030,314,013)	1,301,585,584	576,389,575	300,941,631	54,942,065	131,034,903	213,945,945	142,147,867	37,267,175	1,338,376,744
Cumulative Yield/Interest Risk Sensitivity Gap			(2,030,314,013)	(728,728,429)	(152,338,855)	148,602,776	203,544,841	334,579,744	548,525,689	690,673,556	727,940,731	2,066,317,474

	2021											
	Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk									Non-interest bearing financial instruments
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.1%	278,868,736	25,910,106	-	1,230,868	-	-	-	-	-	-	251,727,762
Balances with other banks	0.6%	19,211,237	5,193,321	514,671	728,951	766,148	-	-	-	-	-	12,008,146
Lending to financial institutions	10.4%	335,466,675	305,466,675	-	30,000,000	-	-	-	-	-	-	-
Investments	8.2%	1,942,741,191	52,071,307	600,631,710	163,339,043	147,989,238	412,825,050	115,300,016	133,826,520	231,572,946	7,808,110	77,377,251
Advances	7.4%	1,113,314,128	232,790,642	347,491,341	221,525,465	87,272,918	15,422,466	18,353,878	96,696,071	52,224,236	21,686,992	19,850,120
Other assets	0.0%	61,505,255	642,580	-	127,892	114,884	-	-	-	-	-	60,619,899
		3,751,107,222	622,074,631	948,637,721	416,952,219	236,143,188	428,247,516	133,653,894	230,522,591	283,797,182	29,495,102	421,583,178
Liabilities												
Bills payable	0.0%	21,848,270	-	-	-	-	-	-	-	-	-	21,848,270
Borrowings	10.1%	312,925,106	33,593,924	129,395,726	81,758,922	29,616,731	13,099,389	3,634,279	6,463,258	15,362,877	-	-
Deposits and other accounts	4.0%	3,018,147,709	1,605,631,447	92,855,650	64,016,936	72,939,727	18,293,487	79,321,676	4,558,165	588,979	-	1,079,941,642
Liabilities against assets subject to finance lease	10.0%	133,598	78,116	-	-	-	-	55,482	-	-	-	-
Lease liability against right of use assets	10.0%	8,360,755	-	20,960	69,732	461,203	643,301	788,395	1,849,562	3,046,610	1,480,992	-
Other liabilities	0.0%	196,962,495	847,788	-	-	-	-	-	-	-	-	196,114,706
		3,558,377,933	1,640,151,275	222,272,336	145,845,590	103,017,659	32,036,178	83,799,832	12,870,985	18,998,466	1,480,992	1,297,904,618
On-balance sheet gap		192,729,289	(1,018,076,643)	726,365,384	271,106,630	133,125,529	396,211,338	49,854,062	217,651,606	264,798,716	28,014,110	(876,321,440)
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactior		1,582,757,532	-	-	-	-	-	-	-	-	-	1,582,757,532
Commitments in respect of:												
- forward foreign exchange contracts		104,828,900	18,483,677	9,917,130	74,965,217	1,462,876	-	-	-	-	-	-
- forward government securities transactions		22,180,109	-	(171,626)	-	22,793,079	-	-	(441,343)	-	-	-
- Forward lending		20,618,971	-	-	-	-	-	-	-	-	-	20,618,971
Commitments for acquisition of:												
- fixed assets		826,737	344,837	314,748	50,916	116,236	-	-	-	-	-	-
Other commitments		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		1,731,212,249	18,828,514	10,060,252	75,016,133	24,372,191	-	-	(441,343)	-	-	1,603,376,503
Total Yield / Interest Risk Sensitivity Gap			(999,248,130)	736,425,636	346,122,763	157,497,720	396,211,338	49,854,062	217,210,263	264,798,716	28,014,110	727,055,063
Cumulative Yield / Interest Risk Sensitivity Gap			(999,248,130)	(262,822,493)	83,300,269	240,797,989	637,009,327	686,863,389	904,073,652	1,168,872,367	1,196,886,477	1,923,941,540

	2022	2021
	---------- (Rupees in '000) ----------	
48.2.2.6 Reconciliation of Financial Assets and Liabilities with Total Assets and Liabilities		
Total Financial Assets as per note 48.2.2.5	**5,122,860,030**	3,751,107,222
Add: Non-Financial Assets		
Fixed assets	**57,604,343**	54,610,404
Intangible assets	**2,101,322**	1,394,843
Right of Use Assets	**7,186,067**	7,090,980
Deferred tax assets	**22,406,230**	1,902,811
Other assets	**39,607,902**	40,928,687
	128,905,864	105,927,725
Total assets as per statement of financial position	**5,251,765,894**	3,857,034,947
Total Financial Liabilities as per note 48.2.2.5	**4,937,628,802**	3,558,377,933
Add: Non-Financial Liabilities		
Deferred tax liabilities	**-**	-
Other liabilities	**3,836,860**	3,633,633
	3,836,860	3,633,632
Total liabilities as per statement of financial position	**4,941,465,662**	3,562,011,565

48.2.3 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risks. For effective implementation, Group has comprehensive Operational Risk Management (ORM) Framework and procedure documents. These documents provide guidance for setting up operational risk strategy of the Group, selection and adoption of risk and loss measurement tools, reporting, and establishment of operational risk management processes.

Operational risks are a core component of doing business arising from the day-to-day operational activities of the Group including launching of new products and services by the Group. Group realizes that operational risks cannot be fully mitigated, it therefore, determines an appropriate balance between accepting potential losses and incurring costs of mitigation.

Further, the Group has adopted an Operational Risk Management Framework and Operational Risk Tolerance limits are approved by the Board in-line with Basel framework and Group's policy, respectively. Furthermore, Group has rolled-out Operational Loss Data Collection Mechanism whereby field functionaries and Groups/Divisions at head office are responsible to report operational losses under their jurisdictions on a certain frequency. Operational loss events are reviewed and appropriate corrective measures are taken on an ongoing basis. Risk Evaluation exercise is carried out for new products, processes and systems as per the operational risk procedures document of the Group.

The Group also conducts root cause analysis of major Operational Risk Incidents covering key control lapses and accordingly suggests recommendations & mitigations. As per Basel regulatory framework, the Group calculates capital charge for its operational risk using Basic Indicator Approach. This approach is considered most suitable in view of the business model of the Group which relies on an extensive network of branches to offer Grouping services to its customers.

Moreover, the Group closely monitored overall Group's operational environment and undertook required actions to ensure the safety and security of Group staff, assets and maintenance of service to its customers. The Group continued to take measures to ensure maintenance of their service levels and resolved customer complaints to meet the expectations of its stakeholders.

The Group's operations stayed highly resilient and the Group deployed all necessary measures for the health and safety of its employees to prevent them from any unwarranted situation.

48.2.4 Information Security Risk

Cyber Security is one of our top priority risks. Considering extensive customer base and increasing digital footprint, mechanism has been devised for upscaling of technology infrastructure and related channels from information security standpoint. Further, due to evolving cyber threat landscape, the Group has taken appropriate actions to monitor and respond to cybersecurity risks and adopted a heightened state of cybersecurity. We are living in the highly technology dependent environment, where most of the business functions are performed with information technology for storing, processing and sharing information; the information “assets” that are being used to store, process and transmit the information, face various types of threats. If threats get materialized and are able to exploit the vulnerabilities (weaknesses) present in these information assets, the confidentiality, integrity and availability of information get compromised. In order to mitigate the risks, certain controls and countermeasures need to be assessed and implemented. The Group has devised a governance mechanism to manage related risks through development of Policies & Frameworks, and deployed security tools to ensure adequate implementation of internal controls and monitoring of security threats within technology infrastructure.

As first line of defense, the Business groups have primary responsibility for identifying, measuring, and controlling the risks within their areas of accountability. Our staff of Information Security Division (ISD) is second line of defense against any cyber risks. Therefore, the Group regularly assesses the information security controls and undertakes employees' awareness and trainings. The Group works with its key technology partners to ensure that potentially vulnerable systems are identified and appropriate fixes & controls are implemented to secure the systems. The Group is actively communicating with its customers on interacting with the Group in a secure manner through its full suite of channels including online and digital Grouping.

The management is cognizant of the fact that cyber security is a top priority risk and the Group is taking appropriate steps to monitor and respond to it. The Information Security Division (ISD) has been reorganized in 2022 with introduction of new technical roles of IS Security Operations & Threat Management, Network & Infrastructure Security, and Application & Database Security; in addition to the management roles of IS Governance& Compliance, IS Program Management, and IS Risk Management. The unit (ISD) works under the supervision of Chief Information Security Officer (CISO). Numerous steps have been taken by the Group to identify cyber security weaknesses of systems & infrastructure. Several controls are in place including but not limited to 24/7 SOC, 2FA authentication of VPN connections, Kaspersky EPP and Crowdstrike EDR mandatory deployments on Group's systems (KATA XDR is in final phase of implementation) etc. in line with the action plan outlined in the Group's cyber security management framework.

48.2.5 Enterprise-wide Risk

In addition to the above mentioned risks, the Group has a structure to identify residual material risks on periodic basis. The source of these reports includes, but not limited to, the Internal Capital Adequacy and Assessment Process (ICAAP), which takes into account risks over and above those which directly occur as a result of daily business and operations of the Group. These risks include Concentration Risk, Interest Rate Risk in Grouping Book (IRRBB), Increase in NPL Categories, Reputational Risk, Strategic Risk, etc.

Moreover, all those brewing risks that are material and arise within the Group or due to inherent behavior of country's market and economic conditions, whether in isolation or in combination are addressed under the Group-wide Recovery Plan. These risks are monitored on certain frequency and mitigating actions are taken as and when deemed necessary.

Group's Stress-testing framework, comprises of tools, to deliver a timely assessment of the resilience of the Group's capital under stressed conditions to the senior management. It ranges from simple sensitivity analysis to sophisticated stress testing methods to capture the abnormal movement of market and economic indicators and to translate such scenarios into projections of Group's profitability, liquidity and capital planning.

This framework paves the way to a quantitative, forward-looking assessment of capital adequacy (movement/ level of Capital Adequacy Ratio (CAR) of the Group) to provide an indication of how much capital might be needed to absorb any expected and any unforeseen losses. It helps in identifying potential vulnerabilities within the Group and assessing solvency by applying plausible/ past adverse scenarios under extreme conditions.

48.2.6 Liquidity Risk

Liquidity risk is the risk of loss to a Group arising from its inability to meet obligations as they fall due or to fund growth in assets, without incurring unacceptable costs or losses. More simply, liquidity risk is the possibility that a Group will be unable to meet its financial commitment to a customer, creditor, or investor when due, in a timely and cost-effective manner.

To mitigate this risk, Group has arranged diversified funding sources, manages specific assets with liquidity in mind and monitors liquidity on daily basis. In addition, the Group maintains statutory deposits with central Groups inside and outside Pakistan. The purpose of liquidity management is to ensure that there are sufficient cash flows to meet all of the Group's liabilities when due, under both normal and stressed conditions without incurring unacceptable losses, as well as to capitalize on opportunities for business expansion and profitability. This includes the Group's ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature and to make new loans and investments, as opportunities arise.

Asset and Liability Committee (ALCO) is responsible for ensuring that the Group has adequate liquidity and monitors liquidity gaps, to execute this responsibility. Mandatory as well as advanced/ optional stress testing and ratio based liquidity assessments are performed to proactively identify and manage liquidity position, needs/ requirements. Group has various limits/ ratios, triggers and management actions in place to monitor and mitigate liquidity risk. The Group calculates and monitors, on regular basis, Basel-III Liquidity standards (includes LCR, NSFR and LMTs), liquidity ratios as per SBP parameters besides other internal liquidity measures.

48.2.6.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Group

	2022													
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
	(Rupees in '000)													
Assets														
Cash and balances with treasury banks	230,226,311	227,945,076	898,012	-	1,383,223	-	-	-	-	-	-	-	-	-
Balances with other banks	19,623,124	12,945,156	2,338,977	53,880	1,133,564	666,169	1,130,648	556,760	797,970	-	-	-	-	-
Lendings to financial institutions	31,272,467	9,723	30,484,537	778,207	-	-	-	-	-	-	-	-	-	-
Investments	3,482,935,847	8,049,771	3,022,008	2,096,958	3,740,930	186,920,863	406,585,250	221,875,848	398,517,150	178,815,656	599,374,146	756,921,831	458,210,559	258,804,877
Advances	1,230,669,118	395,431,129	4,048,283	13,107,471	41,983,638	66,324,712	19,836,459	117,851,616	67,043,260	61,485,353	70,627,513	64,102,093	125,183,386	183,644,203
Fixed assets	57,604,343	531	-	-	23,048	9,879	57,363	-	-	852,511	1,847,737	767,649	1,585,175	52,460,450
Intangible assets	2,101,322	-	-	-	-	-	6,000	-	-	486,981	463,480	535,691	46,617	562,553
Right of use assets	7,186,067	-	-	-	112,827	16,055	611	343,735	104,470	74,850	447,738	851,025	1,550,294	3,684,462
Deferred tax assets	22,406,230	-	-	-	-	-	-	-	-	105,876	947	-	22,299,407	-
Other assets	167,741,065	40,563,375	916,586	-	880,374	35,063,581	35,453,086	18,016,853	1,566,970	1,555,780	30,154,790	688,171	1,032,256	1,849,243
	5,251,765,894	684,944,761	41,708,403	16,036,516	49,257,604	289,001,259	463,069,417	358,644,812	468,029,820	243,377,007	702,916,351	823,866,460	609,907,694	501,005,788
Liabilities														
Bills payable	55,268,019	55,268,019	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	1,940,485,787	181,510	904,800,208	6,202,665	475,809,616	332,601,654	148,532,685	24,758,723	2,260,017	2,099,748	3,941,769	4,278,460	12,396,285	22,622,446
Deposits and other accounts	2,665,273,257	2,142,990,358	29,181,008	15,104,734	89,432,410	35,181,791	20,960,861	143,606,960	43,116,055	19,694,451	87,856,473	21,567,400	14,583,213	1,997,542
Liabilities against assets subject to finance lease	121,453	-	-	-	44,748	-	76,705	-	-	-	-	-	-	-
Lease liability against right of use assets	8,761,015	-	-	-	109,248	20,865	276,495	60,618	70,232	109,374	506,865	1,034,754	1,904,041	4,668,524
Other liabilities	271,556,131	141,952,441	967,767	10,535	748,017	11,484,263	11,395,636	28,281,345	2,106,131	2,165,097	24,159,069	9,893,832	19,220,510	19,171,488
	4,941,465,662	2,340,392,329	934,948,982	21,317,934	566,144,039	379,288,573	181,242,382	196,707,646	47,552,435	24,068,671	116,464,176	36,774,446	48,104,050	48,460,000
Net assets	310,300,232	(1,655,447,568)	(893,240,579)	(5,281,418)	(516,886,434)	(90,287,314)	281,827,036	161,937,166	420,477,385	219,308,336	586,452,175	787,092,014	561,803,645	452,545,788
Share capital	21,275,131													
Reserves	67,488,847													
Unappropriated profit	178,189,579													
Surplus on revaluation of assets	42,273,537													
Non-controlling interest	1,073,138													
	310,300,232													

	2021													
	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
	(Rupees in '000)													
Assets														
Cash and balances with treasury banks	278,868,736	275,944,884	44	-	1,689,838	1,790	1,312	1,230,868	-	-	-	-	-	-
Balances with other banks	19,211,237	14,058,290	1,179,175	564,725	533,617	401,660	978,671	728,951	766,148	-	-	-	-	-
Lendings to financial institutions	335,466,675	2,405,644	274,914,137	28,146,895	-	-	-	30,000,000	-	-	-	-	-	-
Investments	1,942,741,191	5,930,381	611,150	40,375,405	4,704,040	116,295,658	484,786,384	163,339,043	79,413,300	106,995,926	417,599,594	142,824,222	134,858,789	245,007,299
Advances	1,113,314,128	319,029,873	3,305,102	2,934,122	49,957,744	68,514,293	32,145,072	99,618,166	44,682,449	56,210,932	56,918,407	90,680,852	127,063,315	162,253,800
Fixed assets	54,610,404	215	-	-	23,071	9,888	30,445	-	-	886,992	2,353,291	802,951	1,708,546	48,795,006
Intangible assets	1,394,843	-	-	-	-	-	926	1,853	2,779	297,089	216,730	216,540	96,372	562,553
Right of use assets	7,090,980	343	2,058	2,401	5,488	27,972	10,754	84,790	103,680	142,356	777,268	592,581	1,456,282	3,885,007
Deferred tax assets	1,902,811	-	-	-	-	-	-	-	212,593	62,366	2,203	-	1,625,649	-
Other assets	102,433,942	18,303,153	867,181	269,736	240,256	17,500,804	16,992,000	12,596,172	1,388,113	1,369,429	29,274,348	725,138	1,087,707	1,819,904
	3,857,034,947	635,672,783	280,878,847	72,293,284	57,154,054	202,752,065	534,945,564	307,599,843	126,569,064	165,965,091	507,141,841	235,842,283	267,896,660	462,323,569
Liabilities														
Bills payable	21,848,270	21,848,270	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	312,925,106	60,004	2,886,366	27,335,647	3,311,907	108,642,330	20,753,395	81,758,922	26,987,971	2,628,760	13,099,389	3,634,279	6,463,258	15,362,877
Deposits and other accounts	3,018,147,709	2,544,464,772	26,553,859	11,971,222	92,050,351	76,536,916	17,074,721	83,328,141	32,764,725	27,549,128	12,326,386	85,151,041	7,060,714	1,315,732
Liabilities against assets subject to finance lease	133,598	-	-	-	-	-	-	-	-	78,113	-	55,485	-	-
Lease liability against right of use assets	8,360,755	-	-	-	-	20,497	463	69,732	92,367	358,411	721,743	804,651	1,765,289	4,527,602
Other liabilities	200,596,128	86,093,504	838,824	30,252	714,543	6,177,726	6,119,874	29,277,808	1,828,346	1,843,990	25,961,044	8,538,736	16,576,941	16,594,540
	3,562,011,566	2,652,466,550	30,279,049	39,337,122	96,076,801	191,377,469	43,948,453	194,434,603	61,673,409	32,458,402	52,108,562	98,184,192	31,866,202	37,800,751
Net assets	295,023,381	(2,016,793,767)	250,599,798	32,956,162	(38,922,746)	11,374,596	490,997,111	113,165,240	64,895,655	133,506,689	455,033,279	137,658,091	236,030,458	424,522,819
Share capital	21,275,131													
Reserves	62,427,269													
Unappropriated profit	145,312,547													
Surplus/(Deficit) on revaluation of assets	64,994,980													
Non-controlling interest	1,013,454													
	295,023,381													

48.2.6.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Group

	2022									
	Total	**Upto 1 Month**	**Over 1 to 3 months**	**Over 3 to 6 months**	**Over 6 months to 1 year**	**Over 1 to 2 years**	**Over 2 to 3 years**	**Over 3 to 5 years**	**Over 5 to 10 years**	**Above 10 years**
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	**230,226,311**	**151,728,041**	**3,232,446**	**36,991,996**	**36,991,996**	**1,281,832**	**-**	**-**	**-**	**-**
Balances with other banks	**19,623,124**	**16,655,335**	**1,613,059**	**556,760**	**797,970**	**-**	**-**	**-**	**-**	**-**
Lendings to financial institutions	**31,272,467**	**31,272,467**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Investments	**3,482,935,847**	**28,354,943**	**646,432,512**	**220,062,209**	**577,292,511**	**593,544,606**	**741,081,570**	**419,894,119**	**245,443,901**	**10,829,476**
Advances	**1,230,669,118**	**385,942,104**	**171,508,519**	**110,076,664**	**119,557,100**	**70,639,884**	**64,117,258**	**125,183,386**	**119,244,206**	**64,399,997**
Fixed assets	**57,604,343**	**530**	**120,291**	**-**	**852,504**	**1,847,745**	**804,023**	**1,518,801**	**43,365**	**52,417,084**
Intangible assets	**2,101,322**	**-**	**4,530**	**-**	**481,101**	**462,982**	**518,547**	**71,609**	**562,553**	**-**
Right of use assets	**7,186,067**	**112,827**	**16,666**	**343,735**	**179,321**	**447,737**	**851,025**	**1,550,294**	**2,488,455**	**1,196,007**
Deferred tax assets	**22,406,230**	**-**	**-**	**-**	**105,873**	**947**	**-**	**22,299,410**	**-**	**-**
Other assets	**167,741,065**	**93,890,423**	**25,970,589**	**11,036,642**	**3,146,181**	**30,154,790**	**688,171**	**1,032,243**	**1,822,027**	**-**
	5,251,765,894	**707,956,670**	**848,898,612**	**379,068,006**	**739,404,557**	**698,380,522**	**808,060,594**	**571,549,862**	**369,604,507**	**128,842,564**
Liabilities										
Bills payable	**55,268,019**	**29,855,579**	**1,335,761**	**863,023**	**11,606,828**	**11,606,828**	**-**	**-**	**-**	**-**
Borrowings	**1,940,485,787**	**1,386,993,999**	**481,134,339**	**24,758,723**	**4,359,766**	**3,941,769**	**4,278,460**	**12,396,285**	**22,578,300**	**44,147**
Deposits and other accounts	**2,665,273,257**	**434,435,986**	**123,011,308**	**157,260,028**	**498,836,184**	**529,764,847**	**463,475,774**	**456,491,587**	**1,997,542**	**-**
Liabilities against assets subject to finance lease	**121,453**	**-**	**-**	**-**	**44,748**	**-**	**76,705**	**-**	**-**	**-**
Lease liability against right of use assets	**8,761,015**	**50**	**21,308**	**60,618**	**288,804**	**506,865**	**1,310,806**	**1,904,041**	**2,978,296**	**1,690,227**
Other liabilities	**271,556,131**	**122,974,968**	**39,209,487**	**32,024,034**	**4,902,743**	**24,159,069**	**9,893,832**	**19,220,510**	**9,400,930**	**9,770,558**
	4,941,465,662	**1,974,260,582**	**644,712,202**	**214,966,425**	**520,039,073**	**569,979,379**	**479,035,577**	**490,012,424**	**36,955,068**	**11,504,932**
Net assets	**310,300,232**	**(1,266,303,912)**	**204,186,410**	**164,101,581**	**219,365,484**	**128,401,143**	**329,025,016**	**81,537,438**	**332,649,439**	**117,337,631**
Share capital	**21,275,131**									
Reserves	**67,488,847**									
Unappropriated profit	**178,189,579**									
Surplus/(Deficit) on revaluation of assets	**42,273,537**									
Non-controlling interest	**1,073,138**									
	310,300,232									

	2021									
	Total	Upto 1 Month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	278,868,736	173,801,956	4,355,501	47,906,066	46,675,198	6,130,015	-	-	-	-
Balances with other banks	19,211,237	16,415,203	1,300,935	728,951	766,148	-	-	-	-	-
Lendings to financial institutions	335,466,675	305,466,675	-	30,000,000	-	-	-	-	-	-
Investments	1,942,741,191	64,652,329	644,716,403	139,330,956	158,840,696	415,356,424	142,327,662	134,189,408	231,088,253	12,239,061
Advances	1,113,314,128	308,024,550	184,249,818	91,475,278	92,648,910	56,918,407	90,680,852	127,062,513	89,148,053	73,105,747
Fixed assets	54,610,404	23,286	40,333	-	886,986	2,353,297	827,830	1,683,667	55,286	48,739,719
Intangible assets	1,394,843	3,240	6,480	9,720	303,928	254,869	254,053	-	562,553	-
Right of use assets	7,090,980	4,802	38,726	84,790	215,166	777,268	592,581	1,456,282	2,694,177	1,227,188
Deferred tax assets	1,902,811	-	-	-	274,957	2,203	-	1,625,649	-	-
Other assets	102,433,942	43,031,146	14,119,381	9,617,316	2,757,559	29,274,331	725,138	1,458,795	1,450,276	-
	3,857,034,947	911,423,187	848,827,577	319,153,077	303,369,548	511,066,814	235,408,116	267,476,314	324,998,598	135,311,715
Liabilities										
Bills payable	21,848,270	11,785,882	526,963	6,702,452	361,471	2,471,502	-	-	-	-
Borrowings	312,925,106	33,593,924	129,395,726	81,758,922	29,616,731	13,099,389	3,634,279	6,463,258	15,362,877	-
Deposits and other accounts	3,018,147,709	762,860,692	185,078,506	296,787,793	462,965,151	413,860,284	486,684,939	408,594,611	1,315,732	-
Liabilities against assets subject to finance lease	133,598	78,116	-	-	-	-	55,482	-	-	-
Lease liability against right of use assets	8,360,755	-	20,960	69,732	361,900	810,621	804,651	1,765,289	3,046,610	1,480,992
Other liabilities	200,596,128	80,078,936	18,522,674	30,668,659	3,654,598	25,961,044	8,538,736	16,946,569	8,112,456	8,112,456
	3,562,011,566	888,397,550	333,544,828	415,987,559	496,959,850	456,202,841	499,718,088	433,769,727	27,837,675	9,593,448
Net assets	295,023,381	23,025,637	515,282,748	(96,834,481)	(193,590,302)	54,863,973	(264,309,972)	(166,293,413)	297,160,923	125,718,267
Share capital	21,275,131									
Reserves	62,427,269									
Unappropriated profit	145,312,547									
Surplus/(Deficit) on revaluation of assets	64,994,980									
Non-controlling interest	1,013,454									
	295,023,381									

48.2.7 Derivative Risk

A derivative is a contract that derives its value from the performance of an underlying asset which can be an index, interest rate, commodity price, security price, FX rate etc. Derivatives include forwards, futures, swaps, options etc. In Pakistan, futures and forwards are most commonly traded derivatives.

Currently, the Bank is not an active participant in the Pakistan derivatives market as it does not hold an Authorized Derivative Dealer (ADD) license to perform derivative transactions. Once acquired, the Bank will carry out transactions that are permitted under the Financial Derivatives Business Regulations issued by SBP, which may include Interest rate swaps, forward rate agreements, foreign currency options, etc.

Moreover, the Group may also offer other over the counter derivative products to satisfy customer requirements, specific approval of which will be sought from the SBP on a transaction by transaction basis.

49. PROPOSED DIVIDEND FOR THE YEAR ENDED DECEMBER 31, 2021

As explained in note 49 of the annual audited consolidated financial statements of the Bank for the year ended December 31, 2021, the recommended cash dividend of Re.1 per share which amounted to Rs. 2,128 million, was not approved in the annual general meeting held on March 30, 2022.

50. CORRESPONDING FIGURES

Certain corresponding figures have been reclassified wherever necessary to confirm to the presentation adopted in the current year.

51. GENERAL

51.1 Figures have been rounded off to the nearest thousand rupees.

52. DATE OF AUTHORISATION FOR ISSUE

These consolidated financial statements were authorised for issue on February 28, 2023 by the Board of Directors of the Bank.

Chairman	President / Chief Executive Officer (A)	Chief Financial Officer	Director	Director

Annexure 'I' as referred to in note 11.6 of the Bank's Consolidated Financial Statements

Statement showing written-off loans or any other financial relief of five hundred thousand rupees or above provided during the year ended December 31, 2022

Rs. In 000

S. No.	Name & Address of the borrower	Name of Individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/ Mark-up written off	Other financial relief / waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1	S.B. Hosiery Factory Pvt. Ltd. 2nd Floor, Platinum Bank Building (Now KASB Bank Building, Kotwali Road, Faisalabad.	Late Muhammad Ikram 33100-1627050-1 Shehnaz Ikram 33100-6740898-8 Muhammad Usman 33100-7368631-7 Faisal Saeed Sheikh 33100-1014832-3	Haji Tufail Muhammad Muhammad Ikram Muhammad Ikram Saeed Mehmood Sheikh	196,741	46,768	162,811	406,320	76,741	-	209,579	286,320
2	Sohail Textiles 21- Km Ferozepur Road, Lahore	Soahil Hamid Rana 35201-1636030-9	Rana Hamid Khan	25,788	6,945	27,262	59,995	-	-	14,375	14,375
3	Uppal Textiles 1 Km Old Kasur Road, Raiwind 565 G, Johar Town, Lahore.	Asif Ali 35202-6487109-3 Baber Ali 35202-2793515-9 Arshad Ali 35202-2812561-5 Tariq Mehmood 35202-5069641-7 Muhammad Afzal 35202-2348420-9 Ameer Ali 35202-1071316-5	Muhammad Ali Asif Ali Arshad Ali Muhammad Ali Muhammad Ali Liaqat Ali	-	-	33,278	33,278	-	-	17,369	17,369

S. No.	Name & Address of the borrower	Name of Individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/ Mark-up written off	Other financial relief / waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
4	Cas N Link Products Limited Office 5-6, 5th Floor, Block C-1, Taj Complex, Opp: Capri Cinema Karachi	Nisar Ahmed 42301-3612315-7 Anwar Ahmed 42301-7452922-5 Hamida Begum 42301-4909895-2 Samina Nisar 42201-0562367-6 Rukhsana Anwar 42301-1946870-2 Sikandar Ali 48547157648 (Old) Syed Wali Ullah	Muhammad Yaqoob Muhammad Yaqoob Muhammad Yaqoob Nisar Ahmed Anwar Ahmed Nizamuddin Syed Habibullah Hussaini	74,051	42,211	156,413	272,675	-	-	192,675	192,675
5	Ansari Sugar Mills Limited Office 41-K, Block-6, PECHS, Karachi	Abdul Ghani Ansari 449-54-318109 (Old) A. Hafeez Ansari 449-61-256001 (Old) Nasreen Ghani 502-56-609691 (Old) Imran Rasheed Ansari 449-89-256552 (Old)	Ahmed Khan Ansari Ahmed Khan Ansari Abdul Ghani Ansari Abdul Rasheed Ansari	213,551	192,532	550,354	956,437	-	-	742,886	742,886
6	Abdul Hameed P.O Basti Lar , Tehsil Oran Liaquatpur, District Rahimyarkhan	Abdul Hameed 31302-7561665-9	Muhammad Abdullah	1,047	-	-	1,047	1,047	-	-	1,047
7	Muhammad Yameen Near Masjid Bahar e Madina, Mohallah Rajputan Dhanate, Kehror Pacca, Lodhran	Muhammad Yameen 36202-3640971-1	Muhammad Younus	579	-	-	579	579	-	-	579
8	Malik Atta Muhammad Basti Warna, P.O Kotla Musa Khan, Tehsil Ahmedpur East, District Bahawalpur	Malik Atta Muhammad 31201-2112268-3	Malik Ahmad Bukhsh	515	-	-	515	515	-	-	515
9	M/S Askari Corporation Mohalla Kot Waris Shah,Near Chungi No.1, Suraj Miani Road, Multan	Syed Iftikhar Bokhari , 36302-7855011-1	Syed Abdul Ghafar Shah	498	1,123	50	1,671	-	-	523	523
10	Sonia Falak Sher House No.493, Mohallah Peer Qazi Inside Pak Gate, Multan	Sonia Falak Sher 36302-5191427-6	Falak Sher	2,336	1,330	5	3,671	-	-	623	623
11	Ghulam Ghous Chah Dhoray Wala p/o Shujabad,Tehsil Shujabad, District: Multan	Ghulam Ghous 36304-9179584-5	Ghulam Hussain	1,008	-	-	1,008	1,008	-	-	1,008
12	Nadeem Sarfraz Near Police Line No.2, Sooraj Miani Road, Mohallah Raza Abad Colony, Multan	Nadeem Sarfraz 36302-6289423-1	Khushi Masih	600	-	-	600	600	-	-	600

S. No.	Name & Address of the borrower	Name of Individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/ Mark-up written off	Other financial relief / waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
13	Muhammad Iqbal Chah Shah Wala, Alamgir, Multan	Muhammad Iqbal 36302-0271174-5	Allah Buksh	635	-	6	641	635	-	6	641
14	Mukhtar Masih Chak No,219/RB,Sher Singh Wala,Tehsil & District Faisalabad	Mukhtar Masih 33100-2306570-5	Sadiq Masih	579	-	-	579	579	-	-	579
15	Sabz Ali Khan House no 50,Gali no 1-A,G-7/4,Islamabad	Sabz Ali Khan 61101-4705861-9	Ibrahim Khan	729	-	-	729	729	-	-	729
16	Saleem Iqbal House No.25/3537, Mohallah Chaman Phatak Joint Road, Gymkhana, Quetta	Saleem Iqbal 54400-6004083-5	Iqbal	561	-	-	561	561	-	-	561
17	Late Naseer Ahmed Village Amb Panhwar P.O Makhdoom Bilawan Bagban Taluka, Dadu	Late Naseer Ahmed 41201-2208306-7	Muhammad Rajib Panhwar	575	-	-	575	575	-	-	575
18	Late Azizullah Muhallah Gareebabad Naudero District Larkana	Late Azizullah 43203-3105732-3	Wahid Bux Abro	672	-	-	672	672	-	-	672
19	Late Bagan Village Durani Mahar Kandhkot, District Kashmore	Late Bagan 43103-4772468-1	Obhayo	746	-	-	746	746	-	-	746
20	Late Muhammad Akram Village Allah Dino Khan Bajkani Tanuka Tangwani, District Kashmore	Late Muhammad Akram 43104-0578404-1	Dilshad	934	-	-	934	934	-	-	934
21	Late Abdul Majeed Muhalla Mudarsa Kandhkot	Late Abdul Majeed 43103-9864880-5	Abdul Aziz	935	-	-	935	935	-	-	935
22	Late Ghulam Akbar Village Chinni Taluka Johi, District Dadu	Late Ghulam Akbar 43301-6215736-9	Allahdino Rustamani	887	-	-	887	887	-	-	887
23	Late Muhammad Ibrahim Muhalla Ayoob Colony, Tehsil Naushero Feroz, District Larkana	Late Muhammad Ibrahim 43205-1522586-1	Hamiz Ali Jarwar	725	-	-	725	725	-	-	725
24	Late Ghulam Rasool Village Mahi Khan Chandio, Dara Gaad P.O Damraho Taluka, District Larkana	Late Ghulam Rasool 43203-0208870-7	Mahi Khan Chandio	693	-	-	693	693	-	-	693
25	Late Muhammad Yousaf Muhalla Haji Latif Shah Near Sindh Wah road District Shikarpur	Late Muhammad Yousaf 43304-5293211-9	Gulzar Ahmed	508	-	-	508	508	-	-	508
26	Late Arbab Ali Village Haji Ali Bahar Brohi Garhi Chand P.O Banglow Syedan Tehsil & District Jacobabad	Late Arbab Ali 43102-1409764-9	Chatto Brohi	839	-	-	839	839	-	-	839
27	Late Muhammad Rafique Village Ghulam Muhammad Lashari Taluka Thull, District Jacobabad	Late Muhammad Rafique 43105-646269-1	Hamal Khan Lashari	586	-	-	586	586	-	-	586
28	Late Muhammad Bachal Village Muhammad pur Odho Taluka Garhi Khairo, District Jacobabad	Late Muhammad Bachal 43101-0166329-9	Mehboob Ali Jakhro	589	-	-	589	589	-	-	589
29	Late Ghulam Hyder Village Murad Khan Jabirani P.O Kamber, District Kamber Shahdadkot	Late Ghulam Hyder 43202-3595432-1	Muhammad Ilyas Jagirani	686	-	-	686	686	-	-	686

S. No.	Name & Address of the borrower	Name of Individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/ Mark-up written off	Other financial relief / waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
30	Late Khadim Hussain Qazi Muhalla Taluka Johi, District Dadu	Late Khadim Hussain 41202-3277364-3	Muhammad Salih Khoso	841	-	-	841	841	-	-	841
31	Late Muhammad Ilyas Goth Almani, Tatiri, Tehsil Dokri, District Larkana	Late Muhammad Ilyas 43201-3581048-9	Abdul Rasool Jhatial	938	-	-	938	938	-	-	938
32	Late Muhammad Hassan Goth Chato Wahan, Tapal Ghar, Taluka Dokri, District Larkana	Late Muhammad Hassan 43201-7554407-3	Abdul Latif Mumbhar	772	-	-	772	772	-	-	772
33	M. Zaman Near Mukhtiyarkar Office Muhalla Jatt P.O Ghari Khairo, Tehsil Ghari Khairo, District Jaccobabad	M. Zaman 43101-5192595-9	Ghulam Hyder Mirjat	518	-	-	518	518	-	-	518
34	Qazi Village Khair Muhammad Khalti Taluka Kashmore, District Kandhkot	Qazi 43104-2534334-1	Kahoor	961	-	-	961	961	-	-	961
35	Akbar Ali Malik Muhalla Taluka Kandhkot, District Kandhkot	Akbar Ali 43103-4593943-5	Abdul Fatah	940	-	-	940	940	-	-	940
36	Fida Hussain Village Umar Khan Khoso P.O Dost Ali Taluka Kamber, Shahdadkot	Fida Hussain 43202-8019330-7	Ali Hassan Khoso	510	-	-	510	510	-	-	510
37	Deedar Ali Village Kule P.O Gerelo Tehsil Bakrani, District Larkana	Deedar Ali 43201-6425079-3	Muhammad Bachal Channo	930	-	-	930	930	-	-	930
38	Manthar D.H.O Office Colony, Jacobabad	Manthar 43102-2437154-5	Mughal Khan Mughari	563	-	-	563	563	-	-	563
39	Muharam Ali Village Fhillri Taluka Sijawal Junejo, District Kamber Shahdadkot	Muharam Ali 43204-6036571-9	Nihal Khan Tunio	640	-	-	640	640	-	-	640
40	Ahmed Ali Muhalla Khanchandabad, District Shikarpur	Ahmed Ali 43304-0582783-1	Karim Bux Rind	537	-	-	537	537	-	-	537
41	Raham Ali Leghari Goth Allah Dino Khan Leghari, Tapal Ghar, District Ghotki	Raham Ali Laghari 45102-4761638-5	Din Muhammad Leghari	885	-	-	885	885	-	-	885
42	Paryal Shah Village Chandio Sadhayo, District Shikarpur	Paryal Shah 43304-6317237-9	Shaman Shah	909	-	-	909	909	-	-	909
43	Qurban Ali Channa Village Mirza Channa taluka Johi, District Dadu	Qurban Ali Channa 41202-3422951-5	Muhammad Ali Channa	835	-	-	835	835	-	-	835
44	Rasool Bux Village Ibrahim Sand, P.O Khanpur,Taluka K.N Shah, District Dadu	Rasool Bux 41203-6618265-5	Jaro Khan Sand	519	-	-	519	519	-	-	519
45	Nisar Ahmed Village Boriri Taluka Khairpur, Nathan Shah, District Dadu	Nisar Ahmed 41203-2237640-3	Muhammad Isha	550	-	-	550	550	-	-	550
46	Mukhtiar Ali Village Ibrahim Samtia Diya Mir DHO Jagir, District Shikarpur	Mukhtiar Ali 43304-7798894-5	Noor Muhammad	963	-	-	963	963	-	-	963
47	Aashique Hussain Shah Pathan Village Shaikh, Fojotaluka Bakrani, District Larkana	Aashique Hussain Shah 43201-6575972-7	Zamir Hussain Shah	1,151	-	-	1,151	1,151	-	-	1,151
48	Muhammad Arab Village Dhani Paryo P.O Makhdoom Bilawal Taluka, Dadu	Muhammad Arab 41201-7733203-5	Muhammad Rajib Panhwar	1,159	-	-	1,159	1,159	-	-	1,159

S. No.	Name & Address of the borrower	Name of Individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/ Mark-up written off	Other financial relief / waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
49	Shabir Ahmed Muhalla Scarp Colony, Larkana	Shabir Ahmed 43205-9266270-7	Imam Bux Mangario	501	-	-	501	501	-	-	501
50	Waryaam Vains RO Village Dadood Dero, PO Shan Panjo Sultan,Taluka Mehar, Dadu	Waryaam Vains 41205-2282856-9	Muhammad Alam	628	-	-	628	628	-	-	628
51	Muhammad Phanwar Muhallah Mehar,Taluka Mehar, District Dadu	Muhammad 41205-9300916-9	Muhammad Ibrahim Bhangar	1,244	-	-	1,244	1,244	-	-	1,244
52	Ali Anwar Soomro Mohalla Soomra, Mehar, District Dadu	Ali Anwar Soomro 41205-1683185-1	Rajib Ali Soomro	764	-	-	764	764	-	-	764
53	Ali Nawaz Near Nadar Shah Muhallah, Allahabad Rotodero, District Larkana	Ali Nawaz 43205-4831514-1	Samandar Khan Bozdar	515	-	-	515	515	-	-	515
54	Parvez Ali Village Chandio Pitafi, P.O Koreja Taluka Ratodero, District Larkana	Parvez Ali 43205-5022809-3	Muhammad Ali Pitafi	742	-	-	742	742	-	-	742
55	Late Muhammad Hashim Muhallah Ali Gohar Abad, Sameh Abad, Larkana	Late Muhammad Hashim 43203-4205146-5	Ghulam Rasool Hub	542	-	-	542	542	-	-	542
56	Nadir Ali Near Bhains Colony, Mohallah Nasir Colony,Larkana	Nadir Ali 43101-5289425-1	Jan Muhammad	1,081	-	-	1,081	1,081	-	-	1,081
57	Altaf Hussain H.No.1738/58.A, Ghalib Nagar, Near Zulfiqar Bagh, Larkana	Altaf Hussain 43203-6294353-5	Abdul Ghani Sangi	849	-	-	849	849	-	-	849
58	Saqib Commission Shop Ghalla Mandi Buchike Badday, District Nankana	Muhammad Sarwer 35501-0161773-7 Falik Sher 35402-9844569-3	Ali Muhammad Ali Muhammad	2,973	405	3,777	7,155	-	-	541	541
59	Shakeel Ahmad Gillani Rakh Machine P.O, Khas Tehsil & District Sheikhupura	Shakeel Ahmad Gillani 35404-4676627-7	Muhammad Afzal	739	-	-	739	739	-	-	739
60	Ishtiaq Ahmed Muhallah Chah, Badraywala, Sharakpur Sharif	Ishtiaq Ahmed 35401-1831896-5	Nazeer Ahmed	927	-	-	927	927	-	-	927
61	Ali Hassan Katto R-19, Sector-13, Scheme 33, Chatta Gabaol Goth, Muslim Society, Karachi	Ali Hassan Katto 43102-8586571-7	Mithal Khan Katto	623	-	-	623	623	-	-	623
62	Yasir Abbass H # 461/A, Gali Daba Tabakhi, Mohallah Hafiz Miran Khan, D.I Khan	Yasir Abbas 12101-0944572-9	Khuda Baksh	1,354	-	-	1,354	1,354	-	-	1,354
63	Mosaib Hussain Village Zeran Yousaf Khel, P.O Parachinar, District Khurram	Mosaib Hussain 21303-5004445-9	Mukhtar Hussain	507	-	-	507	507	-	-	507
64	Khan Muhammad Qureshi Dak Khana Pepal Bazar, Bozi Khail, Tehsil & District Bannu	Khan Muhammad Qureshi 11101-0147145-3	Saqi Muhammad Qureshi	514	-	-	514	514	-	-	514
65	M.Arshad Khan H.No.41, Street No.9, Waris Khan Taili Muhallah, Rwalpindi	M.Arshad Khan 37405-8835883-1	Arif Khan	598	-	-	598	598	-	-	598
66	Muhammad Tariq Vill House No.12, Sector C-1, Mirpur Azad Kashmir	Muhammad Tariq 81302-3953428-5	Muhammad Hussain	658	-	-	658	658	-	-	658

S. No.	Name & Address of the borrower	Name of Individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/ Mark-up written off	Other financial relief / waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
67	Mirza Waqar Baig Staff Colony Near AG Office, Muhallah Roli Dhara Kotli, Azad Kashmir	Mirza Waqar Baig 81202-6520238-3	Mirza Abdul Rashid Baig	687	-	-	687	687	-	-	687
68	M. Basharat Rahat P.O Mari Khokhran, Tehsil & District Gujrat	M. Basharat Rahat 34201-3310058-7	Muhammad Azam	997	-	-	997	997	-	-	997
69	Muhammad Zaigham Iqbal H.No.888/1. Gali Mirza Mukhtar Wali Mohallah,Piplianwala District Jhang	Muhammad Zaigham Iqbal 33202-1206528-7	Iqbal Ahmed	598	-	-	598	598	-	-	598
70	Syed Ghulam Mustafa Shah Gillani Noorgran Garhi, Duppata, Muzaffarabad	Syed Ghulam Mustafa Shah Gillani 82203-8499019-9	Syed Ahmed Shah Gillani	1,110	-	11	1,121	1,110	-	11	1,121
71	Sher Afzal Darra Batangi, P.O Muzaffarabad, Azad Kashmir	Sher Afzal 82203-8593578-5	Jumma Khan	788	-	-	788	788	-	-	788
72	Ch. Muhammad Arif s/o Ahmed Khan Dahdar Kallan Bhimber, Azad Kashmir	Ch. Muhammad Arif 81102-9389332-9	Ahmed Khan	638	-	-	638	638	-	-	638
73	Abdul Majeed Dudhnail, Sheikh Bela, Tehsil Sharda, District Neelam	Abdul Majeed 82201-4923321-9	Feroz Din	667	-	-	667	667	-	-	667
74	Choudhary Maqsood Ahmed Moji P.O Leepa, Tehsil Karnah, District Jhelum Valley	Choudhary Maqsood Ahmed 82202-6938852-1	Muhammad Yaqoob	501	-	-	501	501	-	-	501
75	Riaz Muhammad Wach Khwar, Naway Kaly, Khwaza khela, District Swat	Riaz Muhammad 15602-0390214-9	Gul Rahim	685	-	-	685	685	-	-	685
76	Said Akbar S/o Said Ghaffar Chalyar Tehsil Khuwaza Khaila, District Swat	Said Akbar 15602-0319735-9	Said Ghaffar	692	-	-	692	692	-	-	692
77	Rehmat uddin Hingeel Shaghore, District Chitral	Rehmat uddin 15201-0569753-3	Mir Ghazabz	566	-	-	566	566	-	-	566
78	Asif Hussain S/o Raza Hussain Village & P.O Banda Sahib Khan, District Abbottabad	Asif Hussain 13101-7442913-7	Raza Hussain	594	-	-	594	594	-	-	594
79	Zamanbap Trans Ltd H.256, F .41, Sydykova str. , Kyrgyzstan	Erkebaeva AltynBolushevna NIC AN 2707107	Anarbek	2,629	1,714	-	4,343	-	-	1,076	1,076
80	Indinova Gulshat Melisovna H.14, F.28, Umetalieva str., Kyrgyzstan	Indinova Gulshat Melisovna NIC ID2289498	Melis	638	1,173		1,811	-	-	1,084	1,084
81	Tabaladeiv Ularbek Kichilkvoich H.209, f.9, Ayni str., Kyrgyzstan	Tabaladeiv Ularbek Kichilkvoich NIC AN 3149383	Kichik	993	1,028		2,021	-	-	852	852
82	Alisultanov Amurkhan Almaty Area, Karasay District, Kaskelen, Bolashak Street, #1A/1	Alisultanov Amurkhan 640411300780	Begalvich	14,427	4,846	579	19,852	-	4,592	-	4,592
83	CJSC Gulistan Dushanbe city, 21 Tehron Street	SaidovHayrulloZaydovich-Owner A5169481	Zaid Saidov	1,649	964	52	2,665	1,649	964	52	2,665
				588,331	**301,039**	**934,598**	**1,823,968**	**130,446**	**5,556**	**1,181,652**	**1,317,654**

Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Consolidated Financial Statements

ISLAMIC BANKING BUSINESS

The bank is operating 188 (2021: 189) Islamic banking branches and 50 (2021: nil) Islamic banking windows at the year ended December 31, 2022.

	Note	2022	2021
		---------- (Rupees in '000) ----------	
ASSETS			
Cash and balances with treasury banks		**6,096,555**	6,591,139
Balances with other banks		**13,766**	12,531
Investments	1	**53,920,119**	49,548,760
Islamic financing and related assets - net	2	**46,380,996**	42,316,209
Fixed assets		**87,489**	100,620
Right of use assets (ROUA)		**508,977**	641,973
Other assets		**2,294,054**	1,686,568
Total Assets		**109,301,956**	100,897,800
LIABILITIES			
Bills payable		**1,210,608**	388,351
Deposits and other accounts	3	**93,591,714**	84,849,520
Due to Head Office		**4,005,715**	7,635,926
Lease liability against right of use assets		**721,152**	826,081
Other liabilities		**1,490,182**	455,249
		101,019,371	94,155,127
NET ASSETS		**8,282,585**	6,742,673
REPRESENTED BY			
Islamic Banking Fund		**5,561,000**	4,646,000
Surplus on revaluation of assets		**424,444**	594,005
Unappropriated / unremitted profit	5	**2,297,141**	1,502,668
		8,282,585	6,742,673

The profit and loss account of the Bank's Islamic banking branches for the year ended December 31, 2022 is as follows:

	Note	2022	2021
		---------- (Rupees in '000) ----------	
Profit / return earned	6	**12,661,168**	7,212,495
Profit / return expensed	7	**(7,600,260)**	(3,180,849)
Net Profit / return		**5,060,908**	4,031,646
Other income			
Fee and Commission Income		**317,961**	285,694
Foreign Exchange Income		**155,195**	37,404
Other Income		**2,025**	13,218
Total other income		**475,181**	336,316
Total Income		**5,536,089**	4,367,962
Other expenses			
Operating expenses		**(3,050,827)**	(2,742,428)
Other charges		**(374)**	(1,516)
Total other expenses		**(3,051,201)**	(2,743,944)
Profit before provisions		**2,484,888**	1,624,018
Provisions and write offs - net		**(187,747)**	(121,350)
Profit before taxation		**2,297,141**	1,502,668
Taxation		**-**	-
Profit after taxation		**2,297,141**	1,502,668

		2022				2021			
		Cost/ Amortised cost	**Provision for diminution**	**Surplus / (Deficit)**	**Carrying Value**	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
1	**Investments by segments:**	---------- (Rupees in '000) ----------							
	Federal Government Securities:								
	-Ijarah Sukuks	**33,648,948**	**-**	**(339,589)**	**33,309,359**	14,000,979	-	(31,279)	13,969,700
	-Others (Bai Muajjal with GOP @ 13.30%)	**-**	**-**	**-**	**-**	10,914,185	-	-	10,914,185
		33,648,948	**-**	**(339,589)**	**33,309,359**	24,915,164	-	(31,279)	24,883,885
	Non Government Debt Securities								
	-Listed	**8,200,000**	**-**	**303,132**	**8,503,132**	8,200,000	-	340,000	8,540,000
	-Unlisted	**11,777,533**	**(130,807)**	**460,901**	**12,107,628**	15,970,398	(130,807)	285,284	16,124,875
		19,977,533	**(130,807)**	**764,033**	**20,610,760**	24,170,398	(130,807)	625,284	24,664,875
	Total Investments	**53,626,481**	**(130,807)**	**424,444**	**53,920,119**	49,085,562	(130,807)	594,005	49,548,760

		Note	**2022**	2021
			---------- (Rupees in '000) ----------	
2	**Islamic financing and related assets**			
	Ijarah	2.1	**38,208**	95,075
	Murabaha	2.2	**1,713,901**	903,901
	Diminishing Musharaka		**22,062,256**	21,834,074
	Istisna		**-**	-
	Other Islamic Modes (Wakala tul Istismar)		**8,500,000**	8,500,000
	Advance for Murabaha		**2,127,000**	1,285,000
	Advance for Diminishing Musharaka		**100,894**	60,720
	Advance for Istisna		**9,396,236**	9,881,261
	Inventories against Istisna		**3,097,800**	469,000
	Gross Islamic financing and related assets		**47,036,295**	43,029,031
	Less: provision against Islamic financings			
	- Specific		**(654,980)**	(712,763)
	- General		**(319)**	(59)
			(655,299)	(712,822)
	Islamic financing and related assets - net of provision		**46,380,996**	42,316,209

2.1 Ijarah

	2022						
	Cost			Depreciation			Book Value as at December 31, 2021
	At January 1, 2021	Additions / (deletions)	As at December 31, 2021	At January 1, 2021	Charge/ Adjustment for the year	As at December 31, 2021	
	(Rupees in '000)						
Plant & Machinery	**245,257**	**-**	**63,474**	**207,075**	**25,228**	**50,820**	**12,654**
		(181,783)			**(181,483)**		
Vehicles	**209,727**	**-**	**168,680**	**152,834**	**28,725**	**143,126**	**25,554**
		(41,047)			**(38,433)**		
Total	**454,984**	**-**	**232,154**	**359,909**	**53,953**	**193,946**	**38,208**
		(222,830)			**(219,916)**		

	2021						
	Cost			Accumulated Depreciation			Book Value as at December 31, 2020
	As at January 01, 2020	Additions / (deletions)	As at December 31, 2020	As at January 01, 2020	Charge/ Adjustment for the year	As at December 31, 2020	
	(Rupees in '000)						
Plant & Machinery	249,123	-	245,257	175,050	35,566	207,075	38,182
		(3,866)			(3,541)		
Vehicles	239,219	-	209,727	144,504	37,241	152,834	56,893
		(29,492)			(28,911)		
Total	488,342	-	454,984	319,554	72,807	359,909	95,075
		(33,358)			(32,452)		

Future Ijarah payments receivable

	2022				2021			
	Not later than 1 year	**Later than 1 year & less than 5 years**	**Over five years**	**Total**	Not later than 1 year	Later than 1 year & less than 5 years	Over five years	Total
	Rupees in '000							
Ijarah rental receivables	**36,438**	**9,802**		**46,240**	71,589	54,398	-	125,987

		2022	**2021**
	Note	**(Rupees in '000)**	
2.2 Murabaha			
Murabaha financing	2.2.1	**1,713,901**	903,901
Advances for Murabaha		**2,127,000**	1,285,000
		3,840,901	2,188,901

		Note	2022	2021
			---------- (Rupees in '000) ----------	
2.2.1	Murabaha receivable - gross	2.2.2	**1,868,953**	982,249
	Less: Deferred murabaha income	2.2.4	**73,359**	25,980
	Less: Profit receivable shown in other assets		**81,693**	52,368
	Murabaha financings		**1,713,901**	903,901
2.2.2	The movement in Murabaha financing during the year is as follows:			
	Opening balance		**982,249**	3,629,825
	Sales during the year		**12,721,419**	7,905,588
	Adjusted during the year		**11,834,715**	10,553,164
	Closing balance		**1,868,953**	982,249
2.2.3	Murabaha sale price		**12,721,419**	7,905,588
	Murabaha purchase price		**12,234,017**	7,739,500
			487,402	166,088
2.2.4	Deferred murabaha income			
	Opening balance		**25,980**	47,306
	Arising during the year		**487,539**	184,383
	Less: Recognised during the year		**(440,160)**	(205,709)
	Closing balance		**73,359**	25,980

3 Deposits

	2022			2021		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	---------- (Rupees in '000) ----------					
Customers						
Current deposits	**20,491,314**	**167,871**	**20,659,185**	21,520,192	264,535	21,784,727
Savings deposits	**41,254,385**	**-**	**41,254,385**	42,730,234	-	42,730,234
Term deposits	**15,137,438**	**-**	**15,137,438**	8,148,745	-	8,148,745
	76,883,137	**167,871**	**77,051,008**	72,399,171	264,535	72,663,706
Financial Institutions						
Current deposits	**354,951**	**-**	**354,951**	700,103	-	700,103
Savings deposits	**14,114,989**	**-**	**14,114,989**	6,064,983	-	6,064,983
Term deposits	**2,070,766**	**-**	**2,070,766**	5,420,728	-	5,420,728
	16,540,706	**-**	**16,540,706**	12,185,814	-	12,185,814
	93,423,843	**167,871**	**93,591,714**	84,584,985	264,535	84,849,520

		2022	2021
		---------- (Rupees in '000) ----------	
3.1	**Composition of deposits**		
	- Individuals	**45,084,725**	41,007,219
	- Government / Public Sector Entities	**23,311,046**	21,697,189
	- Banking Companies	**773,228**	6,873,275
	- Non-Banking Financial Institutions	**15,767,478**	5,312,539
	- Private Sector	**8,655,237**	9,959,298
		93,591,714	84,849,520

3.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 47,134 million (2021: Rs. 43,701 million).

		2022	2021
4	**Charity Fund**	---------- (Rupees in '000) ----------	
	Opening Balance	**64**	621
	Additions during the period		
	Received from customers on account of delayed payment	**286**	79
	Profit on charity saving account	**3**	14
		353	714
	Payments / utilization during the period		
	Education	**-**	-
	Health	**-**	650
	Others	**150**	-
		150	650
	Closing Balance	**203**	64

		2022	2021
		---------- (Rupees in '000) ----------	
5	**Islamic Banking Business Unappropriated/ Unremitted Profit**		
	Opening Balance	**1,502,668**	2,108,388
	Add: Islamic Banking profit for the year	**2,297,141**	1,502,668
	Less: Transferred / Remitted to Head Office	**(1,502,668)**	(2,108,388)
	Closing Balance	**2,297,141**	1,502,668

6 Profit / Return Earned of Financing, Investments and Placement

	2022	2021
	---------- (Rupees in '000) ----------	
Profit earned on:		
Financing	**5,712,166**	3,157,329
Investments	**6,730,485**	2,819,221
Placements	**1,235**	560
Others (Bai Muajjal)	**217,282**	1,235,385
	12,661,168	7,212,495

7 Profit on Deposits and other Dues Expensed

Deposits and other accounts	**5,589,067**	2,520,353
Amortisation of lease liability against - ROUA	**79,103**	82,908
Others (General Account)	**1,932,090**	577,588
	7,600,260	3,180,849

8 Pool Management

NBP-AIBG has managed following pools for profit and loss distribution.

a) General depositor pool

The General pool consists of all other remunerative deposits. NBP Aitemaad (the Mudarib) accept deposits on the basis of Mudaraba from depositors (Rabbulmaal). The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. The entire net return after paying equity share to Mudarib is considered as distributable profit of the pool.

b) Special depositor pools (Total 182 during the period and 51 as at Dec 31, 2022)

Special pool(s) are created where the customers desire to invest in high yield assets. These pool(s) rates are higher than the general pool depending on the assets. In case of loss in special pool, the loss will be borne by the special pool members. The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. From the net return, and after allocation of share of profit to commingled equity, profit is paid to the Mudarib in the ratio of the Mudarib's equity in the pool to the total pool. The balance represents the distributable profit.

c) Equity pool

Equity pools include AIBG's fund and current account deposits. The equity pool may have constructive liquidation every month and risk associated with assets of pool includes operational, market, equity, return and Shariah.

Key features and risk & reward characteristics

Deposits are accepted from customers on the basis of Qard (current accounts) and Mudarabah (Saving and term deposits). No profit or loss is passed on to current account depositors.

For deposits accepted on Mudarabah basis from depositors (Rab ul Maal) the Bank acts as Manager (Mudarib) and invests the funds in the Shariah Compliant modes of financings. Rab ul Maal share is distributed among depositors according to weightages declared for a month before start of the period.

In case of loss in a pool during the profit calculation period, the loss is distributed among the depositors (remunerative) according to their ratio of investment.

For all pools, the Mudarib's share is deducted from the distributable profit to calculate the profit to be allocated to depositors. The allocation of the profit to various deposit categories is determined by the amount invested in that category relative to the total pool, as well as by the weightage assigned to the various deposit categories.

The assets, liabilities, equities, income and expenses are segregated for each of the pool. No pool investment is intermingled with each other. The risk associated with each pool is thus equally distributed among the pools.

Avenues/sectors of economy/business where Modaraba based deposits have been deployed.

	2022	2021
Sector	**Percentage**	
Fertilizer	**1.48%**	1.12%
Textile	**4.25%**	4.60%
Fuel & energy	**34.07%**	40.71%
Leasing/Modarbas	**0.03%**	0.34%
Sugar	**7.80%**	7.94%
Cement	**6.10%**	7.43%
Gas	**0.35%**	0.91%
Financial	**1.94%**	1.59%
Federal Government	**32.95%**	24.61%
Real Estate	**3.10%**	2.98%
Agriculture	**0.30%**	0.34%
Others	**7.64%**	7.43%
Total	**100%**	100%

Parameters for profit allocation and charging expenses

Profit of the pools has been distributed between Mudarib and Rab-ul-Mall by using preagreed profit sharing ratios. The share of Rab-ul-Mall's profit has been distributed among different customers using the various weightages assigned to the different categories of the pool.

No provision against any non performing asset of the pool is passed on to the pool except on the actual loss / write off of such non performing asset. Administrative expense are borne by mudarib and not charged to Mudaraba pool.

	31-Dec-22
Mudarib Share	**Rupees in '000**
Gross Distributable Income	**9,906,319**
Mudarib (Bank) share of profit before Hiba	**3,211,747**
Mudarib Share in percentage	**32%**
Hiba from Mudarib Share	
Mudarib (Bank) share of profit before Hiba	**3,211,747**
Hiba from bank's share to depositors	**708,244**
Hiba from bank's share to depositors in percentage	**22%**

Profit rates

During the year ended December 31, 2022 the average profit rate earned by NBP Islamic Banking Group is 12.82% and the profit distributed to the depositors is 8.92%.

NATIONAL BANK OF PAKISTAN
Pattern of Shareholding
as at Decemeber 31, 2022

Categories of Shareholders	Shareholders	Shares Held	Percentage
Government Holding			
M/S. FEDERAL GOVERNMENT OF PAKISTAN	1	6,238,919	0.29
M/S. PAKISTAN ATOMIC ENERGY COMMISSION	1	679,424	0.03
FINANCE DIVISION, MINISTRY OF FINANCE, GOVT. OF PAKISTAN	1	1,656,788	0.08
State Bank of Pakistan			
M/S. STATE BANK OF PAKISTAN	1	1,599,845,728	75.20
Directors, Chief Executive Officer, their spouse(s) and minor children			
REHMAT ALI HASNIE	1	949	0.00
FARID MALIK	1	1,000	0.00
Associated Companies, undertakings and related parties	1	70,000	0.00
NIT and ICP	1	463,078	0.02
Banks Development Financial Institutions, Non-Banking Financial Institutions	9	22,778,447	1.07
Insurance Companies	6	85,263,147	4.01
Modarabas and Mutual Funds	9	14,935,442	0.70
General Public			
a. Local	10,185	144,306,655	6.78
b. Foreign	84	1,058,590	0.05
Foreign Companies	23	115,301,476	5.42
Others	162	134,913,383	6.34
Totals	**10,486**	**2,127,513,026**	**100.00**

Share holders holding 10% or more	Shares Held	Percentage
M/S. STATE BANK OF PAKISTAN	1,599,845,728	75.20

NATIONAL BANK OF PAKISTAN

74th Annual General Meeting
Form of Proxy

Folio No._____ or CDC participant identity no. _____
CDC A/C No._____
I/We_____
of_____
being a member(s) of the National Bank of Pakistan, holding shares no._____
hereby appoint_____of_____
also a member of the National Bank of Pakistan (Folio No._____) or failing him/her _____
of _____ also a member of National Bank of Pakistan (Folio No._____) as my/our Proxy to attend the 74th Annual General Meeting of National Bank of Pakistan, to be held at 11:30 a.m. (PST) on Thursday, March 30, 2023, at Mövenpick Hotel, Club Road, Karachi or through electronic means and at any adjournment thereof.

Proxy holder email address (*for attending meeting through electronic means*):_____

and mobile number _____.

Signed this _____day of March, 2023

Witnesses:

Affix Revenue Stamp of Five Rupees.

Name: _____
Address: _____
CNIC No. _____

Name: _____
Address: _____
CNIC No. _____

Signature _____
(Signature should agree with the specimen signature registered with the Bank)

NOTE

Attending Meeting through Proxies:

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

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

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

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

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

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

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

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

ii. In case of Government of Pakistan/State Bank of Pakistan/ corporate entity, the original or duly authenticated Board of Directors' resolution or power of attorney with specimen signatures of the nominee shall be submitted along with proxy form to Messrs. CDC Share Registrar Services Limited or to the Office of the Secretary Board, 2nd floor, NBP head Office, I. I. Chundrigar Road, Karachi.

نیشنل بینک آف پاکستان

سالانہ اجلاس عام پراکسی فارم

فولیو نمبر _____ یا سی ڈی سی پارٹیسپنٹ آئیڈینٹیٹی نمبر _____

سی ڈی سی اکاؤنٹ نمبر _____

میں/ہم _____

جن کا تعلق _____

سے ہے نیشنل بینک آف پاکستان ہولڈنگ شیئرز نمبر _____ کا/ کے رکن ہوتے ہوئے بذریعہ ہٰذا _____ کے _____ کو

جو کہ نیشنل بینک آف پاکستان (فولیو نمبر _____ کا رکن بھی ہے یا _____ کے _____ کی ناکامی کی صورت میں جو کہ نیشنل بینک

آف پاکستان (فولیو نمبر _____ کا رکن بھی ہے کو میرے/ ہمارے نمائندے کے طور پر نامزد کرتا ہوں/ کرتے ہیں تا کہ وہ نیشنل بینک آف پاکستان کے 74 ویں

سالانہ اجلاس عام میں میرے/ ہمارے پراکسی کے طور پر شرکت کریں جو کہ بروز جمعرات 30 مارچ 2023 کو صبح 11:30 بجے موون پک ہوٹل، کلب روڈ، کراچی اور الیکٹرانک ذرائع سے اور اس کے کسی بھی التواء پر منعقد ہوگا۔

پراکسی کی ای میل ایڈرس (الیکٹرانک ذرائع سے شرکت کے لئے) _____ اور موبائل نمبر _____

اسے مارچ 2023 کی _____ تاریخ کو دستخط کیا گیا:

گواہان:

پانچ روپے کے ریونیو اسٹیمپ

نام _____

پتہ _____

شناختی کارڈ نمبر _____

نام _____ دستخط _____

پتہ _____ دستخط دیئے گئے نمونے سے مطابقت رکھتے ہوں یا بینک میں رجسٹرڈ ہوں

شناختی کارڈ نمبر _____

نوٹ

پراکسی کے ذریعے اجلاس میں شرکت

1 تمام ممبران، جو سالانہ اجلاس عام میں شرکت کرنے اور ووٹ دینے کے حقدار ہیں، کسی دوسرے ممبر کو تحریری طور پر اپنے پراکسی کے طور پر مقرر کرنے کے حقدار ہیں، تا کہ وہ شرکت کریں اور ووٹ دیں۔ ایک قانونی ادارہ، ایک رکن ہونے کے ناطے کسی بھی شخص کو چاہے وہ رکن ہے یا نہیں، بطور پراکسی مقرر کر سکتا ہے۔

2 پراکسی کی جزیات ہر لحاظ سے مکمل ہونا چاہیئے اور موثر ہونے کے لئے رجسٹرار کے دفتر یا سیکریٹری بورڈ کے دفتر، دوسری منزل، این بی پی ہیڈ آفس، آئی آئی چندریگر روڈ، کراچی میں میٹنگ کے انعقاد کے وقت سے 48 گھنٹے پہلے جمع کروانا ہوگا۔

3 الیکٹرانک ذرائع (زوم) کے ذریعے میٹنگ میں شرکت کے لئے پراکسی ہولڈرز کے ای میل ایڈرس اور موبائل نمبر کے ساتھ ایک پراکسی فارم جمع کرایا جائے گا۔

4 اگر کوئی ممبر کسی بھی میٹنگ کے لئے ایک سے زیادہ پراکسی کا تقرر کرتا ہے اور پراکسی کے ایک سے زیادہ انسٹرومنٹ رجسٹرار یا بینک کے پاس جمع کرائے جاتے ہیں، تو پراکسی کے ایسے تمام انسٹرومنٹ کو غلط قرار دیا جائے گا۔

حصص بافتگان کو پراکسیوں کی تقرری کے لئے درج ذیل رہنما اصولوں پر عمل کرنا ہوگا۔

I افراد کے معاملے میں، اکاؤنٹ ہولڈر یا ذیلی اکاؤنٹ ہولڈر اور/یا وہ شخص جس کی سیکیورٹیز گروپ اکاؤنٹ میں ہیں اور ان کی رجسٹریشن کی تفصیلات ضوابط کے مطابق اپ لوڈ کی گئی ہیں ذیل میں بیان کردہ ضروریات کے مطابق پراکسی فارم جمع کروائیں۔

الف) پراکسی فارم پر دو افراد گواہی دیں گے جن کے نام، پتے اور شناختی کارڈ نمبر فارم پر درج ہوں گے۔

ب) قومی شناختی کارڈ کی تصدیق شدہ کاپی یا بینی فیشل مالکان اور پراکسی کے پاسپورٹ کی کاپی پراکسی فارم کے ساتھ پیش کی جائے گی۔

II حکومت پاکستان/ اسٹیٹ بینک آف پاکستان/ کارپوریٹ ادارے کی صورت میں نامزد شخص کے دستخط کے نمونے کے ساتھ اصل یا باضابطہ تصدیق شدہ بورڈ آف ڈائریکٹرز کی قرارداد یا پاور آف اٹارنی میسرز سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ یا سیکریٹری بورڈ کے دفتر، دوسری منزل، این بی پی ہیڈ آفس، آئی آئی چندریگر روڈ، کراچی۔ کو پراکسی فارم کے ساتھ جمع کروانا ہوگا۔

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