



National Bank of Pakistan
نیشنل بینک آف پاکستان

NATIONAL BANK OF PAKISTAN

THE BANK YOU TRUST

ANNUAL REPORT
2022



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Annual
Report 2022

شاہد باہر
پاکستان بینکنگ

Inside this BOOK

1. WELCOME



- 03 Vision and Mission
- 07 Our Reporting Suite

2. ORGANISATIONAL OVERVIEW



- 11 About NBP
- 13 Corporate Information
- 14 Organogram/Governance
- 15 Highlights 2022
- 16 Our National Impact
- 17 Seven Decades for the Nation
- 19 A Legacy of Recognition
- 21 Key Events

3. LEADERSHIP INSIGHT



- 31 Directors' Profile
- 35 Chairman's Review
- 39 Reflections from the CEO
- 43 Directors' Report (English)
- 58 Directors' Report (Urdu)
- 59 Profile of Shariah Board
- 61 Shariah Board's Report (English)
- 68 Shariah Board's Report (Urdu)
- 69 Executive Management
- 75 Organisational Overview

4. CORPORATE GOVERNANCE



- 81 Statement of Compliance
- 86 Review Report to the Members
- 88 Statement of Internal Control
- 89 Our Ethics & Code of Conduct

5. FINANCIAL PERFORMANCE



- 93 Financial Performance Overview
- 100 Quarterly Performance
- 102 6Y Historic Performance
- 111 Other Financial Highlights
- 118 Share Price Sensitivity
- 120 Pattern of Shareholding

6. RISK MANAGEMENT OVERVIEW



- 123 Risk Management Framework

7. FINANCIAL STATEMENTS (UNCONSOLIDATED)



- 129 Independent Auditors' Report
- 134 Statement of Financial Position
- 135 Profit and Loss Account
- 136 Statement of Comprehensive Income
- 137 Statement of Changes in Equity
- 138 Cash Flow Statement
- 139 Notes to the Financial Statements

8. FINANCIAL STATEMENTS (CONSOLIDATED)



- 247 Directors' Report (English)
- 248 Directors' Report (Urdu)
- 249 Auditors' Report
- 254 Statement of Financial Position
- 255 Profit and Loss Account
- 256 Statement of Comprehensive Income
- 257 Statement of Changes in Equity
- 258 Cash Flow Statement
- 259 Notes to the Financial Statements

9. AGM & SUPPLEMENTARY INFORMATION



- 373 Notice for the 74th AGM
- 379 Proxy Form

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



I

Integrity is the cornerstone of everything we do



M

Market leadership is what we aim across all our target sectors



A

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



G

Good governance and transparency



I

Innovation to provide for the customer needs of tomorrow



N

Nation-building remains our priority



E

Employee engagement through a merit-based culture



Our Reporting Suite

Dear Readers,
 Welcome to the 73rd Annual Report of National Bank of Pakistan (“NBP”, “the Bank”). This report covers the financial and non-financial performance of the Bank for the year ended December 31, 2022.
 We wish you a pleasant read!

Our Purpose



Our Integrated Approach to Value Creation



Organisational Purpose

Our vision is ‘to be the Nation’s leading bank enabling sustainable growth and inclusive development’. We endeavour to achieve this by subscribing to the qualities captured by the word ‘IMAGINE’ (elaborated in detail page-xxx). Our vision and mission act as axis for all our decisions and actions for value creation.

Governance & Culture

Our strong corporate governance culture places great emphasis on transparency, accountability, good governance and protection of the interest of the stakeholders. Our governance structure is explained in detail in the Corporate Governance section on page xxxxx.

Material Matters

Issues that are material to our strategy are those that have a significant impact on our ability to create enterprise value in the short, medium and long terms. These include our operating context i.e. risks and opportunities presented by the operating environment, stakeholders’ considerations and internal strengths and weaknesses.

Strategy & Objective

Being a domestic systemically important bank ‘D-SIB’, NBP has a significant impact towards socioeconomic growth in the country. Our strategy is aimed at transforming the institution into a future-fit, agile and sustainable Bank while maintaining market leadership and driving socioeconomic value creation for the society at large. Our business model elaborates in detail (page xxx) the impact of various CAPITALS and their application in the value chain, following an effective risk management and internal control, to achieve its short, medium and long-term goals.

Targeted Readers

The report is intended to address the information requirements of a wide range of stakeholders including shareholders, employees, local communities, customers, governments and non-governmental organisations (NGOs), etc.

The Medium

1. This Annual Report is published within three months of the date of approval of the Financial Statements. The comprehensive end-to-end online version is also published online on the same date as the date of issue of this Annual Report at <https://www.nbp.com.pk/InvestorInformation/index.aspx>
2. This Report is circulated among shareholders in a digital format (on Compact Disk).
3. A limited number of printed copies has been produced for the shareholders who have requested the same.

This short version of the report has been published for specific audience only. A full version is printed separately and is also available on the Bank’s website.

Other Information:

We also have a presence on digital platforms:
Facebook <https://www.facebook.com/NBPTheNationsBank>
Instagram <https://www.instagram.com/nationalbankofpakistan/>
YouTube <https://www.youtube.com/channel/UCcl-feuO5V4sCclm0xigzVg>
LinkedIn <https://www.linkedin.com/company/national-bank-of-pakistan/>
Twitter <https://twitter.com/TheNBPak>

Suggestions & Queries

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

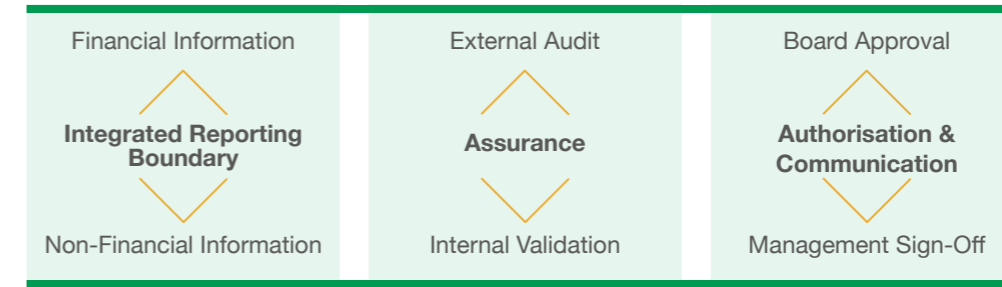
The Chief Financial Officer
 National Bank of Pakistan
 2nd Floor, NBP Head Office Building, I.I. Chundrigar Road, Karachi
 Stakeholders may also contact our Investor Relations Office by email at:
investor.relations@nbp.com.pk

Integrated Reporting

The Bank’s integrated thinking approach towards strategy formulation has enabled it to proactively respond to emerging challenges presented by the internal and external operating landscapes.

This Annual Report is structured to provide the readers with integrated insight into the Bank’s organisational purpose and how this purpose shapes up the Bank’s approach to value creation, governance & culture, setting strategies & objectives and realigning its activities with the emerging external and internal influences and material matters impacting its long-term sustainability.

Integrated Outcomes Reporting



The Reporting Process and Boundary

This Report encompasses both financial and non-financial information on standalone as well as consolidated basis. Key contents of this Report include:

- i. Governance & Stewardship
- ii. Our Value Creation & Business Model
- iii. Strategic and Operational Review by the Board, Chairman and the CEO
- iv. Material Risks and Opportunities
- v. Audited Standalone Financial Statements of the parent entity; along with the Auditors’ Report thereon
- vi. Audited Consolidated Financial Statements of the Bank, its subsidiary companies, a joint venture and associate companies “Group” as depicted in the Consolidated Financial Statements, along with the Auditors’ Report thereon
- iv. Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019, and the Public Sector Companies (Corporate Governance) Rules, 2013
- v. Auditors’ Review Report on the above Codes of Corporate Governance

The Board Audit Committee, as mandated by the Board, reviewed and recommended these audited Financial Statements to the Board for approval. The Board of Directors, in its meeting held on February 28, 2023 has approved the release these audited Financial Statements.

Reporting Considerations		
	Financial Statements	Narrative Report & Corporate Governance
Standards and Principles	<ul style="list-style-type: none"> The Banking Companies Ordinance, 1962 The Companies Act, 2017 The Listed Companies (Code of Corporate Governance) Regulations, 2019 The Public Sector Companies (Corporate Governance) Rules, 2013 International Financial Reporting Standards and Interpretations issued by the International Accounting Standards Board Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan Other related directives issued by the SBP, SECP and PSX 	<ul style="list-style-type: none"> Listing Requirements of the Pakistan Stock Exchange The Listed Companies (Code of Corporate Governance) Regulations, 2019 The Public Sector Companies (Corporate Governance) Rules, 2013 Integrated Reporting Framework Guidelines for Presentation of Annual Reports Issued by the Institute of the Chartered Accountants of Pakistan and Institute of Cost and Management Accountants of Pakistan
Internal Assurance Mechanism	<ul style="list-style-type: none"> Board Audit Committee Robust framework of internal controls Statement of Internal Control by the management Sharia Board 	<ul style="list-style-type: none"> Robust governance framework which embeds regulations and best practices Code of Corporate Governance Code of Conduct for employees and other governance-related policies of the Bank Reporting to the relevant BoD Committee and Board of Directors
External Assurance Mechanism	PwC A. F. Ferguson & Co. Chartered Accountants Yousuf Adil Chartered Accountants	PwC A. F. Ferguson & Co. Chartered Accountants Yousuf Adil Chartered Accountants

ORGANISATIONAL OVERVIEW

سہولتیں

From monumental peaks of fertile lands, National Bank is the thread that connects all people across different terrains and lifestyles, bringing services to each individual based on their unique needs through our product range.

شاہو باو

About NBP

The Bank You Trust

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

The Bank also handles treasury transactions for the Government of Pakistan as an agent to the State Bank of Pakistan. The Bank operates 1,512 (2021:1,513) domestic branches in Pakistan and 18 (2021:19) overseas branches (including the Export Processing Zone branch, Karachi).

The Bank has a wide local and international outreach through a network of branches, ATMs, subsidiaries, representative offices, agency tie-ups, correspondent banking relationships, etc.

With a total asset base of PKR 5.2 trillion, (USD 23.1 billion) and accounting for ~15% of total industry assets, the Bank has been designated a "Domestic Systemically Important Bank" by the State Bank of Pakistan.

In pursuit of its vision of enabling sustainable growth and inclusive development, the Bank is well-diversified across its major business segments of retail, commercial, corporate & investment, Islamic, treasury and international operations. The Bank's international operations exist in South & Central Asia, Middle East, Western Europe and North America. Demonstrating a strong franchise, 58% of average assets of the Bank were funded by average customer deposits. The domestic current and savings account (CASA) ratio was 79.4% as at December 31, 2022.

7 Decades of Serving the Nation

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

The Bank's 15,000+ employees serve 9.5+ million customers through a wide local and international network of branches, agency arrangements, business promotion offices in Europe, America, Central Asia, Far & Middle Eastern countries and correspondent banking relationships.

Strong Capitalisation and Risk Profile

With PKR 300.8 Bn as Net Assets, NBP is the highest capitalised bank in Pakistan. The SBP through its BSD Circular No. 07 dated April 15, 2009 has prescribed the minimum paid up capital (net of losses) for all locally incorporated banks of PKR 10 Bn. The paid up capital of the Bank for the year ended December 31, 2022 stood at PKR 21.27 Bn (2021: PKR 21.27 Bn), comfortably well above the SBP requirements.

The Bank is also subject to maintaining minimum capital ratios under the Basel III framework as advised by the SBP from time to time. The Bank has been identified as Domestic Systemically Important Bank 'D-SIB' by the State Bank of Pakistan. Accordingly, the Bank's total capital adequacy requirement stood at 13.0% (2021:13.50%). The Bank is required to maintain capital conservation buffer of 1.5% (as reduced under the BPRD Circular Letter No. 12 of 2020). Moreover, being a D-SIB, the Bank is also required to maintain higher loss absorbency 'HLA' capital surcharge in the form of additional Common Equity Tier 1 (CET1). At January 1, 2022 the required HLA was 2.0% that was revised downward to 1.5% in December 2022.

With the Common Equity Tier 1 (CET-1) ratio of 16.30% (2021: 15.42%) and overall Capital Adequacy Ratio (CAR) at 21.59% end 2022 (2021: 20.39%), the Bank is compliant with the enhanced regulatory requirements.

The Bank's leverage ratio at end 2022 was 3.08% (2021:3.47%). The Bank's liquidity and net stable funding ratios stood at 147% (2021:164%) and 251% (2021:278%), respectively against regulatory requirements of 100% for each.

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

Diversified Coverage

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

Significant Changes in Organisation

There are no significant changes from prior years with respect to: - Ownership; and - Business Model of the Bank.

Group Structure

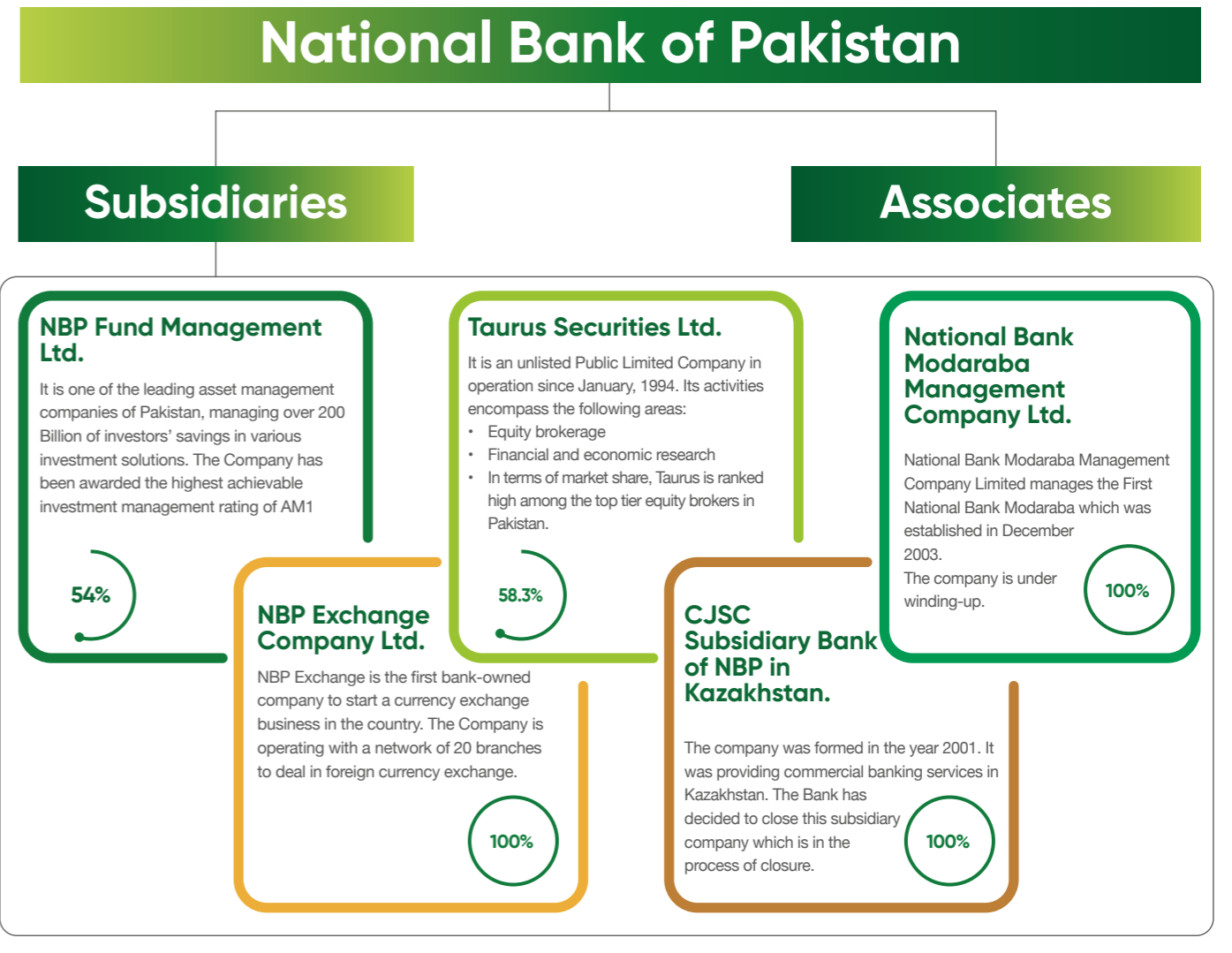
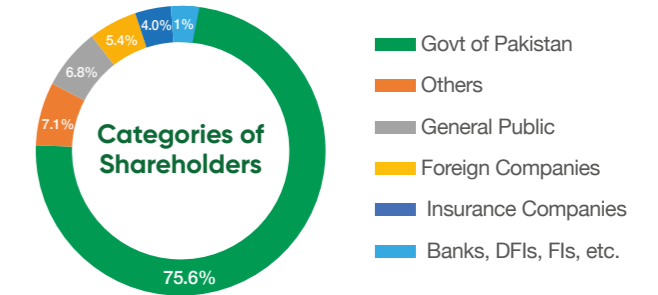
The Bank has subsidiary companies operating in both the financial and non-financial sectors. The Bank's subsidiaries include, inter alia, an Asset Management Company, an Exchange Company and a Securities Brokerage House. Operations by the parent entity i.e. the Bank however account for the largest share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

Shareholding in Associated Companies

Besides the subsidiary companies mentioned below, the Bank also has significant shareholding in several associated companies and a UK-based joint venture i.e. the United National Bank Ltd "UNBL", which was formed in 2001 through the merger of the UK branches National Bank of Pakistan and United Bank Limited. NBP holds 45% shares in UNBL. The principal business of UNBL is to provide retail banking products through its branch network in major cities in the UK; wholesale banking treasury and money transmission services, and finance facilities to businesses of all sizes. Further details of associated companies are provided in Note 10.2.2 to the Financial Statements.

Ownership Structure

There are 2,127,513,026 issued & outstanding ordinary shares of the Bank, of which the Federal Government through the State Bank of Pakistan holds 75.2%, Ministries/Public Sector Companies 0.4%. Other major shareholders include Foreign Companies (5.4%), the general public (6.8%), insurance companies (4.0%), others (7.1%) and Banks, DFIs, FIs, etc., (1.1%). (Details Page # 120)



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, President/CEO (A)
Mr. Asif Jooma, Director	Mr. Farid Malik, Director
Mr. Ali Syed, Director	Mr. Ahsan Ali Chughtai, Director
Mr. Nasim Ahmad, Director	Mr. Amjad Mahmood, Director

Board Committees

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

Chief Financial Officer

Mr. Abdul Wahid Sethi

Company Secretary

Syed Muhammad Ali Zamin

Registered & Head Office

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

Registrar & Share Registration Office

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

Auditors for 2022

Yousuf Adil Chartered Accountants	A. F. Ferguson & Co Chartered Accountants
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Legal Advisors

Mandviwalla & Zafar Advocates & Legal Consultants

Website

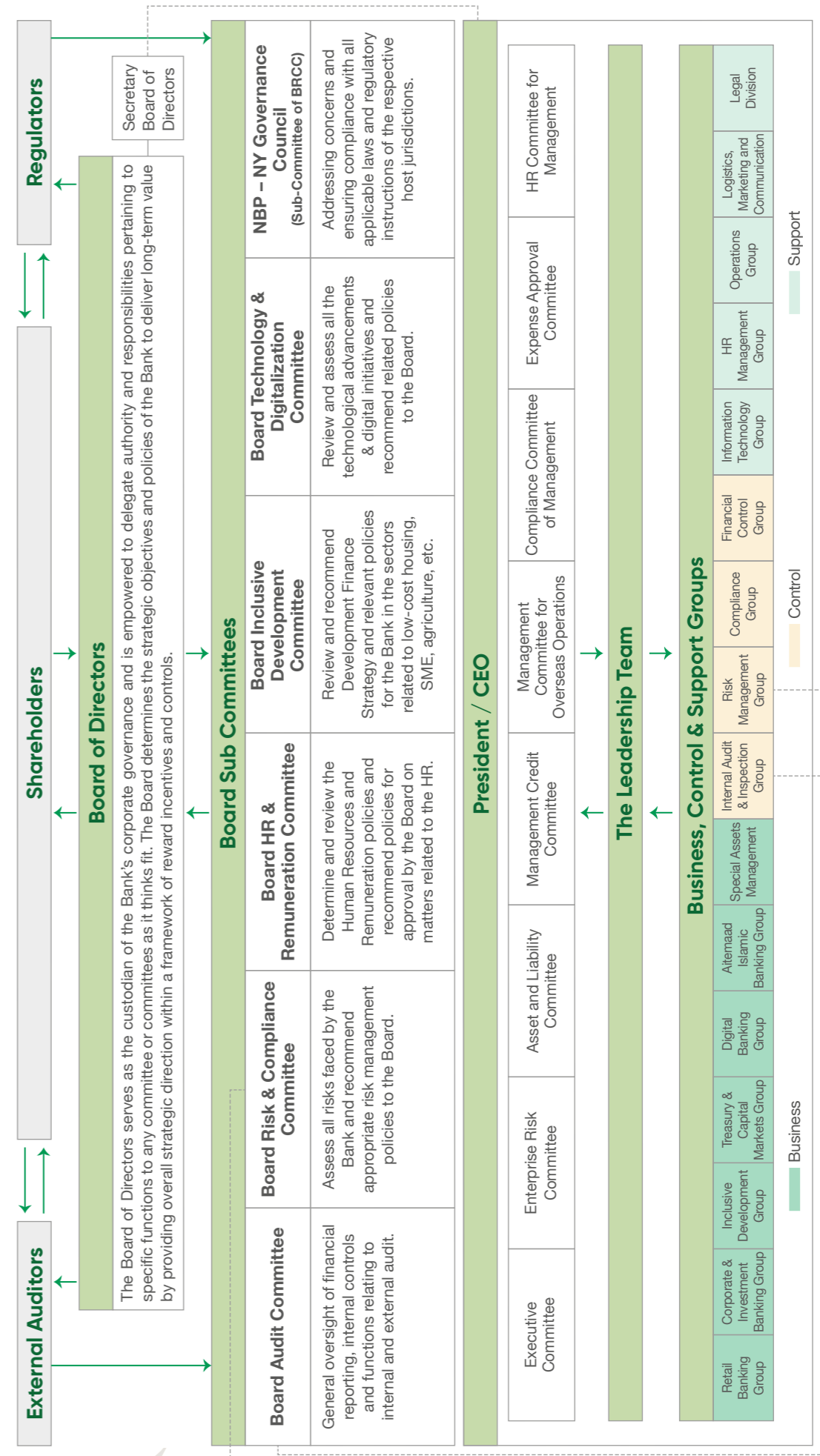
www.nbp.com.pk

Stock Exchange Listing

Pakistan Stock Exchange Symbol - "NBP"

Organogram / Governance

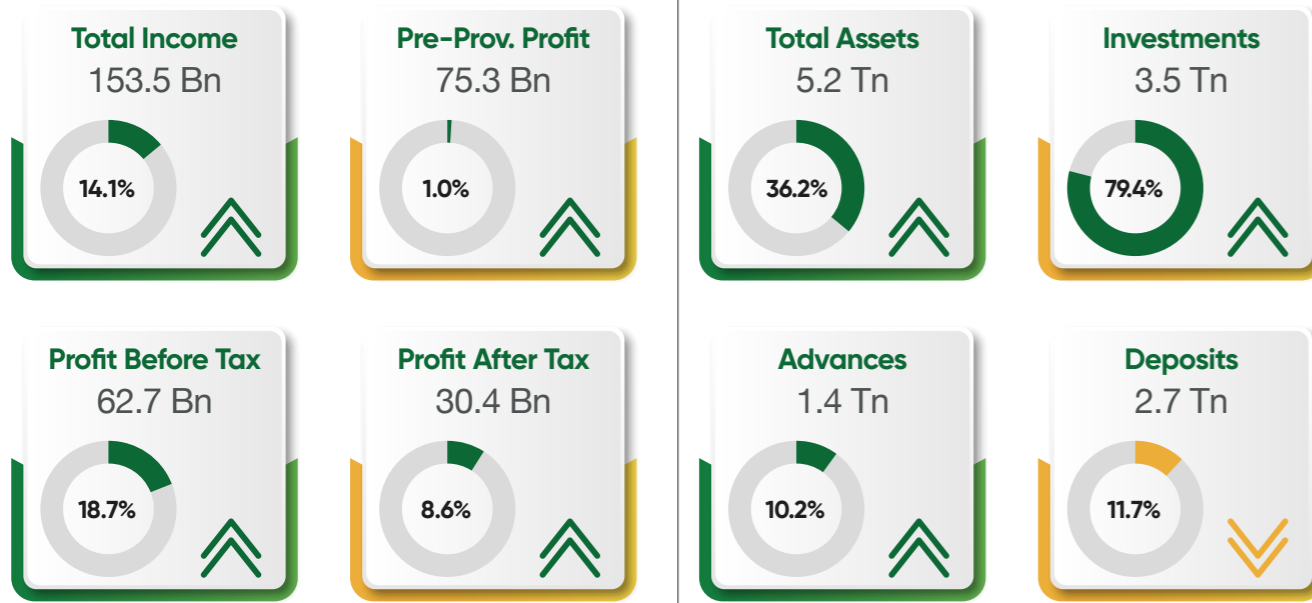
NBP governance structures are designed to ensure an appropriate balance of authority and decision-making power, driving accountability, transparency, and integrity across the organisation. The Bank's governance structure is set out below:



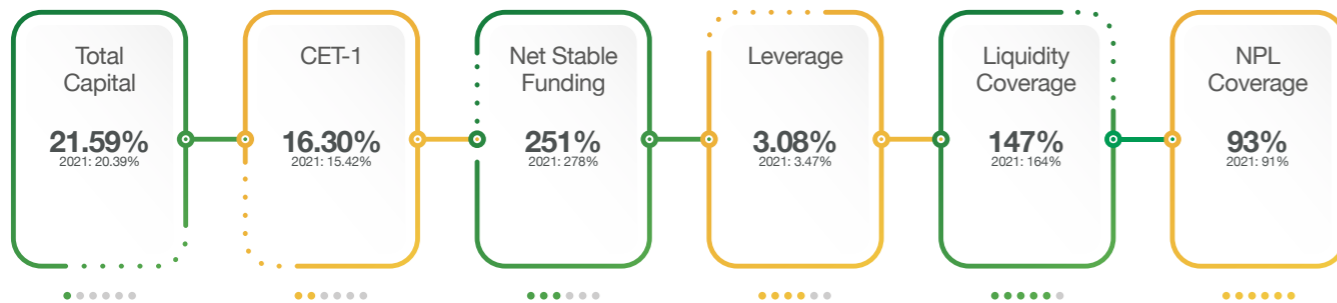
Highlights 2022

Profitability (PKR)

Financial Position (PKR)



Financial Soundness



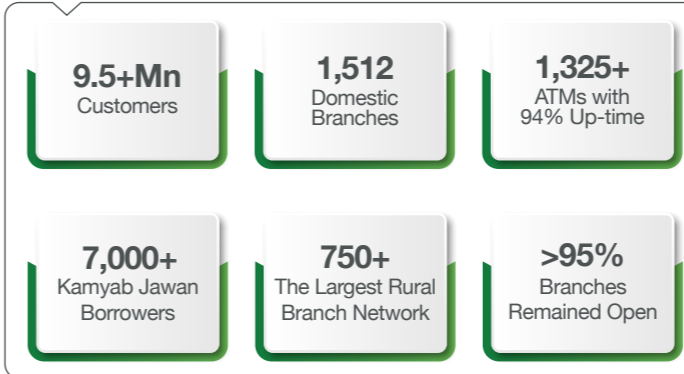
Credit Rating

PACRA A1+ Short-Term
AAA Long-Term

VIS A-1+ Short-Term
AAA Long-Term

Our National Impact

Coverage Across the Nation



The **FIRST** Bank to provide **LOW COST** housing loan to **2,000+ Families**



Economic Value Distributed

PKR **540 Bn**

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



Community Investment **PKR 107 Mn**



EMPLOYMENT

Bank Staff **15,112** | Outsourced **1,218**

Taxes to the Government

PKR 32.3 Bn

7 DECADES FOR THE NATION

(PKR 'Mn)	1950	1960	1970	1980	1990
ASSETS	120	1,253	5,374	32,380	135,074
ADVANCES	49	664	2,148	11,803	47,025
DEPOSITS	56	885	3,343	21,384	87,900

The 1950s... The Beginning

The 1960s... Dawn of Developments

The 1970s... Restructuring & Growth

The 1980s... New Trends and Alliances

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

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

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

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

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

2000	2010	2020	2021	2022
371,636	1,037,750	3,008,527	3,846,684	5,240,425
140,318	477,507	983,255	1,113,392	1,230,522
316,493	832,152	2,418,966	3,019,155	2,666,184

The 1990s... Initiatives & Reforms

2000 – 2009... The Millennium

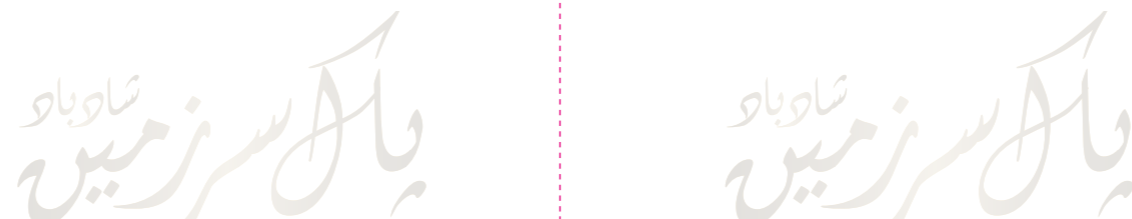
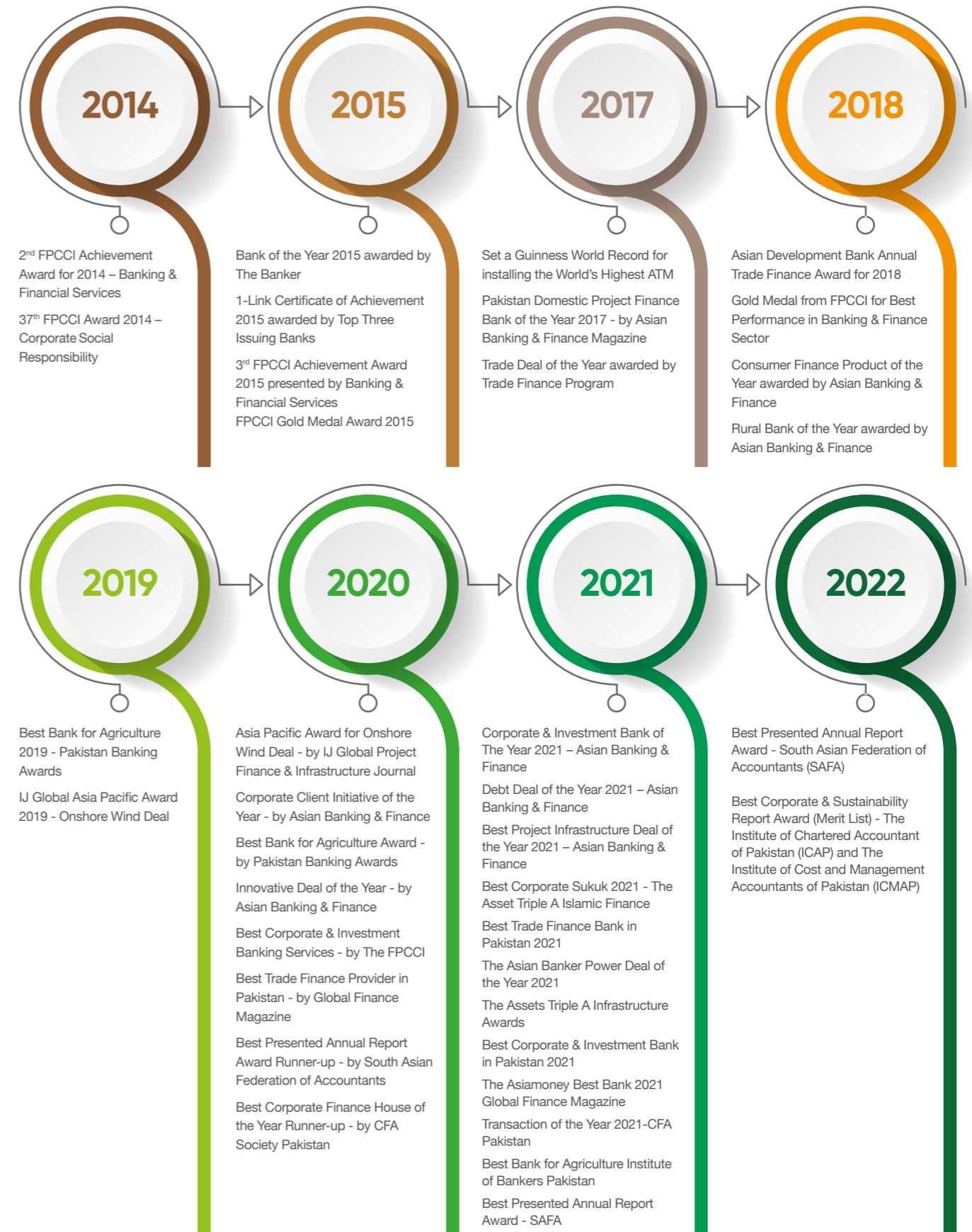
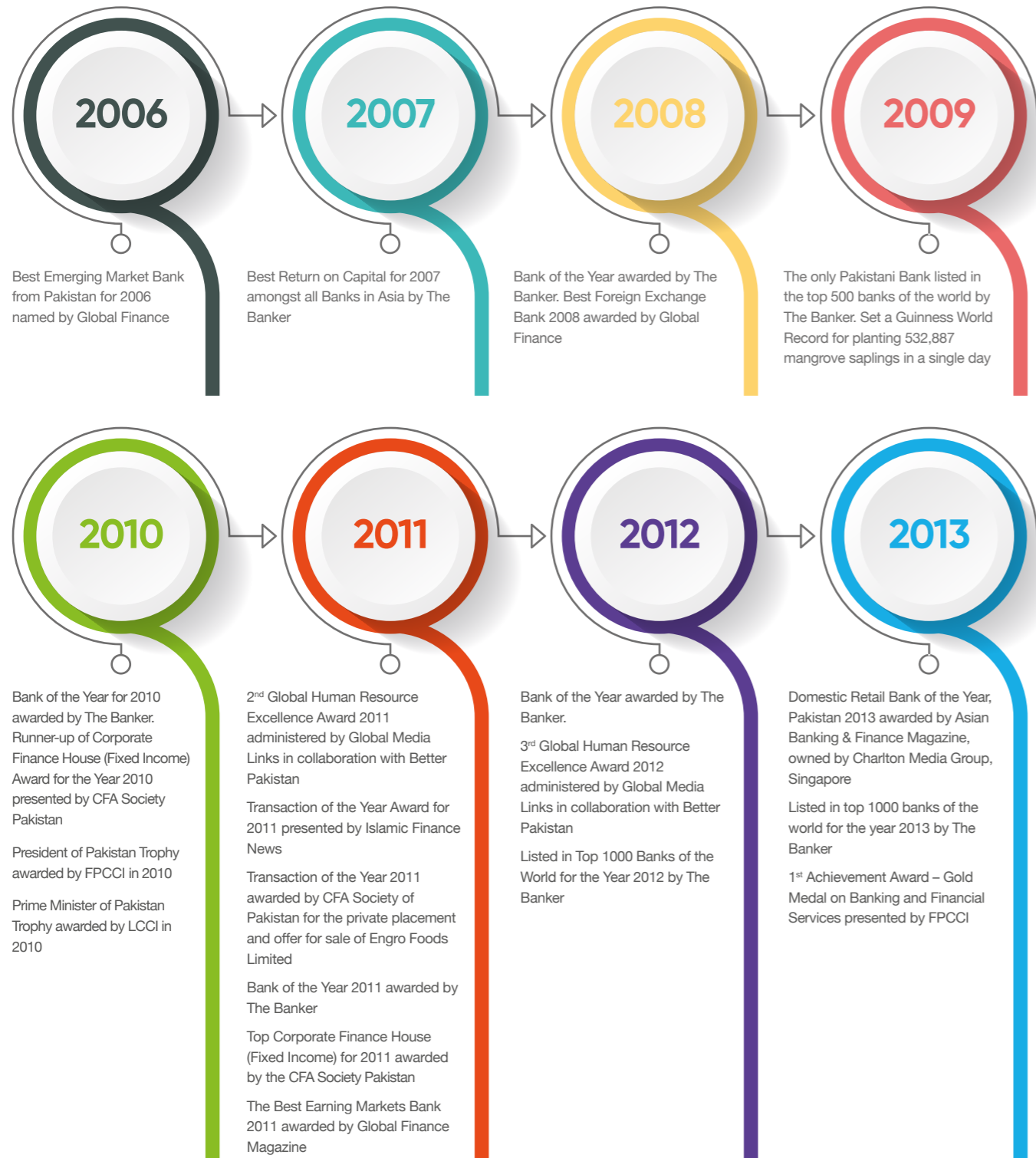
2010 Till Today... Still Focused & Driven

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

- » The decade witnessed a restructuring programme, where loss making branches were closed or merged. Number of Regions were reduced to 29.
- » National Bank of Pakistan went public with IPO of 23.2% shares and listing at all domestic stock exchanges (2001).
- » In 2002, the Bank signed an agreement with Western Union.
- » The Bank's wholly owned Exchange Company commenced operations in February 2003.
- » NBP gained market recognition and received over 30 international awards.

- » PKR 30.4 Bn as Profit After tax in 2022. The Bank achieved PKR 5 Trillion Milestone in Assets and becomes largest bank in the country.
- » PKR 28 Bn as Profit After tax in 2021. Achieved PKR 3 Trillion Milestone in Deposits.
- » In 2020, the Bank recorded profit after-tax of PKR 30.6 billion i.e. the highest ever profit in its history.
- » In 2019, NBP became "PKR three trillion" Bank by closing its balance sheet at PKR 3,124 billion.
- » NBP was Awarded Agriculture Bank of the Year Award 2020.
- » In 2017, the Bank posted after-tax profit of PKR 23.03 billion. NBP became the 'Two Trillion Rupee' Bank.
- » Reaching the 71st year of this great institution, we refreshed our Vision to become the nation's leading Bank enabling Sustainable Growth and Inclusive Development.
- » NBP made it to the Guinness Book of World Records by installing the World's Highest ATM at Pak-China border.
- » Won Bank of the Year Award 2015.
- » The bank deployed Core Banking Application in 2015.
- » In 2013, with the growing popularity of Islamic Banking, NBP successfully launched its brand 'Aitemaad' to offer the true spirit of Islamic Finance.

A Legacy of Recognition



Key Events

Successful NBPIans in Balloting of Government Hajj Scheme 2022



NBP collaborates with KPT to fulfil the banking needs of its employees and expand its customer base.



03-Day Training on Procurement Management under PPRA Rules 2021



The NBP team at IoBM's career fair. Counselling session regarding career opportunities was held with prospective



Staff Capacity Building

The Wealth Management Team conducted training sessions in 11 cities for 18 regions across the country.



Launch of E-Stamping System

A groundbreaking initiative designed to make life easier for the general public and taxpayers.



NBP debit cards t Spend & Win campaign bumper prize winner receiving the car from the President (A).



The Bank organised health awareness sessions as the well-being of our employees and their families are of the utmost importance.



NBP Glows Purple!

The NBP building was lit up purple to commemorate Purple Tuesday, observed for the first time in Pakistan on the 1st Tuesday of November 2022.



COVID-19 Health Support



NBP, in collaboration with its partner organisations, has stepped up to provide immediate aid to the flood affected communities by providing water purifiers.



NBP Celebrates Pinktober

Digital Heroes Campaign



NBP vigorously organises sports events pays special attention to organize sports events as part of its CSR programme



NBP and Sindh Enterprise Development Fund signed an MoU for provision of subsidised financing to SMEs in Sindh.



We opened more than 50 Islamic Banking Windows throughout the country.



The Bank is promoting sports and physical fitness facilities in communities.



NBP continues to invest in modernising its business premises with a special focus on providing assistance to differently abled persons.



NBP Celebrates 75th Independence Day of the Nation.



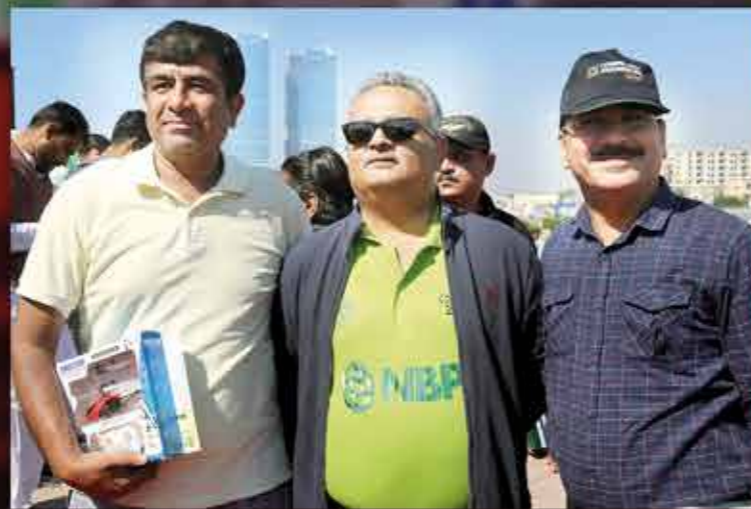
The Bank rolled out Competency Framework for career progression and growth of its people.



NBP COMMISSIONER KARACHI MARATHON 4

Date: 29th January, 2023

Venue: Nishan-e-Pakistan (Sea View)



Financial Calendar

2022

73 rd Annual General Meeting	30th March 2022
1 st Quarterly Financial Statements Approved by the BoD	28 April 2022
Half-Yearly Financial Statements Approved by the BoD	17 August 2022
3 rd Quarterly Financial Statements Approved by the BoD	28 October 2022
Annual Financial Statements 2022 Approved by the BoD	28 February 2023

2021

Analyst Briefing on Annual Financial Statements 2020	24 February 2021
72 nd Annual General Meeting	29 March 2021
1 st Quarterly Financial Statements Approved by the BoD	28 April 2021
Half-Yearly Financial Statements Approved by the BoD	26 August 2021
3 rd Quarterly Financial Statements Approved by the BoD	27 October 2021
Analyst's Briefing on 3 rd Quarterly Financial Statements	01 November 2021
Annual Financial Statements 2021 Approved by the BoD	8 March 2022



COMFORT FOR SENIOR CITIZENS

with NBP Digital Pension Solutions

More than 225,000 Pensioners' Accounts Activated
 by Operations Group
 From 1st to 28th February 2023



LEADERSHIP
INSIGHT

شاہد بابا

شعبان

As a people committed to hard work and committed to their goals, National Bank of Pakistan builds its legacy from sheer passion and self-determination. This is the cornerstone of all industries that are currently thriving in the country.

Board of Directors



Mr. Ashraf Mahmood Wathra
Chairman

Mr. Ashraf Mahmood Wathra served as Governor, State Bank of Pakistan (SBP) from April 29, 2014 till 2017. Prior to this, he was working as Acting Governor since January 31, 2014.

Governor Wathra represented Pakistan in several international forums. He served on the Board of Governors of the International Monetary Fund (IMF), Asian Clearing Union (ACU) and ECO Trade and Development Bank. He was also the council member of Islamic Financial Stability Board. Since July 1, 2015, Governor Wathra was the co-chair of the Financial Stability Board - Regional Consultative Group for Asia (FSB-RCG Asia), Basel, based at Switzerland.

Governor Wathra held important positions within Pakistan including the member of Monetary and Fiscal Policies Coordination Board, National Financial Inclusion Strategy (NFIS) Council, National Executive Committee on Anti Monetary Laundering (AML), Chair of the Board of Institute of Bankers in Pakistan (IBP), NFIS Steering Committee, and Agricultural Credit Advisory Committee (ACAC).

Governor Wathra's association with the SBP started when he assumed charge of the office of Deputy Governor, on March 11, 2013.

Prior to joining SBP, he has been associated with various international and national banks and worked in various regulatory regimes in leadership positions; including Singapore, Hong Kong, Australia, Bangladesh, Sri Lanka etc. He also served as a member of Board of Directors of Habib Finance International Hong Kong, Habib Finance Australia and as First Vice Chairman of Himalayan Bank Nepal for several years.

He started his career with Grindlays Bank Plc in 1978 after completing his Masters in Business Administration.



Mr. Rehmat Ali Hasnie
President / CEO (A)

Mr. Hasnie is presently the Acting President of National Bank of Pakistan since May 2022. He has over 26 years of work experience in the financial sector including stints in economic research, capital markets, investment banking, treasury and credit markets at various institutions in Pakistan. He is a financial markets professional with a MA in Development Banking from the American University (USA). He has been with NBP since 2010 and has been the Group Chief of the Inclusive Development Group (IDG) since 2019. IDG is NBP's most recent and ambitious initiative to position the Bank as an institution focused on priority sectors' financing (i.e. SME and Agriculture lending) to enable sustainable growth and inclusive development in the country. Prior to this, Mr. Hasnie was heading Investment Banking at NBP for many years.

He is presently chairing the Board of Pakistan Mortgage Refinance Company as a nominee of NBP - a position he has filled for the past 6 years. Further, he has also Chaired the Board of First Credit & Investment Bank Limited as well as First National Bank Modaraba as NBP's nominee director. The other companies in which Mr. Hasnie has also had stints as a nominee Director of NBP are Pakistan Mercantile Exchange Limited, Agritech Ltd and Fauji Akbar Portia, Marine Terminals Ltd.



Mr. Farid Malik, CFA
Director

Mr. Farid Malik has over 27 years of diversified experience and has worked on a number of infrastructure development, project finance, corporate finance, capital markets regulatory administrative and operational assignments both in Pakistan and abroad. He is a CFA charter-holder and a graduate of the London School of Economics.

Mr. Malik has served as the Chief Executive Officer/ Managing Director of LSE Financial Services Limited (formerly Lahore Stock Exchange Limited) and has also worked with Tomen Power (Singapore) Pte. Limited and The Securities and Exchange Commission of Pakistan. During his various assignments, he has had extensive exposure to green-field project based equity investments, limited recourse debt financing facilities, cross border project financing facilities including export credit agencies and multilateral lending agencies financing facilities, risk allocation & management techniques including hedging through derivative instruments, due diligence methodologies, portfolio management, equity and fixed income valuations, financial analysis, asset securitization and capital market operations and regulations.

He is currently on the Boards of National Bank of Pakistan and Fauji Akbar Portia Marine Terminals Limited and has also served on the Boards of Central Depository Company of Pakistan Limited and National Clearing Company of Pakistan Limited. He is a Certified Director from Pakistan Institute of Corporate Governance.

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



Mr. Asif Jooma
Director

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

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

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



Mr. Ali Syed
Director

Scion of a highly respected family of Lahore, Punjab, Ali Syed's ancestry can be traced to Pirkot in the district of Jhang. Ali did his Masters in Economics from the Government College Lahore and then went on to receive Masters Degree in Business Administration from the George Washington University, Washington D.C.

Ali started his illustrious career in Marketing and Finance from U.S.A. and worked with some of the best-known companies such as The Time Life U.S.A., General Development Corporation and Tandy Corporation. Back home, he founded and managed successfully Amil (Pvt.) Ltd and Simzain International.

He is presently heading Alltrac (Pvt.) Ltd as Chief Executive Officer and CEO of a solar energy company namely IDC (Pvt.) Ltd. He is currently on the Board of National Bank of Pakistan and has remained on the Board of Directors of many companies including Pak Arab Refinery (PARCO), Port Qasim Authority (PQA) and Pakistan National Shipping Corporation (PNSC). He has made significant contributions as a director in important committees viz Audit & Finance, Human Resource Committee, Strategy and Risk-Management along with Technical and Projects Evaluation Committee.

Ali Syed is widely travelled and specializes in successful negotiating skills. Ali is happily married with two children.



Mr. Amjad Mahmood
Director

Mr. Amjad Mahmood is currently having charge of Additional Finance Secretary (IF/INV/IGF) with 32 years of diversified work experience, in Civil Services of Pakistan. He has served in various executive positions during his service.

He has served as Advisor to the Board of Directors of the Asian Development Bank (ADB). He has vast experience in dealing with matters relating to the Securities and Exchange Commission of Pakistan (SECP), State Bank of Pakistan (SBP), National Bank of Pakistan (NBP), House Building Finance Company Limited (HBFCL), National Security Printing Corporation (NSPC) and other Financial Institutions/Regulators/Organizations.

He holds a Master's degree in Administration & Management from the Institute for Development Policy and Management, Manchester University, UK. He also holds Master's degree in English Language and Literature and International Affairs.

Mr. Amjad's areas of expertise include Public Financial Management & Public Administration. He has proven capacity to work in a challenging atmosphere with diversified stakeholders and against strict timelines.



Mr. Nasim Ahmed
Director

Mr. Nasim Ahmad possesses vast experience in Asset Management, Commercial Lending and Investment Banking at senior management levels internationally. He initiated issuance of sovereign bonds for the Islamic Republic of Pakistan – coordinated with debt syndication team at Deutsche Bank for making presentations to Ministry of Finance in 2014-2015 and participated in annual reviews of asset management in various countries including Switzerland, UAE, Singapore, Thailand, Hong Kong, Macao and South Africa.

He holds a degree in Development Financing from McGill University, Canada, Law degree from Pakistan and Fellow Institute of Bankers, London, UK.



Mr. Ahsan Ali Chughtai
Director

Senior Banker / Financial Sector / Public Policy and Development / Investment and Planning/ PPP Specialist.

Key Skills: Financial sector, Infrastructure structuring, development, implementation.

Over 42 years of banking and consulting experience with international and domestic banks, Provincial Government and its agencies, MLAs and other foreign donor agencies.

Chairman's Review

Despite all headwinds, the Bank will continue to play an important contributory role towards the country's economic stability.

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 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 focused 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.



Reflections from the CEO

Against the backdrop of challenging operating context, we continued to deepen our role in driving the country's economic activity while ensuring resilience & sustainability deliver value to all our stakeholders.



Dear Readers,

I am honoured and deeply conscious that I am leading a Bank with a 74-year history of serving the Nation. Till the time a full time President/CEO is appointed, it is my turn to provide the Bank with the leadership to fulfil its role and deliver the necessary value to all stakeholders. I take the opportunity to thank all concerned for their trust & confidence within the Bank to have maintained continuity as well as delivered the strong results.

In this communiqué, I will brief you on our operating & business context, strategic and operational progress during 2022, our financial performance and our growth strategies going forward. To reiterate, we don't want NBP to just be a larger version of other Pakistani commercial banks. Our raison d'être remains to serve the Nation as well as deliver value for our stakeholders.

Challenging Operating Context

Globally: Despite the COVID-19 pandemic fading away, global growth is projected to decelerate. The crisis facing development is intensifying as a result of supply disruptions, synchronized

monetary policy tightening to contain high inflation, less favourable financial conditions, and geopolitical tensions. Latest forecasts indicate a sharp, long-lasting slowdown, with global growth declining to 2.0% in 2023 from earlier projection of 3.0% primarily driven by geo-political tensions and the prevailing commodity price super cycle.

Pakistan Economy: Specific to Pakistan, the already precarious economic situation was exacerbated by devastating flooding that damaged infrastructure, one-third of the agricultural production (which accounts for approx. 23% of GDP and 37% of employment) and about 15% of the country's population. Recovery and reconstruction costs of large-scale flooding are expected to be 1.6 times the FY2022-23 national development budget. Overall, the country's economy is confronted with major challenges like lower forex reserves, limited foreign financial inflows, twin-deficits and inflationary pressures. As the structural adjustment programme that the country is in continues, the expectation of a slowdown in economic activity and reduction in imports in H2-FY23 poses substantial challenges for the economy due to the tightening policy. These factors have led to lowering of Pakistan's sovereign rating by major credit rating agencies.

To counter the inflationary trend, State Bank of Pakistan has continued its interest rate hike cycle by increasing the policy rate from 7.5% at the beginning of 2022 to 16.0% by the end of 2022, and further to 17.0%. The consequent impact of rising and high nominal interest rates will in turn have to be dealt with by not just the financial sector but will have its own impact on the real sector of the economy as we enter 2023.

Banking Industry

Despite challenging economic conditions, the banking industry remained resilient, albeit with some rising risk concerns which emanate from Pakistan's macroeconomic environment as well as the overall perception of the direction of fiscal and monetary policy. Although the rise in the average policy rate of 590 bps from 7.28% in 2021 to 13.18% in 2022 had a positive impact on the banking industry's revenues, it has also raised concerns for banks with regards to potential future risks that can be faced by them going forward. The Pakistani banks carry large holdings of government securities and lending in each of these classes, the impact of rising policy rate has different but potentially adverse effects. Such impacts will have to be absorbed by banks on the capital and therefore sufficient buffers need to exist on their balance sheet such that they can withstand any shocks.

The Bank is Profitable, Strong and Able to Absorb Shocks

The Bank has delivered yet another year of strong financial results and further strengthened its resilience to absorb shocks in uncertain times. The excellent strategic delivery and financial results are testament to the efforts & dedication demonstrated by the Bank's employees in serving the Nation. The Bank posted its highest-ever pre-tax profit of PKR 62.7 Bn, 18.7% up YoY. With a 40% YoY growth in interest bearing assets coupled with the beneficial impact of interest rate increases, the Bank's generated gross interest income of PKR 503.3 Bn i.e. 117% up YoY. In the rising interest rate environment, the Bank paid PKR 386.5 Bn in profit to the providers of interest bearing funds that averaged PKR 3,871.9 Bn. Pursuant to our effective deposit mobilisation strategy, average non-interest bearing deposits increased by PKR 60 Bn to PKR 571.2 Bn and saved deposit cost by approx. PKR 5.0 Bn. Consequently, net interest income stood at PKR 116.8 Bn, 19.7% up YoY. Despite a challenging business environment and lower trade activity, the Bank maintained its non-fund income stream that amounted to PKR 36.7 Bn (2021:PKR 36.9 Bn).

Pursuant to our prudent strategy to strengthen the capital base of the Bank in the challenging times, a provision of PKR 12.6 Bn has been charged. This is particularly important in the backdrop that IFRS 9 that stands implemented effective January 01, 2023. The Bank now holds PKR 190.7 Bn in specific provisions (translating into a high coverage ratio at 93%) and further PKR 12.5 Bn in general provisions.

It is a testament to the strength of the Bank that even with a highly prudent approach to provisioning, the Bank has reported its highest ever pre-tax profit amounting to PKR 62.7 Bn (i.e. 18.7% up YoY) and a profit after tax of PKR 30.4 Bn (i.e. 8.6% up YoY). It is important to highlight that the applicable tax rates were raised on the banking industry in 2022 as well as there was a retrospective application of tax as well. Therefore, the total tax charge amounted to PKR 32.3 Bn at an effective tax rate of 51.5% (2021:47.0%) which has resulted in the Bank showing a lower growth in after tax profit as compared to last year.

The Bank achieved PKR 5 Trillion milestone in its balance sheet that grew by 36.2% to reach PKR 5,240.4 Bn, making NBP the largest Bank in Pakistan in terms of total assets. Asset quality remains strong with no YoY increase in domestic NPLs during the year. As a conscious strategy to deliver higher after-tax profit to the Bank's shareholders, the year-end deposits stood at PKR 2,666.2 Bn (2021:PKR 3,019.2 Bn). Major share of the Bank's deposits comes from sticky customer deposits that contribute 98.1% of the total deposits with CASA ratio at 79.4%.

In summary, NBP is now the largest capitalised bank in the country (with net assets of PKR 300.8 Bn) with CAR at 21.9%, Liquidity Coverage at 195% and Net Stable Funding at 251%. This makes the Bank strong and resilient to absorb shocks in challenging times and therefore enjoys highest credit ratings of AAA / A1+ for both long term and short term respectively.

A detailed Financial Performance overview is given from Page # 93.

Helping the Nation Prosper

Helping the Nation prosper has been a central tenet of our purpose. Against the backdrop of delivering strong results, NBP continued to deepen its role in driving the country's economic activity in an uncertain environment. With more than 300,000 new customers this year, NBP is now serving more than 9.5 million customers, and continues to be a major financial intermediary that connects millions of 'opportunities' in the country. The Bank manages PKR 2.7 trillion of deposits for 7+ million depositors and has extended PKR 1.4 trillion of loans to more than 0.5 million borrowers. With PKR 100 Bn in outstanding, our 'Advance Salary' loan is the largest single consumer finance product in Pakistan meeting the financial needs of more than 270K+ families. We are also one of the largest providers of funding to large corporations (PKR 632 Bn) as well as to the agricultural/farm credit (PKR 74 Bn) serving more than 128 thousand farmers across the country. This year SBP nominated NBP as the 'Champion Bank' for AJK region to promote agriculture financing in the sector. The Bank was recognised for its CSR initiatives in the area of women empowerment and differently abled persons.

This year NBP contributed PKR 32.3 Bn to the national exchequer in taxes as well as enabled the Government to collect and pay PKR 8.4 Trillion. The Bank also disbursed loans of PKR 6.3 Bn as low cost housing finance under Mera Ghar Housing initiative to 2,000 families, and PKR 8.1 Bn in the Prime Minister Youth Business Loan scheme to 15,000+ young entrepreneurs.

We remained fully committed to resolving issues raised by our stakeholders through Pakistan Citizen Portal and the President NBP Portal through 23,932 complaints of which 23,706 stand addressed. Seven (07) Khulli-Kachehri were conducted in 2022 by my predecessor and myself to engage with the general public through telephone calls and resolve any issues raised.

Our Transformation Journey

The Bank embarked on a transformational strategy in early 2019 to be able to capitalise on its leading position and become a financial institution with whom the customers “want to deal with” rather than to “have to deal with”!

We have made steady progress in addressing our key institutional challenges in areas like Risk, Compliance & Controls Technology, HR, etc. While visible progress has been made, we stay determined to fix these issues, come what may – it is an imperative!

- Risk, Control and Compliance

As the Bank’s balance-sheet growth grows, we continue to focus on enhancing our risk & credit architecture. The transformation has led to establishing the roles and responsibilities of ‘three lines of defence’ for each material risk the Bank in line with international best practices. While these measures will help in the future, our carry-forward NPLs in the private and public segment will require special attention in the coming years and can be the source of future profitability for the Bank. Historically, the Bank has been carrying on its books NPLs that are significantly higher than its peers and industry average (although fully provided). With the implementation of IFRS-9, addressing NPLs is necessary to improve better risk and tax management for NBP in future.

- Accelerate Technology & Digital Transformation

We have embarked on a technology upgrade journey as an initial step to evolve as a modern financial institution. With the upgrade of our Core Banking Application underway, there is a simultaneous thrust to improve the digital application and the ATM network. The Bank’s core strategy remains focussed on financial inclusion and a major component of this strategy is digitalisation enabling access to financial services to all Pakistanis - farmers, entrepreneurs (particularly women) running SME/cottage industries; beneficiaries of G2P subsidy schemes & welfare programs, etc. Our commodity subsidy platform is

delivering support to more than two million beneficiaries for grocery purchases at 30K+ Kiryana stores by smoothly transferring food subsidies. This year the Bank also achieved a 60% YoY growth in debit card activation. This year the Bank processed seventy-seven million digital transactions of just above PKR one trillion value. The launch of the E-stamping initiative in collaboration with the Governments of Sindh and KPK was yet another achievement facilitating G2P payment.

- Human Capital

NBP is continuously working on improving its overall working environment to attract better human capital. In this regard, the continuous process of policy review and efforts to become a more inclusive employer was achieved through team building, training & development and maintaining industrial harmony. Effective steps were taken to promote diversity in line with the ‘Banking on Equality Policy’ of the SBP and our incoming batch of Trainee Officers composed of 62% women and 15% are from minorities/under-represented applicants. In recognition of such efforts, NBP has been recognized at the Global Diversity, Equity and Inclusion Benchmarks Awards-2023 by winning a total of four awards.

- International Franchise

Given the historically sub-optimal performance of many of our overseas operations, we are following a prudent strategy to consolidate and scale back our international footprint. Going forward, our strategy is selective growth with focus on trade, remittances and FIs business. In line with the plan approved by the Board, we are closing our Central Asian operations and will continuously remain focussed reviewing all locations on the basis of profitability, sustainability and potential market prospects as a basis to decide on exit or stay. Also, we have rejuvenated our efforts on the recovery of overseas NPL portfolio. For international franchise, we continue to remain committed to ensure compliance with all the applicable laws, rules, regulations, and codes in the spirit of good governance.

Integrating Sustainability

As the Nation’s bank, NBP has always been conscious of ensuring that its customers are in compliance with applicable environmental standards. Going forward, given the climatic risks in Pakistan (as evidenced by the recent floods) the Bank is further strengthening its processes to comply with the ESRM Implementation Manual (launched by the SBP) and the UN SDGs.

NBP endorses the objectives of the ESRM for reporting on environmental and social related measures of the banks. While a report on our CSR initiatives during 2022 is given elsewhere in this Annual Report, going forward we have clear plans to adopt Global Reporting Initiatives for sustainability reporting.

Islamic Banking

To promote riba free Islamic banking, which I believe is the true ‘sustainable banking’ synonym, this year we opened 50 Islamic banking windows in our conventional branches. We launched new deposit and loan products specially focused to promote financial inclusion of women. Our total Islamic banking assets increased by 8.3% and reached PKR 109.3 Bn as we are managing PKR 77.1 billion of customers’ deposits. Home Remittance transactions processed by our Islamic banking cluster stood at 322,690 for the year. Whereas debit cards activation increased to 54,692 as of December-2022, showing a 25.5% growth, YoY. Over 4,800 digital banking users were activated during the year, taking the total users to 11,133, i.e. 75% up YoY.

2023 and Beyond

Being the country’s leading Bank, we are cognizant of the short-term challenges prevailing in our operating environment. We understand effective measures being taken by the government and the State Bank of Pakistan will mitigate the risks and lead to improvement of the country’s external position in the medium term. As a systemically important bank, we are determined to play our National role by supporting the Government’s efforts for a robust economic recovery in the country, while also maintaining a strong & resilient balance sheet to deliver sustainable performance to our shareholders. Operating conditions remain difficult but policy responses will help.

In 2023, we will continue to enhance our digital transformation for offering innovative solutions through seamless delivery channels. We will also prioritise our Inclusive Development programme with focus on priority sectors including Islamic, Agriculture, SME, Women, CSR and G2P initiatives. Focus will also be placed on empowering the country’s youth and emerging entrepreneurs through providing access to affordable finance, thereby fuelling economic activity across the country.

As our sustainability manifesto continues to evolve and mature, we have initiated plans to proactively integrate the ESG factors across our business verticals and key processes thereby contributing to sustainable development while strengthening the resilience of our business.

Acknowledgements

As we look towards 2023, I would like to take this opportunity to thank our outgoing Directors in 2022 as well as Mr. Arif Usmani for their services. I am especially thankful to three Directors (Mr. Asif Jooma, Mr. Farid Malik and Mr. Ahsan Chughtai) who have continued as Board members through 2022 for their input and support. I would also like to mark my appreciation for the executive team and employees of the Bank who have delivered these results. I also thank the Ministry of Finance and the Governor and the staff of SBP for their continuous guidance. I would like to thank all our valuable customers and all other stakeholders who have placed their trust in the Bank.

Finally, I would like to welcome our newly appointed Chairman Mr. Ashraf Mahmood Wathra and other Directors on the Board. We look forward to navigating the Bank against all headwinds under their stewardship and able guidance on its journey to transform itself into a modern and efficient company well equipped to deliver against its **Vision**.

Rehmat Ali Hasnie
President/CEO (A)
February 28, 2023
Karachi.



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

No.	Key Items	2022	2021	PKR Bn	
				Better / (Worse) Amount	%
1	Nil	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%. The Bank has also recognized a prior tax charge of PKR 3.8 Bn due to the retrospective applicability of additional tax on income from Govt. securities due to ADR below 50%.

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).

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.

• Balance Sheet Growth

Key Items	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 Banking 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

The Board deliberated at length whether or not cash dividend should be recommended. However, given the potential impact of pension and other contingencies, despite some positive signals, there remain causes for concern. Accordingly, it is considered prudent to retain the profits. Thus, the Board does not recommend any dividend for the year 2022.

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 December 31, 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
	145,142.4
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 147% (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:

- Board Audit Committee
- Board Risk & Compliance Committee
- Board HR & Remunerations Committee
- Board Technology & Development Committee
- Board Inclusive Development Committee

Changes in the Board of Directors

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

Meetings 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.

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 Banking 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.

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 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.

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 PwC 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 on such remuneration as approved by the shareholders in the Annual General Meeting. M/s PwC A.F. Ferguson & Co. Chartered Accountants, being eligible and have offered themselves for re-appointment as external auditors of the Bank for the year ending December 31, 2023; whereas M/s 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) The Management Statement of Internal Controls
- ii) Risk Management Overview
- iii) Review of the performance of various business and support functions
- iv) Report on Corporate Social Responsibility initiatives
- v) Pattern of Shareholding
- vi) 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

عادل چارٹرڈ اکاؤنٹنٹس 74 ویں AGM کے اختتام پر اپنے 5 سال مکمل کر لیں گے۔

توثیق

اس سالانہ رپورٹ میں درج ذیل معلومات کہیں اور فراہم کی گئی ہیں۔ بورڈ کو اس کی توثیق کرنے پر خوشی ہے:

- (i) اندرونی کنٹرول کا انتظامی گوشوارہ
- (ii) رسک مینجمنٹ کا جائزہ
- (iii) مختلف بزنس اور سپورٹ گروپس کی کارکردگی کا جائزہ
- (iv) کارپوریٹ سماجی ذمے داری کے اقدامات پر رپورٹ
- (v) شیئر ہولڈنگ کا اسلوب
- (vi) کریڈٹ ریٹنگ اور ایوارڈز

مستقبل کی توقعات

ہم 2023ء کے چیلنجنگ ہونے کی توقع کرتے ہیں کیونکہ میکرو اکنامک توقعات یہ ہیں کہ کووڈ-19 وبائی امراض کے بعد کے اثرات اور بڑے پیمانے پر سیلاب کے اثرات دیرپا ہوں گے اور معاشی بحالی کی رفتار غیر یقینی رہے گی۔ یہ، پالیسی کی غیر یقینی صورتحال کے ساتھ مل کر، 2023ء اور اس کے بعد کے کاروبار کو چلانے کے طریقے پر اہم اثر ڈال سکتا ہے۔ اس کا اثر بینک کے پورٹ فولیو رسک پروفائل، ہمانے کی صلاحیت اور قوت پر بھی پڑ سکتا ہے۔

اس طرح کی پریشانیوں کے باوجود، آپ کا بینک ملک میں مضبوط معاشی بحالی کی حمایت میں اپنا کردار ادا کرتا رہے گا، جبکہ اپنے شیئر ہولڈرز کے لیے پائیدار قدر پیدا کرنے کے لیے ایک مضبوط اور مستحکم ہیلتھ شیٹ کو بھی برقرار رکھے گا۔ بینک کی کاروباری حکمت عملی SME، مائیکرو فنانس، ایگریکلچر فنانس اور حکومت کی جانب سے شروع کی گئی سبسڈی والی اسکیمز کے ساتھ ساتھ اسلاک فنانسنگ سمیت غیر محفوظ شعبوں کی مالی اعانت اور معاونت پر مرکوز رہے گی۔

اعتراف اور تعریف

ہم قوم کی بلا تعطل خدمات کے تسلسل کو یقینی بنانے کے لیے اپنے ملازمین کی مسلسل کوششوں اور لگن کو سراہتے ہیں۔ ہم حکومت پاکستان، بینک دولت پاکستان، ایس ای سی پی اور دیگر انضباطی اداروں کی جانب سے بینک کو اپنی حقیقی صلاحیتوں کو حاصل کرنے اور پاکستان کی سماجی و اقتصادی ترقی میں اپنا کردار ادا کرنے کے لیے ان کی مسلسل حمایت کا اعتراف کرنا چاہیں گے۔

ہم اپنی موجودہ ٹیم کے ساتھیوں اور بینک کو طاقتور بنانے اور قوم کے لیے جامع ترقی کے مواقع پیدا کرنے کے قابل بنانے کے لیے ریٹائر ہونے والے چیئرمین جناب زبیر سومرو اور ریٹائر ہونے والے صدر/سی ای او جناب عارف عثمانی کا ان کے تعاون پر بھی شکریہ ادا کرنا چاہیں گے۔

بورڈ آف ڈائریکٹرز کے لیے اور اس کی جانب سے،

فرید ملک
ڈائریکٹر

رحمت علی حسنی
صدر اور سی ای او (اے)

کراچی

مورخہ: 28 فروری 2023ء

تمام ضروری عمل اور طریقہ کار پر عمل پیرا ہے۔ تازہ ترین ورژن میں آپ گریڈ کرنے کے ساتھ، بینک کے پاس جدید ترین ٹیکنالوجی، جدید ترین افعال اور کارکردگی میں بہتری ہوگی جو ویبڈرنے آنے والے ورژن میں تیار کی ہے۔ کوربینکنگ ایپلی کیشن آپ گریڈ بینک کو اپنے حریفوں کے مقابلے میں اچھی پوزیشن دے گا تاکہ آج کے بڑھتے ہوئے ڈیجیٹل ماحول میں اپنے صارفین کی بہتر خدمت کی جاسکے۔

غیر ملکی ماتحت اداروں/شاخوں کی بندش پر پیش رفت

کنسولیدیشن کی بین الاقوامی فریچائز کے بارے میں ہماری حکمت عملی کے مطابق، NBP بورڈ نے سینٹرل ایشیا آپریشنز میں موجودگی کو بند کرنے کی منظوری دی ہے جس میں الماتی (قازقستان) اور دوشنبہ (تاجکستان) میں دو غیر ملکی ذیلی اداروں کے ساتھ ساتھ باکو (آذربائیجان)، ہٹیک (کرغزستان) اور اشک آباد (ترکمانستان) میں واقع تین بیرون ملک شاخیں شامل ہیں۔ اس میں تاشقند (ازبکستان) میں نمائندہ دفتر کی بندش بھی شامل تھی۔ مزید برآں ٹورنٹو (کینیڈا) میں نمائندہ دفتر اور سلہٹ (بنگلہ دیش)، جلال آباد (افغانستان) میں شاخوں کو بند کرنے کی بھی منظوری دی گئی۔

سال 2022ء کے آخر تک، دوشنبہ کے ذیلی ادارے (تاجکستان) اور اشک آباد براؤنچ (ترکمانستان) میں NBP کے ادارے بند ہیں جبکہ باکو (آذربائیجان)، ہٹیک (کرغزستان)، الماتی (قازقستان) کی بندش کا عمل جاری ہے۔ مزید برآں، بینک نے سال 2021ء کے دوران جلال آباد (افغانستان) اور سلہٹ (بنگلہ دیش) اور 2 نمائندہ دفاتر، تاشقند (ازبکستان) اور ٹورنٹو (کینیڈا) کو پہلے ہی بند کر دیا تھا۔ مزید برآں، بورڈ آف ڈائریکٹرز نے 17 جنوری 2022ء کو اپنی میٹنگ میں پیرس براؤنچ کی بندش کی منظوری دی جو زیر عمل ہے۔

پنشن کیس سے متعلق ہنگامی صورتحال

کیس کی حیثیت وہی ہے جو 31 دسمبر 2021ء کو ختم ہونے والے سال کے سالانہ مالیاتی گوشواروں میں نوٹ 25.3.4.1 میں ظاہر کی گئی ہے۔ بینک کا تخمینہ ہے کہ پنشن کی ذمہ داری میں مجموعی طور پر اضافہ، آزادانچ ریل فرم کی رپورٹ کی بنیاد پر، رقم 89.7 ارب روپے ہے، تاخیر سے ادائیگی کی وجہ سے کسی بھی جرمانہ سود/منافع کی ادائیگی (اگر کوئی ہے) کو چھوڑ کر۔ مزید برآں، 2022ء کے بعد کے ممکنہ پنشن کے اخراجات میں بھی ایک منفی فیصلے کی وجہ سے 12.1 ارب روپے کا اضافہ ہوگا۔ قانونی مشیر کی رائے کی بنیاد پر، مذکورہ رقم کے لیے ان سالانہ مالیاتی گوشواروں میں کسی اضافی پنشن کی ذمہ داری کا کوئی بندوبست نہیں کیا گیا ہے کیونکہ بینک کو اس معاملے پر ایک سازگار نتیجے پر یقین ہے۔ بینک کے بیرونی آڈیٹرز نے اپنی آڈٹ رپورٹ میں معاملے کے پیرا پر زور دیا ہے۔

ماحولیات پر بینک کے کاروبار کا اثر:

بینک اپنے آپریشنز کے ماحولیاتی نتائج اور ماحولیاتی خطرات سے تحفظ کی ذمہ داری سے آگاہ ہے۔ اگرچہ بینک کی کاروباری کارروائیوں کا ماحول پر براہ راست اثر نہیں پڑتا ہے، بینک نے SBP کے گرین بینکنگ رہنما خطوط کے تحت گرین بینکنگ کے اقدامات کو لاگو کرنے کے لیے اقدامات کیے ہیں تاکہ معیشت کو موسمیاتی مزاحم میں تبدیل کرنے کے لیے وسائل اور موثر فنانس فراہم کیا جاسکے۔ ہم نے سماجی، اقتصادی اور ماحولیاتی اثرات کو اپنی کاروباری حکمت عملی اور فیصلہ سازی کے عمل میں شامل کیا ہے۔ اسٹیٹ بینک آف پاکستان کی طرف سے جاری کردہ ماحولیاتی اور سماجی رسک میٹجمنٹ کے نفاذ کے نتائج کے مطابق، بورڈ اور انتظامیہ اس کے سماجی، ماحولیاتی اور اقتصادی اثرات کو سمجھنے، نگرانی کرنے اور اس کا پائیدار ترقی کے معاشرے کے وسیع مقصد میں حصہ ڈالنا اور اس کا انتظام کرنے کے لیے ایک ماحولیاتی اور سماجی انتظامی نظام تیار کرنے کے لیے پرعزم ہیں۔ سال کے دوران کارپوریٹ سماجی ذمہ داری کے حوالے سے بینک کی جانب سے کی گئی سرگرمیوں کی تفصیلی رپورٹ اس رپورٹ میں کہیں اور دی گئی ہے۔

آڈیٹرز کی تقرری

بینک کے موجودہ آڈیٹرز میسرز یوسف عادل چارٹرڈ اکاؤنٹنٹس اور میسرز ایف فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس اس سال ریٹائر ہو جائیں گے۔ بورڈ کو میسرز ایف فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کی دوبارہ تقرری اور میسرز بی ڈی او ابراہیم اینڈ کمپنی، چارٹرڈ اکاؤنٹنٹس کی تقرری کے لیے بورڈ آف آڈٹ کمیٹی کی سفارش کی توثیق کرتے ہوئے خوشی ہو رہی ہے۔ 31 دسمبر 2023ء کو ختم ہونے والے سال کے لیے بینک کے آڈیٹرز ہوں گے، ریٹائر ہونے والے آڈیٹرز یعنی میسرز یوسف عادل، چارٹرڈ اکاؤنٹنٹس کی جگہ ایسے معاوضے پر جو شیئر ہولڈرز نے سالانہ جنرل میٹنگ میں منظور کیے تھے۔

PwC A.F. فرگوسن اہل ہیں اور 31 دسمبر 2023ء کو ختم ہونے والے سال کے لیے بینک کے بیرونی آڈیٹرز کے طور پر دوبارہ تقرری کے لیے خود کو پیش کر چکے ہیں۔ جبکہ یوسف

نظم و نسق اور خطرہ

بورڈ کی انسانی وسائل کی حکمت عملی کے ساتھ پیشرفت کرتے ہوئے، بینک نے اعلیٰ سطحوں پر ہنر کو شامل کرنا جاری رکھا ہے۔ نیز، پرانے اسٹاف سروس رولز (1973ء) کو یکم اپریل 2021ء کو وفاقی کابینہ کی منظوری کے بعد منسوخ کر دیا گیا ہے اور ان کی جگہ اسٹاف سروس رولز-2021ء کو دے دی گئی ہے جو کہ انسانی وسائل کے عصری طریقوں اور طریقہ کار سے زیادہ مطابقت رکھتے ہیں۔ یہ بینک میں احتساب اور میرٹ کلچر کو فروغ دینے کی بنیاد رکھے گا۔ یہ بورڈ اس سلسلے میں وفاقی حکومت کے تعاون کو تسلیم کرتا ہے اور اسے سراہتا ہے۔

بینک اچھی حکمرانی کی روح میں تمام قابل اطلاق قوانین، قواعد، ضوابط اور ضابطوں کی تعمیل کو یقینی بنانے کے لیے پرعزم ہے، اور اپنے اندرون ملک اور بیرون ملک نیٹ ورک کے اندر اپنی تعمیل اور کنٹرول کی صلاحیت کو مسلسل بہتر بنانے کی ضرورت کو تسلیم کرتا ہے۔ کنٹرول اور تعمیل کو مضبوط بنانے کے لیے 2021ء میں نیٹ ورک کے ڈھانچے کی ایک بڑی اصلاح عمل میں لائی گئی ہے۔ اس کے علاوہ، مؤثر اندرونی کنٹرولز، اینٹی مانی لائڈرنگ/اپنے صارفین کو جانیں، ڈیٹا کی درستگی اور صداقت اور مؤثر فیصلہ سازی کے لیے معیاری MIS پیدا کرنے کے لیے نئے ٹیکنیکی پلیٹ فارمز کے حصول میں اہم فنڈز لگائے گئے ہیں۔

نیویارک براؤنچ میں تعمیل اور خطرے کے معاملات

بینک اچھے نظم و نسق کی روح میں تمام قابل اطلاق قوانین، قواعد و ضوابط اور ضابطوں کی تعمیل کو یقینی بنانے کے لیے پرعزم ہے۔ اس مقصد کے لیے، بورڈ نے مؤثر طریقے سے میٹمنٹ کو چیلنج کرنا جاری رکھا تاکہ بینک کے تمام آپریشنز کے دوران سرمایہ کاری کے لیے اسٹریٹجک ہدایات کو یقینی بنایا جاسکے تاکہ مؤثر CPF/CFT/AML کنٹرولز، ڈیٹا کی درستگی اور صداقت، اندرونی کنٹرولز وغیرہ بہتر رہے۔ جیسا کہ پچھلے رپورٹنگ ادوار میں بڑے پیمانے پر رپورٹ اور انکشاف کیا گیا تھا، فروری 2022ء میں، بینک نے نیویارک کے فیڈرل ریزرو بینک اور NBP کی نیویارک براؤنچ کے امریکی ریگولیٹرز۔ نیویارک اسٹیٹ ڈپارٹمنٹ آف فنانشل سروسز (NYDFS)، کے ساتھ رضامندی کے احکامات میں داخل کیا۔ ان احکامات میں دوسول منی جرمانے شامل تھے جن کی مجموعی رقم 55.4 ملین امریکی ڈالر (9.8 ارب روپے) تھی جو تعمیل پروگرام کی تاریخی کمزوریوں پر مرکوز تھی جو 2016ء اور اس کے بعد تک برقرار رہی، جن کی ادائیگی آخری تاریخ کے اندر کی گئی تھی۔ یہ نوٹ کرنا ضروری ہے کہ امریکی ریگولیٹرز نے غلط لین دین یا جان بوجھ کر بدانتظامی کا کوئی پتہ نہیں لگایا۔ اس کے بعد سے، احکامات کی تعمیل کرنے اور براؤنچ کے کنٹرول میں خاطر خواہ بہتری لائی گئی ہے۔ آگے بڑھتے ہوئے، بورڈ ریگولیٹرز کی توقعات کو پورا کرنے کے لیے پوری طرح پرعزم ہے۔

ایف آئی اے کی تحقیقات جاری

جولائی 2021ء میں، فیڈرل انویسٹی گیشن ایجنسی نے NBP کے ساتھ ساتھ کئی نجی اور دیگر پبلک سیلر بینکنگ کے ساتھ M/s Hascol Petroleum کے 'HPL' بینکنگ انتظامات کے معاملے میں انکوائری شروع کی۔ 21 جنوری 2022ء کو بینک کے کئی حاضر/سابق ملازمین کو مختلف الزامات کے تحت مجرم ٹھہرایا گیا۔ NBP میں، کریڈٹ کے فیصلے HPL کے شائع شدہ آڈٹ شدہ مالیاتی گوشواروں کے سیٹ پر مبنی تھے، اور بینک اور SBP کے ضوابط کی لاگو پالیسیز کے مطابق کیے گئے تھے۔ NBP نے اس تحقیقات پر FIA کے ساتھ مکمل تعاون کیا اور FIA کو درکار تمام متعلقہ ریکارڈز دستیاب کرائے ہیں۔ اس معاملے پر NBP کا اپنا موقف اسٹیٹ بینک آف پاکستان اور FIA کو بھی جمع کروایا گیا۔ گزارشات میں دستاویزی کیا گیا تھا۔ اس کے بعد، ایف آئی اے نے بینک کے حاضر سروس ملازمین میں سے سات کو اس بنیاد پر پکڑ کر دیا کہ ان کی جانب سے کوئی غلط کام یا غیر قانونی تسکین کا عنصر نہیں پایا گیا۔

یہ بات قابل ذکر ہے کہ HPL نے بقایا قرضوں کی پوری رقم کے لیے NBP سے اپنے مقرض ہونے کا اعتراف کیا ہے اور اسی کی عکاسی بینک کے کھاتوں کی کتب میں بھی ہوتی ہے۔ ایچ پی ایل نے کراچی میں معزز سندھ ہائی کورٹ میں انتظامات کی اسکیم دائر کی ہے اور اس سلسلے میں بینکنگ سے رجوع کیا ہے۔

آئی ٹی نیٹ ورک اور سسٹم سیوریٹی

30 اکتوبر 2021ء کو ایک بڑے سائبر ایٹک کے بعد، جس نے بینک کی کچھ خدمات کو متاثر کیا، 2022ء کے دوران آئی ٹی نیٹ ورک اور سسٹمز کی سیوریٹی کو مضبوط بنانے کے لیے بڑے اقدامات کیے گئے۔ ماہر سائبر سیوریٹی کنسلٹنٹس نقصانات پر قابو پانے اور واقعے کے ردعمل کی پوزیشن بنانے کے لیے مختلف صلاحیتوں میں مصروف تھے، جس کی بنیاد پر پروڈیکٹس کی خریداری اور عمل درآمد کی منصوبہ بندی کی گئی تھی۔

بینک کی کوربینکنگ ایپلی کیشن کو آپ گریڈ کرنے کے لیے 2022ء میں بورڈ کی طرف سے منظور کیے گئے بڑے ٹیکنالوجی اقدام میں نمایاں بہتری آئی ہے۔ جیسا کہ ہماری گزشتہ سال کی رپورٹ میں بتایا گیا ہے، 2022ء اور 2023ء کے لیے، کوربینکنگ ایپلی کیشن کو آپ گریڈ کرنے کے کام پر توجہ مرکوز رکھی گئی ہے اور اس کے بروقت نفاذ کو یقینی بنانے کے لیے بینک

کریڈٹ ریٹنگ

پاکستان میں دونوں تسلیم شدہ کریڈٹ ریٹنگ ایجنسیز کے ذریعہ NBP کو 'AAA' کا درجہ دیا گیا ہے۔ جون 2022ء میں، M/s VIS کریڈٹ ریٹنگ کمپنی نے بینک کی اسٹیٹڈ الون کریڈٹ ریٹنگ کی 'AAA' کے طور پر دوبارہ تصدیق کی، جو کہ پاکستان میں کسی بھی بینک کے لیے کمپنی کی طرف سے دی جانے والی سب سے زیادہ کریڈٹ ریٹنگ ہے۔ اسی طرح M/s PACRA کریڈٹ ریٹنگ کمپنی نے بھی بینک کو طویل مدتی ادارے کی درجہ بندی 'AAA' (ٹریپل AAA) اور مختصر مدت کی کریڈٹ ریٹنگ 'A1+' (A-one Plus) کے طور پر تصدیق کی ہے۔

بڑی اور اصل سرگرمیاں

سال کے دوران NBP کی بنیادی سرگرمیاں پچھلے سال کی طرح ہی رہیں اور ان میں عام بینکنگ خدمات، کریڈٹ، ATM اور ڈیٹ کارڈز کی سہولیات، سرمایہ کاری بینکنگ ایڈوائزری، ٹریڈری اور کمپیٹل مارکیٹس، ہاؤسنگ اور جنرل فنانس، ٹرانزیکشن بینکنگ، کیش منیجمنٹ، ڈیجیٹل بینکنگ، بین الاقوامی تجارت اور ترسیلات زر وغیرہ۔ بینک کے ذیلی ادارے اپنے صارفین کو کرنسی ایکسچینج، مضاربہ، فنڈ منیجمنٹ اور سیوریٹیز بروکر کی خدمات سمیت مالیاتی خدمات پیش کرتے رہے ہیں۔

بورڈ کی طرف سے نظم و نسق (گورننس) اور نگرانی (اسٹیورڈ شپ)

بورڈ موثر قیادت اور اسٹریٹجک بصیرت فراہم کرنے کے ذریعے ذمے داری کے اپنے کردار کو انجام دینے پر اپنی توجہ کو مرکوز رکھتا ہے۔ ملک کے مالیاتی ماحولیاتی نظام کے لازمی حصے کے طور پر، ہم ایک کارپوریٹ شہری کے طور پر اپنے فرائض سے بخوبی واقف ہیں کہ ہم اس طریقے سے کام کریں جس سے پوری قوم کو فائدہ ہو۔ بورڈ کے کام کاج کا تفصیلی جائزہ اس رپورٹ کے کارپوریٹ گورننس سیکشن میں دیا گیا ہے۔ اس کے علاوہ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019ء کی تعمیل کے بارے میں الگ سے ایک بیان دیا گیا ہے۔ بہتر کارپوریٹ گورننس کے لیے، بورڈ ذیلی کمیٹیوں تشکیل دیتا ہے، جن میں فی الحال درج ذیل شامل ہیں:

- i - بورڈ آڈٹ کمیٹی
- ii - بورڈ رسک اینڈ کمپلائنس کمیٹی
- iii - بورڈ ایچ آر اور معاوضے کمیٹی
- iv - بورڈ ٹیکنالوجی اینڈ ڈیولپمنٹ کمیٹی
- v - بورڈ کی شمولیتی ترقیاتی مالیاتی کمیٹی

بورڈ آف ڈائریکٹرز میں تبدیلیاں

لسٹڈ کمپنیز کے ساتھ اسٹیٹمنٹ آف کمپلائنس (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019ء کے تحت دیے گئے سال کے دوران بورڈ آف ڈائریکٹرز میں ہونے والی تبدیلیوں کی تفصیلات اس سالانہ رپورٹ میں شامل ہیں۔

2022ء کے دوران بورڈ آف ڈائریکٹرز اور بورڈ آف ڈائریکٹرز کمیٹیوں کا اجلاس منعقد ہوا

سال کے دوران منعقد ہونے والے بورڈ اور بورڈ کمیٹیوں کے اجلاس کی تفصیلات اس سالانہ رپورٹ میں شامل ہیں۔

ڈائریکٹرز کیلئے معاوضے

بورڈ اور بورڈ کمیٹی کے مختلف اجلاس میں شرکت کے لیے غیر ایگزیکٹو آڈائریکٹرز کے لیے معاوضے کی پالیسی کو شیئر ہولڈرز نے 27 جولائی 2020ء کو منعقدہ اپنے عام اجلاس میں منظور کیا تھا۔ یہ پالیسی NBP کے ضمنی قوانین، بنکس سمیت قابل اطلاق قوانین اور (نیشنلائزیشن) ایکٹ 1974ء، اور اسٹیٹ بینک آف پاکستان کی ہدایات کے مطابق ہے۔ اس پالیسی کے لحاظ سے، بورڈ، وقتاً فوقتاً، بورڈ کے اراکین کے لیے، بورڈ کے اجلاس یا اس کی کمیٹیوں کے متفرق اجلاس میں شرکت کے لیے معاوضے کی اس سطح کا تعین اور منظوری دے گا، جو اس معاوضہ کی حدود میں ہو جو کہ اسٹیٹ بینک کی طرف سے وقتاً فوقتاً مقرر کیا جاتا ہے اور اس طرح کے اراکین کے متعلقہ فرائض کی انجام دہی کے لیے معاوضے کا ایک مناسب پیمانہ مقرر کرنے کا عزم کیا جاتا ہے۔ پالیسی کے لحاظ سے، بورڈ اس بات کو بھی یقینی بنائے گا کہ ایسے معاوضے کا تعین اس انداز میں نہ کیا جائے جس سے بورڈ یا کمیٹی کے اراکین کی آزادی کو نقصان پہنچے۔ 2022ء میں ڈائریکٹرز کو ادائیگی کے معاوضے کی تفصیلات نوٹ 41 میں غیر مجتمع مالیاتی گوشواروں میں ظاہر کی گئی ہیں۔

آڈیٹرز کی رپورٹ میں امور کارپرزور دینے کے حوالے سے وضاحت

بینک کے بیرونی آڈیٹرز نے نوٹ نمبر 25.3.4.1 کی طرف توجہ دلاتے ہوئے مالیاتی گوشواروں کی طرف توجہ مبذول کروائی ہے جس میں پنشن کے فوائد کے لیے بینک کے ریٹائرڈ ملازمین کی طرف سے قانونی چارہ جوئی کے سلسلے میں ہنگامی صورتحال کی وضاحت کی گئی ہے۔ جیسا کہ اس کے قانونی مشیروں کی رائے ہے، بینک کے پاس معزز سپریم کورٹ آف پاکستان کو اپنے پہلے فیصلے پر نظر ثانی کے لیے قائل کرنے کے لیے معقول طور پر مضبوط قانونی بنیادیں ہیں۔ لہذا، نظر ثانی کی درخواستوں پر فیصلے تک، موضوع کے کیس کے مالی اثرات کو 31 دسمبر 2022ء کو ختم ہونے والے سال کے مالیاتی گوشواروں میں شامل نہیں کیا گیا ہے۔

31 دسمبر 2021ء کو ختم ہونے والے سال کے لیے مجوزہ منافع منقسمہ (ڈیویڈنڈ)

جیسا کہ 31 دسمبر 2021ء کو ختم ہونے والے سال کے لیے بینک کے سالانہ آڈٹ شدہ غیر مجتمع مالیاتی گوشواروں کے نوٹ 48 میں وضاحت کی گئی ہے، فی حصص 1 روپے کا تجویز کردہ نقد منافع جو کہ 2,128 ملین روپے تھا۔ 30 مارچ 2022ء کو ہونے والے سالانہ عام اجلاس میں اس کی منظوری نہیں دی گئی۔

بیلنس شیٹ کی تاریخ کے بعد اہم ردوبدل

بیلنس شیٹ کی تاریخ کے بعد کوئی اہم واقعہ پیش نہیں آیا جس کے لیے منسلک مالی گوشوارے میں ایڈجسٹمنٹ کی ضرورت ہو۔

بینک دولت پاکستان کی سربراہی میں اقدامات میں ہمارا حصہ

جامع ترقی کو فعال کرنے کے اپنے وژن کی پیروی میں، این بی پی مالی شمولیت کو بڑھانے کے لیے حکومت اور بینک دولت پاکستان کی زیر قیادت اقدامات کی فعال طور پر حمایت کر رہا ہے اور مختلف ری فنانس اسکیمز اور اقدامات کے تحت فنانسنگ میں توسیع کی ہے۔

بینک کی کارکردگی پر حکومتی پالیسیز کا اثر

حکومت کی بعض پالیسیز، کلیدی متعلقہ پالیسیز میں شامل ہیں، جیسے سیسڈی والے قرض دینے کی اسکیمز میں لازمی شرکت، ADR کے سلسلے میں زیادہ ٹیکس کی شرح، ڈپازٹ پروفیکشن پریمیم، سرکاری خزانے کے کاروبار پر کمیشن/فیس کی آمدنی، اور ٹریڈری سنگل اکاؤنٹ کا نفاذ، جبکہ یہ بینک کے لیے چیلنجز اور مواقع پیدا کرتی ہیں، اس کی کارکردگی پر کافی اثر ڈالتی ہیں۔ اس سے بینک کی آمدنی میں نمایاں کمی واقع ہوتی ہے۔ تاہم، بینک ایک قومی ادارے کے طور پر اپنے کردار کو پورا کرنے اور حکومت اور اس کے اقدامات کو اس انداز میں سپورٹ کرنے کے لیے پرعزم ہے کہ وہ اپنے دوسرے شیئرز ہولڈرز کو بھی منافع فراہم کرے۔

سال کے دوران اہم پیش رفت

کاروبار اور مصنوعات کی ترقی، مارکیٹ آؤٹ ریچ، آئی ٹی سسٹمز اور انفرا سٹرکچر، ہیومن کپیکل منیجمنٹ وغیرہ کے شعبے میں سال کے دوران بڑی پیش رفت ہوئی ہے۔ اس طرح کے ترقیاتی اقدامات اور ان کے نتائج کو اس سالانہ رپورٹ میں کہیں اور متعلقہ حصوں کے تحت زیر بحث لایا گیا ہے۔

بینک کو درپیش بنیادی خطرات اور غیر یقینی صورتحال

اپنے کاروباری ماڈل کی نوعیت سے، بینک کو بعض بنیادی خطرات کا سامنا ہے۔ اپنی نگرانی کے حصے کے طور پر، بورڈ اس بات کو یقینی بناتا ہے کہ ان تمام اہم/مادی خطرات کو پہچاننے کے لیے مناسب پالیسیز اور رسک منیجمنٹ فریم ورک موجود ہیں جن کا بینک کو سامنا ہے یا ہوسکتا ہے اور ایسے خطرات کو کم کرنے کے لیے مناسب وسائل اور حکمت عملیوں کو بروئے کار لایا گیا ہے۔ اس مشکل وقت میں بینک اپنے کریڈٹ پورٹ فولیو کا مسلسل جائزہ لے رہا ہے، تاکہ ایسے کھاتوں اور صنعتوں کی نشاندہی کی جاسکے جو زیادہ خطرے سے دوچار ہیں۔ مزید برآں، کووڈ-19 کے نتیجے میں پیدا ہونے والے انفارمیشن سیورٹی رسک منیجمنٹ اور نیشنل بینک سرورز پر سائبر ایٹک کے حالیہ واقعے کے حوالے سے، بینک نے سائبر سیورٹی کے بڑھتے ہوئے خطرات کا جواب دینے اور ان کی نگرانی کے لیے مناسب اقدامات کیے ہیں۔ اہم خطرات جن سے بینک لاحق ہے یا ہوسکتا ہے، ان میں شامل ہیں (i) کریڈٹ رسک؛ (ii) ٹریڈری اور کمپیٹل رسک؛ (iii) مارکیٹ رسک؛ (iv) آپریشنل رسک، اور (v) سائبر سیورٹی رسک۔ سیلاب کی بڑھتی ہوئی شدت اور زرعی شعبے پر اس کے اثرات کے ساتھ، پاکستان میں سب سے بڑے اور متنوع بینک کے طور پر، کاربن کی منتقلی اور طبعی موسمیاتی خطرات دونوں کے پورٹ فولیو کی نمائندگی کی وجہ سے نیشنل بینک کا ماحولیاتی خطرے کا سامنا بھی کافی ہوتا جا رہا ہے۔ مالیاتی گوشواروں کے نوٹ 47 میں بنیادی خطرات اور غیر یقینی صورتحال کے ساتھ ساتھ مستقبل کے امکانات کے تفصیلی اشارے پر تبادلہ خیال کیا گیا ہے۔

ہماری زیادہ تر مصنوعات بشمول کارپوریٹ، کموڈٹی، زراعت اور اسلامی کی پیشرفت میں اضافہ ہوا۔ نتیجتاً، ایڈوانس ٹو ڈپازٹ کا تناسب 2021ء کے آخر میں 43.2% کے مقابلے میں 2022ء کے آخر میں 54.0% تک بہتر ہوا۔ غیر فعال قرضوں میں 3.7% کا معمولی اضافہ ریکارڈ کیا گیا اور ان کی رقم 205.3 ارب روپے (2021ء: 197.9 ارب روپے) ہو گئی۔ مخصوص پروویژنز کے ساتھ، NPL کو ترجیح کا تناسب 93% تک بلند رہا۔

بینک کی سرمایہ کاری (لاگت پر) 3,509.0 ارب روپے (2021ء میں 1,924.2 ارب روپے) تھی جس کی مالیت 3,477.4 ارب روپے (2021 میں 1,938.2 ارب روپے) تھی۔ ایک مؤثر پیداوار اور سود کی شرح کے خطرے اور لیکویڈٹی مینجمنٹ کی حکمت عملی کی پیروی میں، بینک صفر خطرے والے حکومت پاکستان کے وثائق، زیادہ منافع بخش ایکویٹیز اور سود کے حساس میچورٹی پیٹرن کے ساتھ دیگر سود برداشت کرنے والے مالیاتی اثاثوں میں متنوع سرمایہ کاری پورٹ فولیو کو برقرار رکھے ہوئے ہے۔

31 دسمبر 2022ء کے مطابق، بینک کے پاس کل ڈپازٹس 2,666.2 ارب روپے تھے جبکہ 2021ء کے آخر میں 3,019.2 ارب روپے تھے۔ ڈپازٹس میں یہ کی ADR کی بنیاد پر ٹیکس کے نفاذ کو کم کرنے کیلئے مرکز حکمت عملی پر مبنی ہے تاکہ ہمارے شیئر ہولڈرز کو بعد از ٹیکس زیادہ منافع فراہم کیا جاسکے۔ بینک کی فنڈنگ کا بڑا حصہ اسٹیبل کسٹمر ڈپازٹس سے آتا ہے جو کل ڈپازٹس کا 98.1% حصہ ہیں۔ موجودہ ڈپازٹس 1,310.2 ارب روپے یا کل ڈپازٹس کے 49.1% کے ساتھ، بینک ایک مضبوط لیکویڈٹی پروفائل کو برقرار رکھتا ہے۔ بینک نے اپنے CASA تناسب کو 79.4% پر برقرار رکھا۔ مالی کارکردگی اور دیگر ادارہ جاتی نمونے تفصیلی کو ترجیح بھی اس سالانہ رپورٹ میں کہیں اور دی گئی ہے۔ بینک کے پاس اپنی تمام مالی ذمے داریوں کو پورا کرنے کے لیے کافی وسائل ہیں اور اس نے کسی قرض یا دیگر مالی ذمے داریوں کی ادائیگی میں ڈیفالٹ نہیں کیا ہے۔

منافع کا اختصا

بورڈ نے تفصیل سے غور کیا کہ آیا نقد منافع منقسمہ کی سفارش کی جانی چاہیے یا نہیں۔ تاہم، پنشن اور دیگر احتمالات کے ممکنہ اثرات کو دیکھتے ہوئے، کچھ مثبت اشاروں کے باوجود، تشویش کی وجوہات تاحال باقی ہیں۔ اس بناء پر منافع کو برقرار رکھنا مناسب سمجھا گیا ہے۔ لہذا، بورڈ سال 2022ء کے لیے کسی منافع منقسمہ کی سفارش نہیں کرتا۔

2021ء کے جمع شدہ منافع کو آگے بڑھانے کے بعد 31 دسمبر 2022ء کو ختم ہونے والے سال کے منافع کو درج ذیل کی صورت میں مختص کرنے کی تجویز ہے:

(ملین روپے)	31 دسمبر 2022ء کو ختم ہونے والے سال کے لیے بعد از ٹیکس منافع
30,410.3	آگے لایا گیا غیر مختص منافع
140,073.8	دیگر جامع آمدنی۔ ٹیکس کا خالص
(3,129.1)	فلسڈ اثاثوں کی دوبارہ تشخیص پر سرپلس سے منتقلی۔ محصول کی خالص
197.7	عام قرض کے نقصان کے ریزرو سے منتقلی
8,000.0	
145,142.4	
175,552.7	اختصا کے لیے دستیاب منافع
	تخصیص:
	قانونی ریزرو میں منتقلی
	آگے بڑھایا گیا غیر مختص منافع
(3,041.0)	
172,511.7	

• سرمائے کی اختصا اور طاقت

بینک کا مالی استحکام ہر سال نمایاں طور پر بہتر ہوتا جا رہا ہے۔ جبکہ کامن ایکویٹی کی سطح 1 (CET1) کیپٹل ریشو 16.30% (2021ء: 15.42%)، کل کیپٹل ریشو 21.59% (2021ء: 20.39%) رہا۔ بینک کا لیوریج ریشو 2022ء کے آخر میں 3.08% (2021ء: 3.47%) تھا۔ بینک کی لیکویڈٹی کو ترجیح یعنی سیالیت کا محیط اور خالص مستحکم فنڈنگ کا تناسب بھی 147% (2021ء: 164%) اور 251% (2021ء: 278%) تک ان کی 100% ریگولیٹری ضرورت کے مقابلے میں بہتر ہوا۔

سال کے لیے عملی اور دیگر اخراجات 78.2 ارب روپے تھے جو کہ سالانہ 30.3% اضافے کو ظاہر کرتا ہے۔ انسانی وسائل اخراجات جو کہ کل عملی اخراجات کا تقریباً 62.5% بنتے ہیں 2021ء میں 37.0 ارب روپے کے مقابلے میں 48.8 ارب روپے یعنی 31.8% زیادہ رہے ہیں۔

انسانی وسائل کی لاگت میں اس سال اضافے کی بنیاد وہ ہے کہ سال 2021ء کی لاگت پچھلے سالوں میں پیدا ہونے والی کچھ جمع شدہ accruals کی ریورسلز کی وجہ سے (جن کی اب ضرورت نہیں تھی) 2020ء کے مقابلے میں کم تھی۔ اس طرح ریورسلز کے اثرات کو چھوڑ کر، عملے کی لاگت میں مجموعی اوسط نمو 11% رہی۔

بینک اپنے کاروباری احاطوں کی بہتری اور دیکھ بھال میں مختص فنڈز لگاتا ہے، جو کہ اپنی افرادی قوت اور صارفین کو کام کا ایک محفوظ اور صحت مند ماحول فراہم کرتا ہے۔ اس سال ہم نے اپنے کاروباری احاطوں کی مرمت اور دیکھ بھال پر 1.1 ارب روپے خرچ کیے۔ مجموعی طور پر جائیداد سے متعلق اخراجات 10.7 ارب روپے ہیں، جو پچھلے سال کے مقابلے میں 26.7% زیادہ ہیں۔ چونکہ انفارمیشن ٹیکنالوجی اپنے اسٹریٹجک اہداف کو حاصل کرنے کے لیے بینک کے لیے اہم ہے، اس لیے ہم اپنی بنیادی بینکنگ اپیلی کیشن، سسٹمز، اور اپیلی کیشنز کے فن تعمیر کو اپ گریڈ کرنے میں سرمایہ کاری کرتے رہتے ہیں۔ 2022ء میں، ہم نے 2.0 ارب روپے سافٹ ویئر کی مینٹیننس پر اور 0.8 ارب روپے نیٹ ورک کو وسعت دینے پر خرچ کیا۔ ممکنہ تناؤ کے خلاف بینک کی بیلنس شیٹ کو سپورٹ کرنے کے لیے ہماری دانشمندانہ حکمت عملی کے مطابق، 12.6 ارب روپے کی پروویژنز ریکارڈ کی گئی ہیں، جن میں سے 8.1 ارب روپے ایڈوانسز کی مد میں ہیں (واضح ہو رہا ہے کہ زیادہ تر کچھ شعبہ جاتی دباؤ سے منسلک کریڈٹ کے خطرات کے پیش نظر عمومی پروویژنز ہیں) اور سرمایہ کاری کے مقابل 3.8 ارب روپے رکھے گئے نتیجتاً قبل از ٹیکس منافع 162.7 ارب روپے ہو گیا جو کہ سالانہ 18.7% زیادہ ہے۔

ٹیکسیشن قوانین میں حالیہ تبدیلیوں کے ساتھ، مؤثر ٹیکس کی شرح 51.5% (2021ء: 47.0%) رہی اور اس کی رقم 32.3 ارب روپے ہے۔ جبکہ بینکنگ انڈسٹری پہلے ہی 10% کے سپرنٹس چارج سے مشروط ہے جس میں 4% قانونی ٹیکس کی شرح میں اضافہ ہوا ہے، اس اضافی ٹیکس نے بینکس (بشمول NBP) کے بعد از ٹیکس منافع کو متاثر کیا ہے۔ مزید برآں، فننس ایکٹ -2022ء نے بینکس پر 10% اضافی ٹیکس عائد کیا ہے اگر ان کا جمع کرنے کا تناسب 50% سے کم ہو جائے؛ اور گراؤ ڈی آر 40% سے نیچے چلا جائے تو 16% ہو جائے گا۔ اسی تناظر میں بینک نے پچھلے سال 3.8 ارب روپے کا ٹیکس بھی تسلیم کیا تھا۔

اس کے مطابق، بینک کا بعد از ٹیکس منافع 30.4 ارب روپے رہا جو پچھلے سال کے 28.0 ارب روپے سے 8.6% زیادہ ہے (جس میں بینکس پر ٹیکس کی شرحیں اور چارجز نمایاں طور پر کم تھے)۔

• بیلنس شیٹ کی نمو

بینک کے سال کے آخر میں کل اثاثے 5,240.4 ارب روپے مالیت کے رہے جو کہ 2021ء کے آخر میں 3,846.7 ارب روپے سے 36.2% کا زبردست اضافہ ہے۔ 31 دسمبر 2021ء کے 286.2 ارب روپے سے کیپٹل اور ریزرو 300.8 ارب روپے یعنی 14.6% ارب روپے گویا 5.1% زیادہ رہے۔

کلیدی اشیا	2022ء	2021ء	ترقی
سرمایہ کاری (خالص)	3,477.4	1,938.2	9.4%
ایڈوانسز (خالص)	1,230.5	1,113.4	10.5%
کل اثاثے	5,240.4	3,846.7	36.2%
ڈپازٹس	2,666.2	3,019.2	(11.7%)
قرضے	1,940.5	312.9	520.1%
خالص اثاثے	300.8	286.2	5.1%
بریک اپ ویلیوٹی شیئر	141.4	134.5	5.1%
اسلامی بینکنگ کے کل اثاثے	109.3	100.9	8.3%

مجموعی قرضے اور ایڈوانسز 1,438.6 ارب روپے تھے جو کہ 10.2% یا 133.4 ارب روپے کا معمولی اضافہ ظاہر کرتا ہے۔ جبکہ خالص ایڈوانسز 1,230.5 ارب روپے رہے۔

ممبران کیلئے ڈائریکٹرز کی رپورٹ

معزز شیئر ہولڈرز،

بورڈ آف ڈائریکٹرز کو نیشنل بینک آف پاکستان 'NBP' "دی بینک" کی سالانہ رپورٹ کے ساتھ 31 دسمبر 2022ء کو ختم ہونے والے سال کے آڈٹ شدہ مالیاتی گوشواروں اور اس پر آزاد ڈیٹرز کی رپورٹ پیش کرنے پر مسرت ہے۔ کھاتوں کے مناسب اندراج کو برقرار رکھا گیا ہے اور یہ مالیاتی گوشوارے اس کے امور کار، اس کے کاموں کے نتائج، کیش فلو اور سال کے دوران ایکویٹی میں ہونے والی تبدیلیوں کو منصفانہ طور پر پیش کرتے ہیں۔

عملی سیاق و سباق

عالمی معیشت کو سست رفتار نمو، افراط زر کے بلند دباؤ اور جغرافیائی سیاسی تناؤ کا سامنا کرنا پڑ رہا ہے، جو لگتا ہے کہ نزدیک تا مختصر مدت برقرار رہے گا۔ زیادہ تر ممالک (خاص طور پر ترقی یافتہ معیشتوں) میں، مرکزی بینک سخت مالیاتی موقف کے ساتھ بڑھتے ہوئے افراط زر کے دباؤ اور زیادہ تر آجرتی ہوئی مارکیٹ کی کرنسیز پر شرح مبادلہ کے دباؤ کے نتیجے میں ان کی نظم کاری کے لیے جارحانہ انداز میں رد عمل ظاہر کر رہے ہیں، زیادہ تر ممالک کوئی سال کی سست شرح نمو کا سامنا ہے، جس میں بڑھتے ہوئے قرضوں کے بوجھ اور کمزور سرمایہ کاری کا مشاہدہ کیا جا رہا ہے۔

طویل مدتی میکرو عدم توازن اور پالیسی کی غیر یقینی صورتحال کی وجہ سے پاکستان کی معیشت بھی کثیر جہتی چیلنجز سے دوچار ہے۔ مالی سال 23ء سے قبل، پاکستان کی معیشت ابھی COVID-19 وبائی بیماری سے ٹھیک ہی ہوئی تھی اور اسٹرکچرل ایڈجسٹمنٹ سے گزر رہی تھی۔ موافق میکرو اکنامک پالیسی کی مدد سے، مالی سال 22ء میں جی ڈی پی میں 6.0% اضافہ ہوا۔ تاہم، مضبوط ملکی طلب، کم پیداواری نمو، عالمی اجناس کی بلند قیمتیں، اور عالمی اقتصادی سست روی نے بیرونی عدم توازن کو بڑھا دیا ہے۔ معیشت کو مستحکم کرنے کے لیے، حکومت نے مجموعی طلب کو محدود کرنے کے لیے متعدد اصلاحی پالیسی اقدامات پر عمل درآمد شروع کیا، جس میں ایک کنٹریکشنری بجٹ، مقامی توانائی کی قیمتوں میں اضافہ اور آزادانہ شرح مبادلہ شامل ہیں۔ استحکام کے ان اقدامات کے نتیجے میں، شرح نمو میں کمی، شرح مبادلہ کے استحکام اور عوامی قرضوں کے سائز کو ایڈجسٹ کرنے کے لیے مناسب میکرو اکنامک خلا پیدا ہونے کی توقع ہے، جب کہ ملک کے زیر مبادلہ کے ذخائر میں بتدریج اضافہ متوقع ہے۔

تاہم، تباہ کن سیلاب کی وجہ سے معیشت کو دھچکا لگا جس نے ملک میں تقریباً 33 ملین افراد کو تباہی سے دوچار کر دیا اور سیلاب سے متاثرہ افراد کی امداد اور بحالی کے لیے معیشت کی فنڈنگ (ملکی اور غیر ملکی) کی ضرورت کو شدید طور پر بڑھا دیا۔ ملکی معیشت پر بڑے اثرات کی وجہ سے حکومت کو ان ریلیف اور بحالی کی کوششوں کے لیے سماجی تحفظ کے پروگرامز کو جاری رکھنے میں دشواری کا سامنا ہے جبکہ میکرو اکنامک اسٹیبلائزیشن کے حصول کی جانب پیش رفت کو برقرار رکھنے میں اس کے اپنے استحقاق کی ضرورت تھی۔ فی الحال دستیاب معلومات کی بنیاد پر، مالی سال 23ء میں جی ڈی پی کی شرح نمو جو کہ سیلاب سے پہلے 3%-4% تھی کی سابقہ پیش گوئی کے مقابلے میں تقریباً 2% تک گر سکتی ہے۔ اس بیچ، خوراک کی بلند قیمتوں نے مہنگائی کی شرح کو سال بہ سال تقریباً 25% بڑھا دیا ہے، جو کہ سیلاب سے پہلے کے 18%-20% کے تخمینہ سے کچھ زیادہ ہے۔ مہنگائی کے موجودہ صورتحال میں، اسٹیٹ بینک آف پاکستان نے پالیسی ریٹ 2022ء کے آغاز میں 9.75% سے بڑھا کر فی الحال 17.0% کر دیا ہے۔ ایس بی پی نے سپلائی کی رکاوٹوں اور پیداوار میں کمی کی وجہ سے بڑے پیمانے پر مینوفیکچرنگ یعنی اشیاء سازی میں مزید سست ہونے کا امکان ظاہر کیا ہے۔

پاکستان کو ایف اے ٹی ایف کی گریڈ لسٹ سے نکالنا ایک مثبت پیشرفت تھی، کرنٹ اکاؤنٹ خسارہ، سرکاری مالیاتی قوم کی وصولی اور قرضوں کی ادائیگی میں تاخیر کی وجہ سے بیرونی شعبہ دباؤ کا شکار ہے۔ حکومت ملکی اور بیرونی عدم توازن کو دور کرنے کے لیے مؤثر پالیسی اقدامات کر رہی ہے۔ کلیدی ترجیحات میں مالی پوزیشن کو مضبوط بنانا، غریبوں کا سماجی تحفظ جاری رکھنا، آزادانہ زرمبادلہ کی شرح کی اجازت دینا اور عام سبسڈیز (خاص طور پر توانائی کی قیمتوں کے لحاظ سے) سے ایک ایسے نظام میں منتقل ہونا جہاں سبسڈیز کو ہدف بنایا جاتا ہے۔ آئی ایم ایف کی توسیعی فنڈ سہولت کے احیاء کے ساتھ ساتھ ان میکرو اقدامات کے بروقت نفاذ سے کثیر الجہتی امداد کا بہاؤ دوبارہ شروع ہونا چاہیے جو پاکستان کے لیے کامیابی سے میکرو اکنامک استحکام کو دوبارہ حاصل کرنے اور اپنے پائیدار ترقی کے ایجنڈے کو آگے بڑھانے کے لیے اہم ہے۔

شعبہ بینکاری کی کارکردگی اور توقعات

پاکستان کے شعبہ بینکاری نے 2022ء کے دوران اچھی کارکردگی کا مظاہرہ کیا ہے اور کافی مستحکم رہا ہے۔ بلند تر اوسط پالیسی کی شرح کی وجہ سے اسپرڈ میں بہتری آئی ہے۔ تاہم، میکرو

اکنامک ماحول میں تناؤ کا تسلسل 2023ء میں اثاثوں کے معیار اور مجموعی بینکاری صنعت کی کارکردگی پر منفی اثرات مرتب کر سکتا ہے۔ کارکردگی کچھ پالیسی فیصلوں سے بھی متاثر ہو سکتی ہے جیسے انٹرنیشنل ٹیکس نظام (خاص طور پر ایڈوانس ٹو ڈپازٹ تناسب کے حوالے پر مبنی ٹیکس) اور ٹریڈری سنگل اکاؤنٹ کا نفاذ۔ یہ مالیاتی اقدامات بینکس کو قرض دینے کی جارحانہ حکمت عملیوں پر عمل کرنے یا ٹیکس کی بلند شرحوں سے بچنے کے لیے اپنے ذخائر ضائع کرنے پر مجبور کر سکتے ہیں۔

اسی دوران، بینک دولت پاکستان کی ہدایات کے مطابق، IFRS 9 اسٹیٹنڈرڈ کا نفاذ یکم جنوری 2023ء سے ہوگا جو بینکس کے لیے کریڈٹ لاگت کے حساب کتاب کو متوقع نقصانات کی بنیاد پر، تبدیل کر دے گا۔ جس کے نتیجے میں: (i) موجودہ اثاثوں پر۔ یکبارگی باراستہ حصص، کی فراہمی، اور (ii) P&L پر بار بار چلنے والی دفعات کی لاگت ہر بینک کی اثاثہ کتب کے معیار، اور بعض سرمایہ کاری کی دوبارہ درجہ بندی پر منحصر ہوتی ہے۔ نیز، یہ منافع اور نقصان کے اکاؤنٹ کے بجائے "دیگر جامع آمدنی" کے ذریعے متعلقہ آمدنی کے ساتھ بعض سرمایہ کاری کی دوبارہ درجہ بندی کا باعث بنے گا۔ تاہم، بینکس کے سرمائے کے اکتفا پر کئی بڑے اثر کی توقع نہیں ہے، کیونکہ بینک دولت پاکستان نے بینکس کو 5 سال کے دوران اثرات کو حیران کرنے والے "عبوری انتظام" کا انتخاب کرنے کی اجازت دی ہے۔

تاہم، مؤثر اندرونی کنٹرول، کسٹمر کا اعتماد اور بینک دولت پاکستان کی جانب سے مضبوط انضباطی نگرانی پاکستان کی بینکاری صنعت کو انضباطی تقاضوں اور ابھرتے ہوئے معاشی اور انضباطی ماحول کو ایڈجسٹ کرنے کے لیے کافی مستعد اور مضبوط بناتی ہے۔

2022ء میں مضبوط مالیاتی ترسیل

درج ذیل مالی بحث اور تجزیہ جب تک کہ دوسری صورت میں بیان نہ کیا جائے قانونی معلومات پر مبنی ہے۔ مسلسل چیلنجنگ ماحول کے باوجود، بینک نے 31 دسمبر 2022ء کو ختم ہونے والے سال کے لیے مضبوط مالیاتی نتائج پیش کیے ہیں۔ زیر جائزہ سال کے لیے نیشنل بینک نے 30.4 ارب روپے کا بعد از ٹیکس منافع ریکارڈ کیا ہے۔

• منافع (ارب روپے)

نمبر	کلیدی ایشیا	ہتر (بدتر)	
		2021	2022
1.	NII	97.6	116.8
2.	NFI	36.9	36.7
3.	کل آمدنی	134.6	153.5
4.	انتظامی اخراجات	60.0	78.2
5.	پیشگی منافع	74.6	75.3
6.	پروویژن چارجز	11.9	12.6
7.	غیر معمولی آسٹم	9.8	-
8.	قبل از ٹیکس منافع	52.9	62.7
9.	ٹیکس	24.9	32.3
10.	بعد از ٹیکس منافع	28.0	30.4
11.	EPS (روپے)	13.16	14.29

بلند تر اوسط پالیسی شرحوں کے پس منظر میں سود والے اثاثوں میں بڑے جی نمو کے ساتھ، بینک نے 503.3 ارب روپے کی مجموعی مارک اپ/سودی آمدنی تشکیل دی جو پچھلے سال کے 231.9 ارب روپے سے گئی سے بھی زیادہ ہے۔ اسی طرح، سود/مارک اپ اخراجات 386.5 ارب روپے تھے، جس میں سے 209.6 ارب روپے یا 54.2% قوم جمع کنندگان کو ادا کیے گئے۔ نتیجتاً، خالص سود/مارک اپ آمدن یعنی "NII" 116.8 ارب روپے رہی جو کہ سال بہ سال 19.7% زیادہ ہے۔ سال کے دوران سست رفتار تجارتی اور کاروباری سرگرمی کے باوجود، بینک اپنی نان مارک اپ/سود کمانے والے "این ایف آئی" سلسلے کو برقرار رکھنے میں کامیاب رہا جو کہ 36.7 ارب روپے (سال 2021ء میں 36.9 ارب روپے) پر بند ہوا۔ اس کے مطابق، بینک کی کل محصولات 153.5 ارب روپے (سال 2021ء میں 134.6 ارب روپے) رہیں جو کہ سال بہ سال 14.1% زیادہ تھیں۔

Profile of the Shariah Board

Mufti Ehsan Waquar

Chairman Shariah Board

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

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

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

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

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

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

Dr. Mufti Khalil Aazami

Shariah Board Member

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

Dr. Aazami has 23 years of research experience related to Islamic Finance and other Shari'ah related subjects. He is an author of numerous publications. He is also an experienced lecturer and trainer in the field of Islamic Finance, Economics, Fiqh, Islamic Financial Laws and General Islamic Science. He is involved as Faculty member, – Jamia Darul Uloom, Karachi since 1999 and has been associated with the Centre For Islamic Economics, Karachi, National Institute of Banking and Finance – SBP and Sheikh Zaid Islamic Research Centre – University of Karachi.

Mufti Muhammad Imran

Resident Shariah Board Member

Mufti Muhammad Imran, working with NBP since May 2016, is a qualified Shariah Scholar and experienced Islamic banker with knowledge of Islamic banking & finance. His educational qualification includes Takhas-us-fil-Fiqh, MIBF & PGD (Islamic Banking & Finance) and M.A (Islamic Studies) and he has been associated with different Research, Fatwa and Educational Institutions since 2003 and has over 12 years of banking, Islamic Banking Trainings, Shariah Compliance, review & product development experience. His research includes:

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

Mufti Sajjad Ashraf Usmani

Shariah Board Member

Mufti Sajjad Usmani is a qualified CSAA (Certified Shariah Advisor & Auditor) from AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions, Bahrain), Takhassus Fil Ifta (Specialization in Islamic Jurisprudence and Fatwa) and Dars-e-Nizami/Shahadat-ul-Aalamia from Jamia Dar-ul-Uloom, Karachi and a certified anatomist of Sukuk, Islamic Banking & Finance. He is a seasoned professional with over 13 & 7 years of working experience from writing Fatawa to serving as a Shariah Advisor of the leading financial institutions of Pakistan respectively.

He has blend experience of providing Shariah consultancy to three (3) Takaful Companies as Shariah Advisor since 2015 and also served as Shariah Advisor of the Tier 2 Mudharabah Sukuk issued by Meezan Bank Limited.

He also has 7 years' working experience with leading Auditing firms like A.F.F (PWC) & Deloitte Pakistan, as a Shariah Consultant & Head of Shariah Audit and has supervised various Shariah Audits of renowned Islamic Banks, Takaful Companies and Sukuks under the audit firm's umbrella. He knows the practical problems being faced by the Islamic Financial Institution.

He is a teacher of Hadith and Fiqh (Islamic Jurisprudence) at Jamia Dar-ul-Uloom, Karachi besides teaching in various leading Islamic educational institutions like IBA CEIF & Center for Islamic Economic since 2011.

Mufti Muhammad Ahmad

Shariah Board Member

Mufti Muhammad Ahmad is a qualified CSAA (Certified Shariah Advisor & Auditor) from AAOIFI (Accounting and Auditing Organization for Islamic Financial Institutions, Bahrain), Takhassus fil Fiqh il Muamalat Almalyyah (Specialization in Islamic Commercial Jurisprudence and Fatwa) from Jamia Tur Rasheed, Dars-e-Nizami/Shahadat-ul-Aalamia from Wifaq ul Madaris Alarabia and Masters in Economics from University of Karachi. Further he is currently pursuing his PhD degree from Karachi University.

He has more than six years' experience of working in Islamic Banking Industry and has contributed extensively by actively participating Shariah deliberations on multiples issues. He has about ten years' experience of Teaching, research and giving Fatawa. He has written about three hundred fatwas regarding ibadat, trade, banking, finance, inheritance, marriage, divorce etc. He has also conducted in depth research of several practical issues in Islamic Banking from Shariah aspect. He has a vast experience of conducting Islamic Banking Trainings.

He also teaches AAOIFI Shariah Standards, Islamic Jurisprudence, Islamic creed and Shariah inheritance law at Alburhan Institute Islamabad.

Shariah Board's Annual Report NBP Aitemaad – 2022

بِسْمِ اللّٰهِ الرَّحْمٰنِ الرَّحِیْمِ

الحمد لله رب العالمين والصلاة والسلام على سيد الانبياء والمرسلين وعلى آله 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 10.4% 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 - Revised
- 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 (bancatakafu) - 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 ربنا ولا تحمل علينا اصرنا كما حملته على الخي من
 قبلنا ربنا ولا تحملنا ما لا طاقة لنا به و اعف عنا وقفه واغفر لنا وقفه وارحمنا وقفه
 انت مولنا فانصرنا على القوم الكافرين

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 Waqar Ahmad
 Chairman Shariah Board

۹. دیگر سرگرمیاں

i۔ اسلامک بینکنگ برانچ اور ڈپارٹمنٹس کا شرعی جائزہ

شریہ کمپلائنس ڈپارٹمنٹ نے دوران سال اعتماد اسلامک بینکنگ کی 86 ڈپازٹ برانچ اور 110 اسلامک بینکنگ ونڈز کا جائزہ لیا ہے۔ اس کے ساتھ اعتماد ٹریڈری اور فنانسنگ پورٹ فولیو کا بھی نمونے کی بنیاد پر شرعی جائزہ لیا گیا۔ شریہ کمپلائنس نے مختلف تشہیری مہموں اور سرگرمیوں کا بھی جائزہ لیا تاکہ شرعی ہدایات کی پاسداری کو یقینی بنایا جاسکے۔

ii۔ برانچ نیٹ ورک اور توسیع

الحمد للہ! این بی پی اعتماد اسلامک بینکنگ کا برانچ نیٹ ورک 188 مخصوص برانچ اور 50 ونڈوز تک پہنچ گیا ہے۔ این بی پی اسلامی بینکاری کا دائرہ مزید وسیع کرنے کے غرض سے اگلے سال تقریباً 100 اسلامی بینکنگ ونڈوز کھولنے کا ارادہ رکھتا ہے۔

iii۔ مصنوعات سازی (پراڈکٹ ڈیولپمنٹ)

الحمد للہ! سال 2022 میں این بی پی اعتماد اسلامک بینکنگ نے درج ذیل خدمات و سہولیات کو متعارف کروایا اور شریہ بورڈ سے ان کی اجازت حاصل کی:

- ایک نئی مخصوص پراڈکٹ بنام "اعتماد امیرہ اکاؤنٹ" شروع کی گئی جو کہ صرف خواتین کے لئے خاص ہے۔ اس پراڈکٹ کے ذریعے خواتین کی مالیاتی معاملات میں شمولیت میں اضافہ ہو گا اور خواتین کو کاروبار کی طرف متغزل کرنے میں مدد فراہم کرے گا۔ اس پراڈکٹ میں مکمل بینکنگ خدمات کرنٹ / سیونگ اکاؤنٹ کا اختیار، مناسب منافع شرح، کنزیومر فنانس پر عایتی شرح، 7/24 ڈیجیٹل بینکنگ، ڈیبٹ کارڈ 20,000 گولڈ ممبر چٹ ڈسکاؤنٹ، لاکرز، چیک بک وغیرہ۔
- این بی پی اے ڈی سی (ADC) کی خدمات میں بہتری بشمول اے ٹی ایم کے ذریعے گرین پن، آر اے اے ایس ٹی (RAAST) پی ٹو پی (P2P)، موبائل ایپ کے ذریعے ڈیبٹ کارڈ مینجمنٹ، نئے کارڈ کے لئے درخواست، کارڈ کے اسٹیٹس اور پن کی تبدیلی اور غیر کارڈ ہولڈر کو آن بورڈ کرنا۔
- تھر ڈپارٹی پراڈکٹ پالیسی اور ایس او پی (SOP) کا اجراء
- صارفین کی ڈیجیٹل آن بورڈنگ کے لئے پالیسی کا اجراء
- اری فنانسنگ پالیسی اور مینولز بشمول آئی ایل ٹی ایف ایف (ILTFF) اور آئی ای آر ایس (IERS) کا اجراء
- ڈپازٹ پراڈکٹس، فنانسنگ پراڈکٹس اور چیریٹی کی پالیسی اور مینولز کی تجدید

اب این بی پی اعتماد اپنے قابل قدر صارفین کے لیے بہتر حد تک مصنوعات فراہم کر رہا ہے، جو کہ ۷ اڈپازٹ اور ۸ سرمایہ کاری مصنوعات پر مشتمل ہے۔

iv۔ سرمایہ کاری کا جائزہ

این بی پی اعتماد کے کمانے والے مجموعی اثاثے گزشتہ سال کے مقابلے میں 9.1% کی شرح سے اضافے کے بعد تقریباً 101.1 بلین روپے تک پہنچ چکے ہیں، جو پچھلے سال 92.7 بلین تھے۔ ٹوٹل فنانسنگ 9.3% کے اضافے کے ساتھ تقریباً 47.0 بلین تک پہنچ چکی ہے جس کی وجہ سے اعتماد اسلامک بینکنگ گروپ کا فنانس / ڈپازٹ کا تناسب تقریباً 50% ہو گیا ہے۔ اس سال 8.9% کی شرح سے اضافہ کے ساتھ سرمایہ کاری کا حجم بشمول بیج موبائل تقریباً 54.1 بلین رہا جو کہ پچھلے سال 49.7 بلین تھا۔

v۔ کھاتہ جات (ڈپازٹس) کا جائزہ

این بی پی اعتماد کا ڈپازٹ اس سال تقریباً 93.6 بلین روپے رہا جو پچھلے سال کے 84.8 بلین روپوں کے مقابلے میں 10.4% کی شرح سے اضافہ ہے۔

vi۔ شریہ بورڈ کے اہتمامات (میٹنگز)

سال 2022 میں شریہ بورڈ کی کل (4) میٹنگز منعقد ہوئیں۔ ان میں اہم منظور شدہ امور درج ذیل ہیں:

- ڈپازٹ پراڈکٹ پالیسی (ترمیم)
- ایل اے پالیسی
- ڈاؤ کوشنگ آف رینگ مشارکہ
- اسلامک انکسپورٹ ری فنانس - آئی ای آر ایس (IERS)
- ایزم اینڈ کنڈیشن آف ڈیجیٹل آن بورڈنگ (اردو اور انگلش)
- چیریٹی مینول (ترمیم)
- اسٹیٹنگ آپریشن مینولز
- ایس سی ڈی (SCD)، آئی ایس اے ڈی (ISAW) اور ایکسٹرنل شریہ آڈٹ رپورٹس پر اصلاحی اقدامات
- مساومہ پراڈکٹ مینول
- امر اسہ پراڈکٹ مینول (ترمیم)
- اسلم پراڈکٹ مینول (ترمیم)
- استصناع پراڈکٹ مینول (ترمیم)
- تجارتی پراڈکٹ مینول (ترمیم)
- امر اسہ مینول (ترمیم)
- اجارہ پراڈکٹ مینول (ترمیم)
- شرکت متناقصہ پراڈکٹ مینول (ترمیم)
- رینگ مشارکہ پراڈکٹ مینول (ترمیم)
- ای لرننگ کورس لازمی / ریٹیسٹرز کے لئے بطور متبادل
- اگورنمنٹ سے کدم کی خریداری اور اسکی ادائیگی کے شرعی طریقہ کار پر رہنمائی
- سیل آف تھر ڈپارٹی پراڈکٹس (بینکا کنفل) ایس او پی (SOP)

سفارشات

بینک کے لیے ہماری سفارشات درج ذیل ہیں:

- 1۔ بینک نے پول مینجمنٹ سسٹم کے ڈپازٹ والے حصے کو مکمل طور پر خود کار بنادیا ہے تاہم تمویلی و سرمایہ کاری والے حصے کو خود کار بنانا ابھی باقی ہے۔
- 2۔ بینک نے اسلامی اسٹاف فنانسنگ پالیسی محدود خصوصیات (ہاؤسنگ فنانس) کے ساتھ نافذ کی ہے۔ ہم یہ سفارش کرتے ہیں کہ بقیہ تمام خصوصیات کا بھی نفاذ کیا جائے۔
- 3۔ ایک جامع اسلامک بینکنگ ٹریننگ پالیسی کے نفاذ کو یقینی بنایا جائے، جو بینک کے عمل کے لیے ابتدائی اور اعلیٰ لیول کے مخصوص ٹریننگ کورسز پر مشتمل ہو۔

واللہ سبحانہ و تعالیٰ اعلم

ربنا لا تؤاخذنا ان نسينا او اخطانا ربنا ولا تحمل علينا اصرار كما حملته على الذين من قبلنا ربنا ولا تحملنا ما لا طاقة لنا به واعف عنا ووقفه واغفر لنا وقفه وارحمننا وقفه انت مولنا فانصرنا على القوم الكافرين۔

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

مفتی محمد عمران	مفتی محمد احمد خان	مفتی محمد سجاد عثمانی
ریزیڈنٹ شریہ بورڈ ممبر	ممبر شریہ بورڈ	ممبر شریہ بورڈ
این بی پی اعتماد	این بی پی اعتماد	این بی پی اعتماد
ڈاکٹر مفتی خلیل احمد اعظمی	مفتی احسان وقار احمد	مفتی چیرمین شریہ بورڈ
ممبر شریہ بورڈ	این بی پی اعتماد	این بی پی اعتماد

کردے گئے ہیں جبکہ اس سال ایک لاکھ پچاس ہزار (150,000) روپے کی چیرٹی وزیراعظم امداری فنڈ برائے سیلاب متاثرین 2022 میں جمع کرادی گئی ہے۔
چیرٹی اکاؤنٹ کی تفصیلات درج ذیل ہیں:

رقم ۰۰۰۰ میں	چیرٹی فنڈ 2022
64	ابتدائی بیلنس
286	دوران سال تاخیر سے ادائیگی کی بناء پر وصول کی جانے والی رقم
3	چیرٹی سیونگ اکاؤنٹ کا نفع
150	دوران سال چیرٹی کی مد میں کی جانے والی ادائیگیاں
203	اختتامی بیلنس

۵۔ نفع اور نقصان کی تقسیم اور پول مینجمنٹ

اعتقاد اسلامک بینکنگ کے پاس پول مینجمنٹ کا باقاعدہ ونگ، مناسب عمل کے ساتھ موجود ہے، جو اسٹیٹ بینک اور شریعہ بورڈ کی جانب سے جاری کی گئی ہدایات کی پاسداری کو یقینی بناتا ہے شریعہ کمپلائنس ڈپارٹمنٹ پول مینجمنٹ کے سالانہ جائزے کے علاوہ نفع و نقصان کے حساب کا کھاتہ داروں میں تقسیم سے قبل ماہانہ بنیادوں پر جائزہ لیتا رہا ہے۔ اسی طرح انٹرنل شریعہ آڈٹ ونگ نے سہ ماہی بنیادوں پر پول مینجمنٹ کا شریعہ آڈٹ بھی کیا ہے۔ یہ تمام طرق ہائے انضباط پول مینجمنٹ اور نفع کی تقسیم کار کے نظام میں بہتری کا باعث بنے ہیں۔

۶۔ عملے اور صارفین کی تربیت و آگاہی برائے اسلامی بینکاری اور سرمایہ کاری

بینک نے اسلامی بینکاری کے بنیادی تصورات، مصنوعات (پراڈکٹس) اور کسٹمر سروسز سے متعلق ستاون (57) ان ہاؤس ٹریننگ سیشن منعقد کیے جن میں دو ارب سال سات سو چونسٹھ (764) ملازمین (بشمول اسلامی بینکاری برانچوں کے ملازمین اور اسلامی بینکاری ونڈوز کے ملازمین) کو تربیت دی گئی۔ اس سال شریعہ کمپلائنس ڈپارٹمنٹ نے اسلامک بینکنگ ونڈوز اور لرننگ اینڈ مینجمنٹ ڈویلپمنٹ ڈویژن (LMDD) کے اشتراک سے اسلامک بینکنگ ونڈوز کے عملے کے لئے تین (3) اور پانچ (5) روزہ آن لائن کورس مرتب کیا ہے۔ بینک کے عملے اور صارفین کے سوالات کا جواب دینے کے لیے ایک پورٹل "ASKSHARIAH" askshariah@nbp.com.pk کے نام سے موجود ہے۔

یہ پلیٹ فارم نہ صرف بینک کے عملے کو اپنے روزمرہ کے کاموں میں شرعی رہنمائی فراہم کرتا ہے، بلکہ یہ عملے اور صارفین کے لیے اسلامی بینکاری کی آگاہی کا ذریعہ بھی ہے۔

۷۔ اسلامی بینکاری کی آگاہی اور فروغ

شریعیہ کمپلائنس ڈپارٹمنٹ نے اعتقاد اسلامک بینکنگ گروپ کے آپریشن اور مارکیٹنگ ڈپارٹمنٹ کے اشتراک سے اسلامی بینکاری کے فروغ کے لیے عوام الناس میں اسلامی بینکاری کے آگاہی پروگراموں کا آغاز کیا ہے۔ اس سلسلے میں پورے ملک میں سولہ (16) آگاہی پروگراموں کا انعقاد کیا گیا، جس میں سے تین (3) پروگرام اسٹیٹ بینک آف پاکستان کے جامع قومی مالیاتی شمولیتی لائحہ عمل کے تناظر میں خصوصی طور پر خواتین کے لئے مرتب کئے گئے اور دو (2) پروگرام عمومی فائدہ کو مد نظر رکھتے ہوئے آن لائن منعقد کئے گئے۔

ان آگاہی پروگراموں کے علاوہ، شریعیہ کمپلائنس ڈپارٹمنٹ نے مختلف یونیورسٹیز اور مدارس میں بھی اسلامی بینکاری اور فنانس پریگنٹ لیکچرز کا آغاز کیا ہے۔

۸۔ شریعیہ کمپلائنس ڈپارٹمنٹ میں مناسب افرادی وسائل

شریعیہ کمپلائنس ڈپارٹمنٹ کے امور کو بہتر انداز میں مناسب افرادی قوت کے ساتھ اپنی خدمات سرانجام دینے کے لیے، نئے افراد کی تعیناتی کے لیے درخواست کی جا چکی ہے، اس سلسلے میں، ایک شریعیہ اسکالر بطور سیکرٹری آف شریعیہ بورڈ کی تعیناتی ہو چکی ہے۔ مزید دو شریعیہ اسکالرز تعیناتی کے مرحلے میں ہیں۔ مستقبل میں ونڈوز آپریشن کی ضرورتوں کے پیش نظر اگر شریعیہ کمپلائنس ڈپارٹمنٹ میں افرادی قوت میں اضافہ درکار ہو تو مینجمنٹ کو آگاہ کر دیا جائے گا۔

این بی پی اعتماد شریعیہ بورڈ سالانہ رپورٹ-2022

بسم اللہ الرحمن الرحیم

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

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

اس رپورٹ کا مقصد یہ ہے کہ این بی پی اعتماد میں شرعی احکام کی تعمیل کے لحاظ سے عمومی صورت حال کے بارے میں شریعیہ بورڈ کا نقطہ نظر پیش کیا جائے۔ ہم بحیثیت شریعیہ بورڈ 31 دسمبر 2022 تک بینک میں شرعی احکام کی تعمیل کے لحاظ سے عمومی صورت حال کا جائزہ لے چکے ہیں، جس کا خلاصہ درج ذیل ہے۔

شریعیہ بورڈ کی رائے

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

رپورٹ میں ذکر کردہ رائے قائم کرنے کے لیے بینک کے شریعیہ کمپلائنس ڈپارٹمنٹ نے این بی پی اعتماد میں انجام دیے جانے والے ہر قسم کے معاہدات، ان سے متعلق دستاویزات اور طریقہ کار میں سے چند بطور نمونے کے منتخب کئے اور ان کا تفصیلی جائزہ لیا۔ مزید یہ کہ ہم نے انٹرنل / ایکسٹرنل شریعیہ آڈٹ کی رپورٹس کا بھی جائزہ لیا، جس کی بنیاد پر ہماری رائے یہ ہے:

۱۔ شریعیہ بورڈ کی جانب سے جاری کردہ احکامات پر بینک کی تعمیل (کمپلائنس)

این بی پی اعتماد کی مجموعی صورت حال، مصنوعات، معاہدات اور معاملات شریعیہ بورڈ کی جانب سے جاری کردہ احکامات کے مطابق ہیں۔

۲۔ اسٹیٹ بینک کی جانب سے شرعی امور سے متعلق جاری کردہ احکامات پر بینک کی تعمیل (کمپلائنس)

اسٹیٹ بینک کی ہدایات کی روشنی میں مینجمنٹ اس بات کی یقین دہانی کراتی ہے کہ غیر شرعی امور پر کسی قسم کا تسامح نہ برتا جائے۔ اس حوالے سے این بی پی اعتماد میں ملازمین کے سالانہ جائزہ کارکردگی کے نظام (staff appraisal system) میں خاص طور پر شرعی امور میں عدم تسامح (Zero Tolerance) بطور کپی آئی (KPI) موجود ہے۔

۳۔ شریعیہ کی تعمیل (کمپلائنس) کا طریقہ کار

الحمد للہ! این بی پی اعتماد کے پاس ایک جامع اور مکمل شریعیہ کمپلائنس پالیسی اور معاملات کی شرعی حوالے سے جانچ پڑتال کے لیے مکمل اور جامع چیک لسٹ موجود ہے۔

اس سال شریعیہ کمپلائنس ڈپارٹمنٹ نے اسلامک بینکنگ ونڈوز کے عملے کے لیے، وقتاً فوقتاً حاصل ہونے والے تجربات کو مد نظر رکھتے ہوئے چیک لسٹ، نیز جانچ پڑتال کے لیے پیپرز بھی مرتب کیے ہیں، اس کے علاوہ شریعیہ بورڈ کی ہدایات پر عمل کرتے ہوئے، مالی معاملات کی انجام دہی میں عملے کی نگرانی اور رہنمائی کے سلسلے میں شریعیہ کمپلائنس ڈپارٹمنٹ نے کسٹمر کے سامان کی سپردگی کے مواقع کا دورہ بھی کیا ہے۔

۴۔ ممنوع آمدن اور چیرٹی (صدقہ) اکاؤنٹ کا انتظامی طریقہ کار

این بی پی اعتماد نے ایک واضح اور جامع چیرٹی پالیسی تشکیل دی ہے جو شریعیہ بورڈ اور بورڈ آف ڈائریکٹرز سے منظور شدہ ہے، جس پر دوران سال نظر ثانی بھی کی گئی ہے۔ تمویلی معاملات کا شریعیہ کمپلائنس ریویو اور انٹرنل شریعیہ آڈٹ بھی انجام دیا گیا ہے۔ مزید برآں آمدنی کے تمام دوسرے ذرائع بشمول سرمایہ کاری اور ٹریڈرز کے معاملات کا جائزہ بھی لیا گیا۔ بینک کے سرمایہ کاری کے شرعی جائزے کے دوران کوئی بھی غیر شرعی معاملہ نہیں پایا گیا، لہذا اس سال کسی قسم کے نفع کو چیرٹی نہیں کیا گیا۔ دوران سال تاخیر سے ادائیگی کی مد میں دو لاکھ چھیاسی ہزار (286,000) روپے چیرٹی وصول کئے گئے ہیں اور چیرٹی اکاؤنٹ میں ڈپازٹ بھی

Executive Management



Amjad Imran Khan

SEVP/Group Chief, International Financial Institutions & Remittances Group

Amjad Imran Khan has rich banking experience of over 30 years during which he has worked with leading banks in Pakistan, UAE, Hong Kong and Bahrain. He joined NBP from Emirates NBD, UAE, where he worked as Global Head of Financial institutions for the Bank. Prior to joining Emirates NBD, he was with Standard Chartered Bank where he worked in different geographies and held senior positions such as Managing Director. During his tenure at SCB, he worked on growing the business in transactional banking, financial institutions and capital markets. He started his career in 1990 with Deutsche Bank, Pakistan after completing his MBA from Drexel University, USA.



Naushaba Shahzad

EVP & Group Head (A), Inclusive Development Group

Naushaba has more than three decades of experience in Corporate Finance, Trade, Risk and Corporate Governance. Leading the Inclusive Development Group, her focus are the priority sectors of the economy, such as Agriculture, SME, Microfinance and commercial sector. Before joining NBP, Naushaba was the CEO (A) of First Women Bank. There she was also member of various management committees and Secretary to the Board Risk Management Committee. Naushaba has excellent academic record and a Gold Medallist in MSc from the University of Punjab and First Position in MBA (Banking & Finance) from IBA Karachi.



Fouad Farrukh

SEVP/Group Chief, Aitemaad Islamic Banking Group

Twenty-five years experienced Banker with Retail, Corporate, Risk, and Islamic Banking in leadership roles. Experience is divided in eighteen years in Pakistan and six years in the Middle East. Recognized and rewarded for building market-leading profitable, sustainable businesses. Prior to joining National Bank, led Retail and Islamic Banking expansion for Faysal Bank Limited for over 8 years and Country Head for HBL Bahrain, and Risk Head for Gulf Region of HBL.



Osman Malik

EVP/Group Head Special Assets Management Group

Osman has a rich and diversified banking experience of over 29 years working with leading banks in Pakistan and Middle East. After his MBA from LUMS, he started his career with Citibank in 1993. He has held variety of senior positions at different banks across Pakistan and Middle East. He brings vast experience ranging across Corporate, Commercial, Retail and Remedial portfolio as well as Cash management and Risk management. Before joining NBP as Senior Credit Officer, he was associated with HBL-Dubai as Head of Remedial Corporate Bank. With his broad experience and acumen, he leading the Special Assets Management Group (SAMG) as Group Head.



Muhammad Ismail Usuf

SEVP/Group Chief, Treasury and Capital Market

Muhammad Ismail Usuf brings in over 28 years of experience in Treasury & Capital Markets. In his current position, as Group Chief Treasury he manages the interest rate, foreign exchange and liquidity risks. Treasury function comprises of Assets and Liability Management, Financial Markets Trading, Equity Markets Trading and Sales & Structuring. Ismail is an IBA graduate and joined NBP Treasury in 2004 and has a proven track record of successfully managing treasury functions. Prior to joining NBP he worked with Faysal bank Treasury as well. He is well experienced in setting up and managing Treasury business and brings in-depth knowledge of Money Market, Foreign Exchange, Capital Markets, Derivatives and Structured Products.



Shahid Iqbal Choudhri

EVP & Group Head Corporate and Investment Banking Group

Mr. Shahid brings in diversified professional experience with an illustrious career spanning over 30 years. For the past 12 years, Mr. Shahid has been working at senior positions at large commercial & investment banks and DFIs.. During his assignments in the recent past, he has developed and turned around various core banking functions of Corporate and Remedial. As Group Head CIBG, he is spearheading one of the largest corporate asset portfolios of the country Mr. Shahid is also the Chairman Board of Directors at Agritech Limited. He holds an MBA Degree and has also completed the Director's Training Program from LUMS.



Tauqeer Mazhar
SEVP/Group Chief, Retail Banking Group

Tauqeer Mazhar has more than 30 years of banking experience in Corporate, Retail and Consumer Banking. His previous employer was UBL, where he was working as Group Head Branch Banking. Tauqeer is an MBA from LUMS and started his career with Citibank in 1990 as Management Associate and has worked in different senior level roles at Citibank Pakistan, Saudi Arabia, USA and UAE. He then moved to ABN AMRO Bank, Kazakhstan and later joined KazInvest Bank, Kazakhstan as Head of Retail and Consumer Bank. He successfully launched various products. His last assignment prior to joining UBL was Head of Branch Operations for HBL.



Hassan Umair Wasti
SEVP/Group Chief, Internal Audit & Inspection Group

Umair has over 25 years of work experience in Internal Audit and Risk Management functions in multi-national banks in UAE, UK and Pakistan. He has in-depth skills and knowledge to strategically lead functions in the second and third line of defense across all banking businesses of consumer, corporate, Small and Medium enterprises (SME), private banking and wealth management.



Abdul Wahid Sethi
SEVP/CFO, Financial Control Group

Abdul Wahid Sethi is currently serving as SEVP/Chief Financial Officer. Mr. Sethi has rich & diversified experience of 25+ years working at senior positions. He is a fellow member of the ICAP and holds an MBA Finance degree from Imperial College Lahore. He has also served the Bank as SEVP/Chief Internal Auditor of the Bank. Prior to joining NBP in 2009, he worked at senior positions with various reputed organisations. Mr. Sethi is a great advocate of organisational capacity building and promoting young professional talent in the Bank.



Imran Farooqui
SEVP & Group Chief, Operations Group

Imran has 26 years of banking experience working for leading banks in Pakistan in the field of Operations, Banking Services Inspections and Project Implementation. He joined NBP from HBL, where he was holding the position of Head Branch Operations to ensure Regulatory Compliance and handle Technology Projects for Operations. Prior to joining HBL, he was associated with Allied Bank where he held the position of Chief of Operations Banking Services. Imran has an M.Sc. from University of Peshawar and MBA from University of Sindh. Imran has also worked for SBP as Assistant Director. In his previous stint with NBP, he was associated as Head of PMO.



Amin Manji
SEVP/Group Chief, Information Technology

Amin, the Bank's CTO, brings more than 30 years of IT experience in Financial Services. Prior to joining NBP, Amin has held a variety of technology roles at various large Banks. With expertise in IT Strategy, Technology & Digital Transformation and Disaster Recovery, he has a track record of developing high performance teams and strategically utilizing technology to deliver complex IT solutions in a globally interconnected and culturally diverse environment. Amin serves on various leadership forums at NBP including various management committees. Amin holds a B.S. from Cornell University in the USA and a Master's in Applied Finance from Macquarie University, Australia.



Karim Akram Khan
SEVP/Group Chief, Logistics, Communications & Marketing Group

Karim joined NBP in 1996. He moved to Bank of America for a brief period and re-joined NBP as VP. In 2003, he headed Corporate Credit Division for five years. Karim has also served National Accountability Bureau as Director - Financial Crimes Investigation. After repatriation to NBP, he worked in Assets Recovery as Executive Vice President for a period of seven years, and subsequently led Logistic Support Group as its Group Head. He is currently responsible for leading multi-disciplined logistical functions by leading a large team as a cohesive unit, thus efficiently providing logistical support including engineering, procurement, bank services, sports, marketing and internal.



Mehnaz Salar

EVP & Divisional Head, Legal Division

Mehnaz Salar has qualified as a Barrister at law from Lincoln's Inn and has been working as a banking lawyer for several years. Prior to joining NBP, she has headed up legal departments in various banks such as Citibank NA, Standard Chartered Bank, Dubai Islamic Bank, Samba Bank and Meezan Bank.



Nauman Muzaffar

SEVP/Group Chief, Risk Management Group

Nauman has over 25 years of experience with reputed organizations. Before joining NBP, he was with HBL, where he worked as GM & Head Enterprise Risk Management. Nauman has also worked with JP Morgan Canada as the CRO for its Canadian franchise. He also spent time with JP Morgan's Investment Bank in New York, Executive Director for CIBC's Global Derivatives & Strategic Risk team and Citibank as a business manager for Derivatives and Structured Products. Nauman also briefly worked at the Pakistan Credit Rating Agency. Nauman has an undergraduate degree in Finance from the University of Utah and an MBA from the LUMS.



Mirza Muhammad Asim Baig

EVP & Group Head (A), Human Resource Management Group

Asim has 20+ years of rich banking and HR experience. Earlier, he has also worked in Retail Business with Union and Standard Chartered Bank. Diversifying his career, Asim started his HR journey from SCB and later on headed the L&D function in a domestic bank. Asim has been in various leadership roles in HR and has contributed towards several key HR initiatives including but not limited to transformation, diversity, inclusion and change management. Asim holds an MBA degree and is a certified trainer and has been instrumental in launching Career and Succession Planning Programs. He likes to mentor young professionals as a career counsellor.



Nauman Riaz

SEVP/ Group Chief, Compliance Group

Riaz has more than 26 years of banking experience at senior positions. He joined NBP from HBL where he was working as Global Chief Compliance Officer. He started his career with Citibank after completing his MBA from IBA in 1993 and has worked in various geographical locations. His last assignment prior to joining HBL was Director Operational Risk Management for Citibank – UAE. Earlier to that, he was the EMEA Regional AML Compliance Head and Regional Core Compliance Head based out of Citibank UK. Before moving to the UK, he was the Head of Operations for Citibank Algeria. Nauman has also headed various senior Operations positions for Citibank Pakistan.



Muhammad Hamayun Sajjad

SEVP/Chief Digital Officer, Digital Banking Group

Hamayun, a results-driven digital banking executive, specializes in optimizing frictionless digital consumer experiences across banking and digital commerce. He has over 23 years. His last assignment was at UBL, where he worked as Head of Digital and was responsible for leading the bank's transformation and crafting digital banking opportunities. Hamayun holds MBA in Finance and a B.S. in Computer Sciences from the National University FAST. Hamayun is also on the Board of 1Link and Pakvitae. He is passionate about delivering culture change in large, complex organizations employing Design Thinking and Agile methodologies. His work focuses on innovation and how technology is redefining people's expectations.



Syed Muhammad Ali Zamin

EVP, Secretary Board of Directors

After completion of his education (MBA Finance) in 1982, he started his career with PICIC, a Development Finance Institution and holds vast experience in Project Financing, Research and Advertisement/Public Relations. Before joining NBP, he served as EVP / Company Secretary of PICIC for eleven years. Since his appointment at NBP, he has successfully been leading the regulatory and listed compliance front, facilitating the corporate governance practices and advising the Bank in areas of corporate matters. He is a Certified Director from Pakistan Institute of Corporate Governance (PICG), Fellow of Institute of Corporate Secretaries of Pakistan (FICSP) and Diplomaed Associate of Institute of Bankers, Pakistan (DAIBP).



Organisational Overview

Principal Activities of the Bank

Principal activities of NBP during the year remained same as in previous year and included general banking services, Islamic banking, corporate banking, 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 banking services, currency exchange, fund management and securities brokerage services.

Our Product Universe

We proactively identify our customers and their banking requirements, which are broadly categorised into four basic categories. Our comprehensive products and services suit caters to all credit and non-credit financial requirements across our customer and client spectrum. Individuals can benefit from a large array of our products i.e. a safe place to deposit their savings, government employees can obtain financing against their salary, can obtain mortgage finance as a first step towards building a home or can benefit from our home remittance service to receive cross-border funds from their family members abroad. For businesses, NBP is all there to help entrepreneurs launch a start-up, fund their balance sheet growth, manage payments timely & securely, expand internationally, manage financial risks effectively, and deal with thousands of business counterparts globally through our branches and representative offices.

	Individuals	SME	Corporates	Financial Institutions
Cash Management, Deposits, Online Banking, Debit Cards	Current and Saving Deposit Accounts			
	Access to global trade and exchange markets			
	Global Home Remittance			
	Bancassurance			
	Debit Card & Online Banking			
Financing Personal and Business Needs	Locker & Safe Deposits			
	Housing & Car Finance		SME Financing	
	Agri. Loans		Commercial Business Loans	
	Advance Salary		Working Capital and Project Finance	
	Gold Loans		Trade Finance	
Financial and Business Support			Capital markets	
			Syndicate finance and capital advisory	
			Forex Trade, Fixed Income, Exchange Rate Hedging, Foreign Bill Discounting	
	Finance under G2P and P2G		Merger & Acquisitions, Balance Sheet Restructuring	

Our Aspirations

Our aspirations come from our extensive market outreach, strong capital base, optimally diversified and strong balance sheet, customer loyalty and an ambitious team. We significantly share government / public sector business. We are the only bank in Pakistan rated 'AAA' by both the recognised credit rating agencies in Pakistan. We aim to be the best and most innovative bank in Pakistan meeting all business needs of all segments of economy and rapidly growing SME sectors, Islamic banking, global home remittances and cash management.

Our Priorities

We are confident of our aspirations and solid foundations, which will steer us through the challenges faced by the banking industry and we will efficiently achieve our core objectives and priorities. As the Bank is moving forward through restoring its fundamental strengths, we have defined interconnected and mutually composite strategies for the years ahead. Our priorities are synchronised with our strategy for capitalising other opportunities offered by the market, and set a solid path for us to deliver our strategy towards capitalising the value addition opportunities offered by the market.

Our Operating Structure

The Bank has developed a diversified and customer-focused delivery system to provide financial services to individuals, small & medium enterprises as well as large corporate and public sector clients. We have organized a dedicated business function

for each type of clientele. Our various centralised functions at Head Office level provide support to the business groups in smooth execution of their business activities. Our Head Office control functions provide a supervisory and governance role through policy making and monitoring.



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

Support and control functions define strategy to support the business functions in achieving their business goals. The control functions extend their expertise in developing & implementing policy framework that sets the route for the business groups.

Aitemaad (Auto Loans): 10% down payment, 0% interest for 12 months, 10% down payment, 0% interest for 24 months, 10% down payment, 0% interest for 36 months, 10% down payment, 0% interest for 48 months.

Sunehri Sahulat (Home Loans): 10% down payment, 0% interest for 12 months, 10% down payment, 0% interest for 24 months, 10% down payment, 0% interest for 36 months, 10% down payment, 0% interest for 48 months.

NBP Saibaan (Trade Finance): 10% down payment, 0% interest for 12 months, 10% down payment, 0% interest for 24 months, 10% down payment, 0% interest for 36 months, 10% down payment, 0% interest for 48 months.

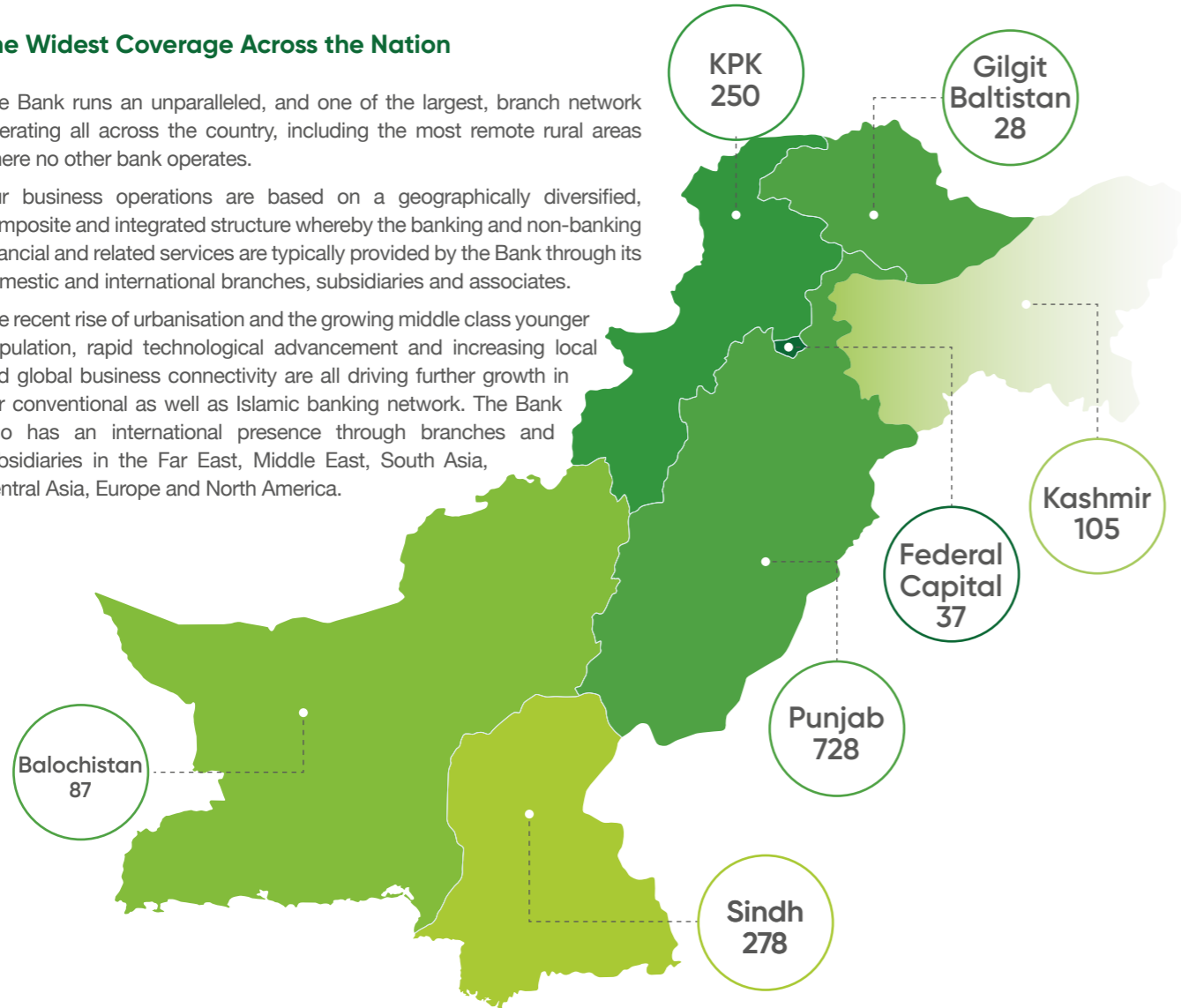
NBP Cash & Gold (Cash & Gold): 10% down payment, 0% interest for 12 months, 10% down payment, 0% interest for 24 months, 10% down payment, 0% interest for 36 months, 10% down payment, 0% interest for 48 months.

The Widest Coverage Across the Nation

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

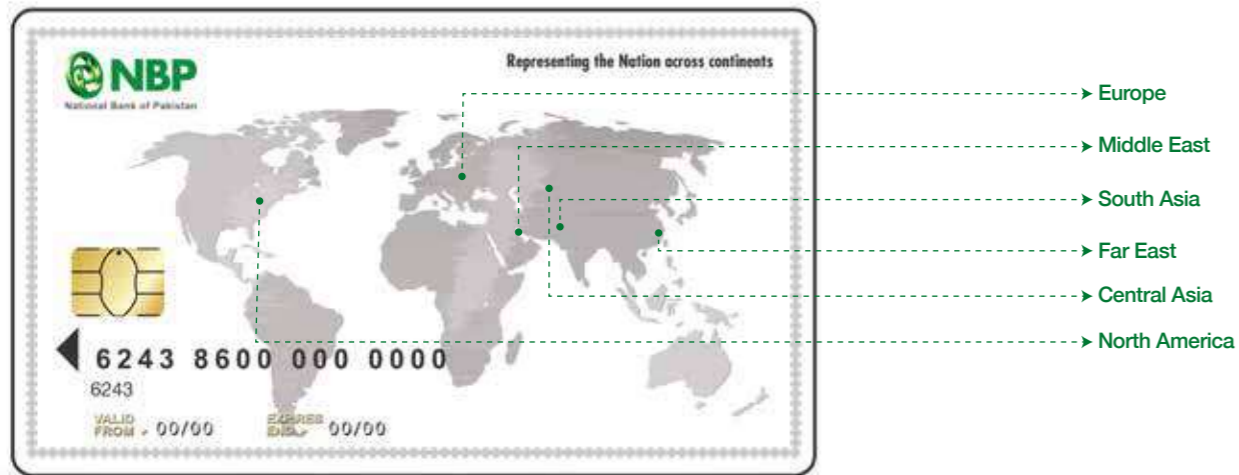
Our business operations are based on a geographically diversified, composite and integrated structure whereby the banking and non-banking financial and related services are typically provided by the Bank through its domestic and international branches, subsidiaries and associates.

The recent rise of urbanisation and the growing middle class younger population, rapid technological advancement and increasing local and global business connectivity are all driving further growth in our conventional as well as Islamic banking network. The Bank also has an international presence through branches and subsidiaries in the Far East, Middle East, South Asia, Central Asia, Europe and North America.

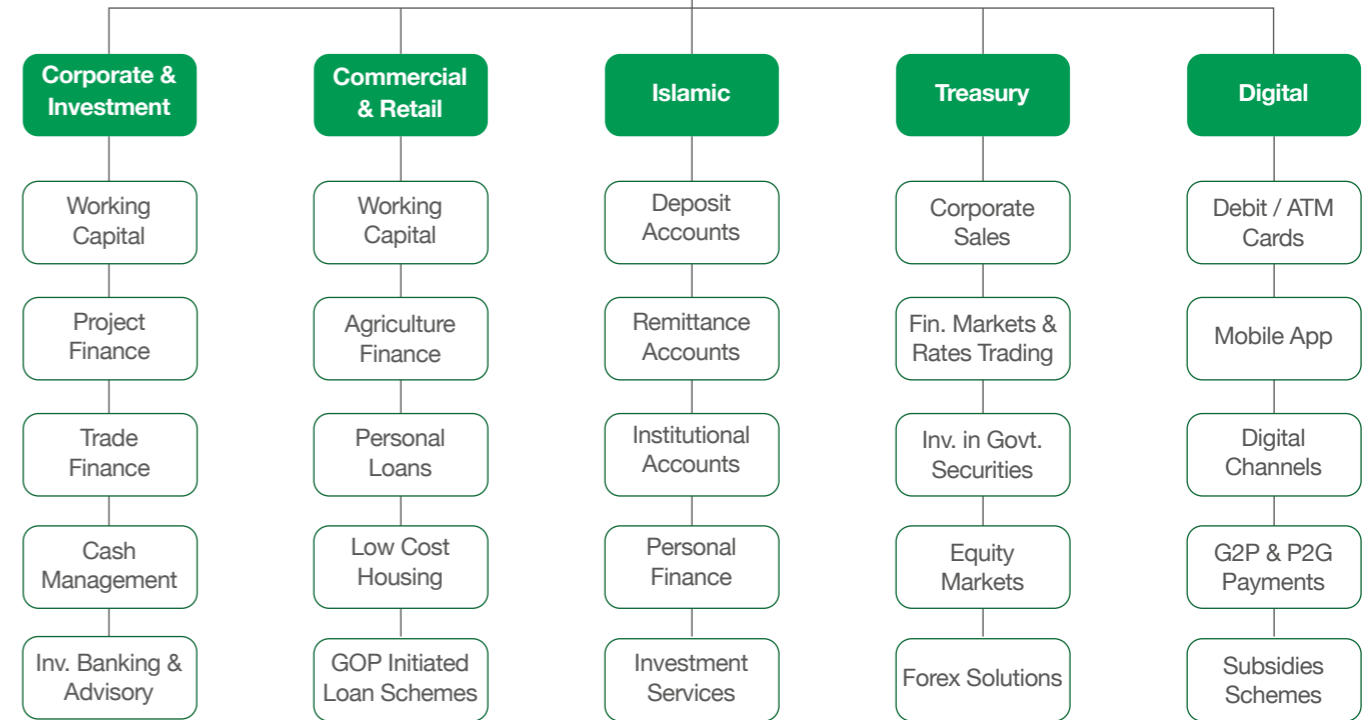


Geographical Presence

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



Products & Services



CORPORATE GOVERNANCE

Corporate Governance

Ensuing our organisational purpose to 'be the Nation's leading bank enabling sustainable growth and inclusive development', our philosophy of Corporate Governance is to ensure a balanced & sustainable delivery of value for each class of the Bank's stakeholders. As an integral part of the country's financial eco-system, we are cognizant of our duties as a corporate citizen to act in a manner that benefits the Nation at large. Accordingly, our approach to corporate governance enables an integrated thinking and decision making that balances the achievement of our strategic priorities over time and reconciles the interests of the Bank, its stakeholders and society in creating and protecting sustainable shared value in the short, medium and long term.

In compliance of the Codes of Corporate Governance and other applicable laws, our efforts and strategy have been focused upon strengthening the Bank's governance, its balance sheet and building a talented team of professionals.

Our Corporate Governance Commitments

Promoting transparency, accountability and empathy in our activities for delivering a balanced and sustainable impact on our stakeholders and the economy.

Ensuring compliance to all applicable regulatory and governance laws in the territories where operate.

Promoting an ethical and risk-aware culture that is cognizant of the Bank's mandate, aspirations of its stakeholders and the operating context.

Formation of the Board and Independent Directors

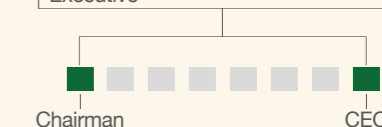
The Board has eight (08) Directors of which five (05) meet the criteria of independence stipulated under the applicable rules. This preponderance of independent Directors plays an important role in the independent functioning of the Board as they bring in an external and broader perspective to decision-making by the Board.

S. No.	Name	Status
1	Mr. Ashraf Mahmood Wathra	Chairman/Independent Director
2	Mr. Rehmat Ali Hasnie, President/CEO (A)	Executive Director
3	Mr. Farid Malik	Independent Director
4	Mr. Asif Jooma	Non-Executive Director
5	Mr. Ahsan Ali Chughtai	Independent Director
6	Mr. Amjad Mahmood	Non-Executive Director
7	Mr. Ali Syed	Independent Director
8	Mr. Nasim Ahmad	Independent Director

Board Composition

Category

Independent	5
Non-Executive	2
Executive	1



Experience

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

Attendance of each Director on BoD meetings

Number of meetings held during the year:15

S. NO.	NAME	NUMBER OF MEETINGS
1	Mr. Rehmat Ali Hasnie, President/CEO (A)*	7/7
2	Mr. Farid Malik, Independent Director	15/15
3	Mr. Asif Jooma, Non-Executive Director	15/15
4	Mr. Ahsan Ali Chughtai, Independent Director	15/15
5	Mr. Zubyr Soomro, Chairman ***	6/6
6	Mr. Arif Usmani, President / CEO **	8/8
7	Mr. Tawfiq Asghar Hussain Independent Director ***	6/6
8	Mr. Imam Bakhsh Baloch Independent Director ***	6/6
9	Ms. Sadaffe Abid Independent Director ***	6/6

* Appointed on May 12, 2022 ** Retired on May 11, 2022 *** Retired on April 16, 2022.

A million people means a million goals, all of which converge with National Bank of Pakistan as a key player, with the widest network in the nation, we are ready to join you on your journey, with you each step of the way.

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)	√												
	<table border="1"> <thead> <tr> <th>Category</th> <th>Names</th> <th>Date of Appointment</th> </tr> </thead> <tbody> <tr> <td>Independent Directors</td> <td>Mr. Farid Malik Mr. Ahsan Ali Chughtai</td> <td>27-7-2020 21-6-2021</td> </tr> <tr> <td>Executive Directors</td> <td>Mr. Rehmat Ali Hasnie Chairman, CEO / President (Acting)</td> <td>12-5-2022</td> </tr> <tr> <td>Non-Executive Directors</td> <td>Mr. Asif Jooma</td> <td>9-3-2020</td> </tr> </tbody> </table>	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 Chairman, CEO / President (Acting)	12-5-2022	Non-Executive Directors	Mr. Asif Jooma	9-3-2020		
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Executive Directors	Mr. Rehmat Ali Hasnie Chairman, 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 and Mr. Nasim Ahmad as Independent Directors 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 values 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)	√												

S. No.	Provision of the Rules	Rule No.	Y N																					
			Tick the relevant box																					
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, and 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 quarters 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	√																					
23	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:	12	√ √ √ √																					
	<table border="1"> <thead> <tr> <th>Committees</th> <th>No. of Members</th> <th>Name of Chairman</th> </tr> </thead> <tbody> <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> </tbody> </table>	Committees	No. of Members	Name of Chairman	Board Audit Committee	03	Mr. Ahsan Ali Chughtai	Board HR & Remuneration Committee	03	Mr. Farid Malik	Board Risk & Compliance Committee	04	Mr. Ahsan Ali Chughtai	Board Technology & Digitalization Committee	03	Mr. Farid Malik	Board Inclusive Development Committee	03	Mr. Asif Jooma	NBP-NY Governance Council (Sub-Committee of BRCC)	02	Mr. Ahsan Ali Chughtai		
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S. No.	Provision of the Rules	Rule No.	Tick the relevant box													
			Y	N												
24	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.	13	√													
25	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	14	√													
26	The Bank has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of section 225 of the Act.	16	√													
27	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.	17	√													
28	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.	18	√													
29	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.	19	√ √													
30	The financial statements of the Bank were duly endorsed by the Chief Executive and Chief Financial Officer before approval of the Board.	20	√													
31	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 border="1" style="width: 100%; margin-top: 10px;"> <thead> <tr> <th>Name of Banker</th> <th>Category</th> <th>Professional Background</th> </tr> </thead> <tbody> <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> </tbody> </table> The Chief Executive and Chairman of the Board are not members of the Audit Committee.	Name of Banker	Category	Professional Background	Mr. Ahsan Ali Chughtai	Independent Director	Senior Banker	Mr. Farid Malik	Independent Director	Business Executive	Mr. Asif Jooma	Non-Executive Director	Business Executive	21 (1) and 21(2)	√	
Name of Banker	Category	Professional Background														
Mr. Ahsan Ali Chughtai	Independent Director	Senior Banker														
Mr. Farid Malik	Independent Director	Business Executive														
Mr. Asif Jooma	Non-Executive Director	Business Executive														
32	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.	21(3)	√ √ √													
33	a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the Audit Committee. b) The Chief Internal Auditor has requisite qualification and experience prescribed in the Rules. c) The internal audit reports have been provided to the external auditors for their review.	22	√ √ √													
34	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.	23(4)	√													
35	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	23(5)	√													

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

- The total number of directors is as follows:
a) Male: 04
b) Female: Nil
- 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.
- The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
- The Board has formed committees which are comprised 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 (BHRR):

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 Directors	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 Directors	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 Directors	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 Directors	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 was as per the following:

S. No.	Name of Committees	Number 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 programme 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. Sadaf 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.
2	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

Independent Correspondent Firm to
 Deloitte Touche Tohmatsu Limited

A.F. Ferguson & Co.
 Chartered Accountants
 Place: Karachi
 Date: March 6, 2023
 UDIN: CR202210068q1JIKSyei
 Member firm of PwC network

Statement of Internal Controls

Reporting of Internal Control System

The Bank's management has established and is managing a 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 ongoing 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 programme with view to its ongoing 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 programme 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 ongoing 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 inbuilt 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

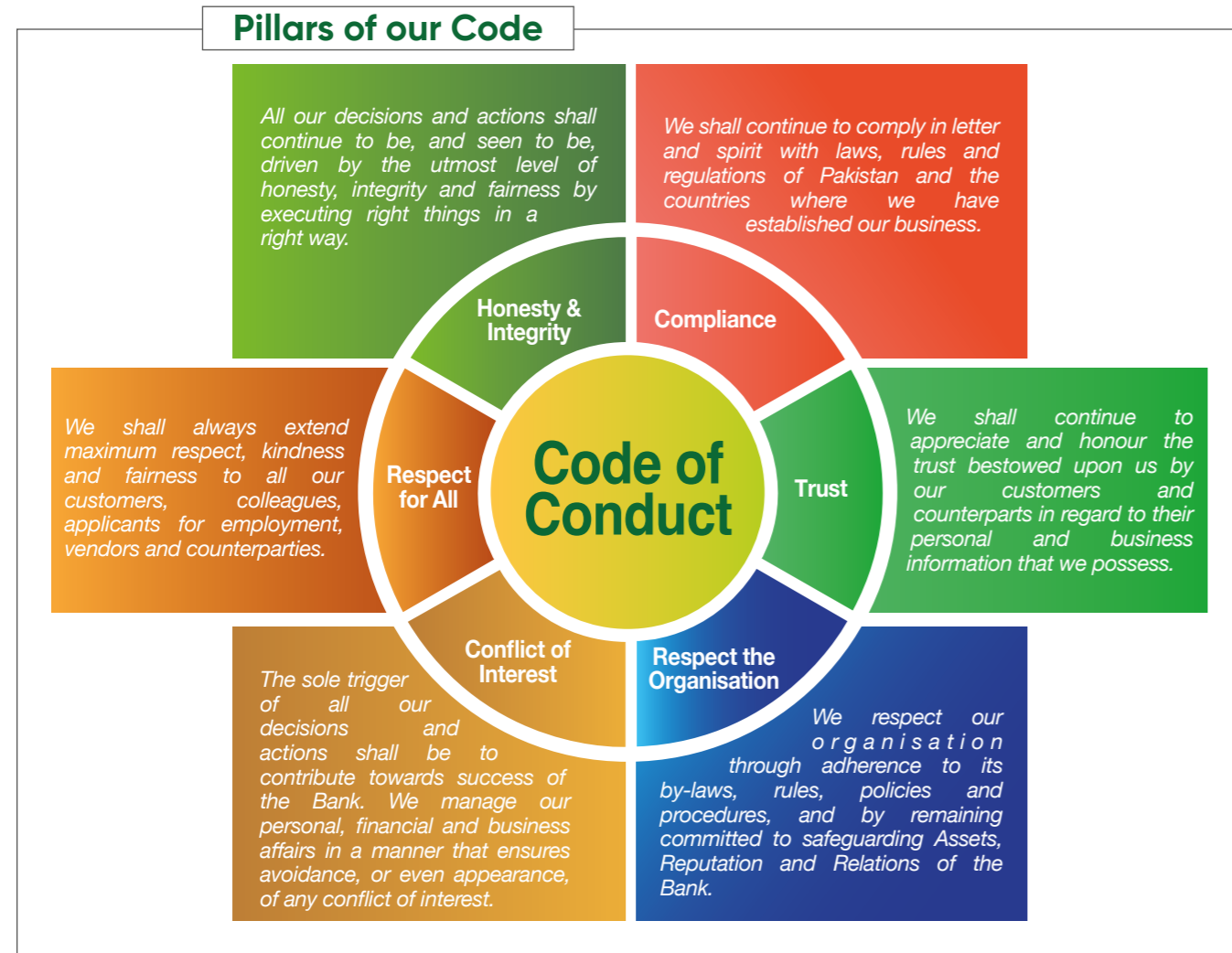
Nauman Riaz
 Chief Compliance Officer

Imran Farooqui
 Group Chief Operation

Umair Wasti
 Chief Internal Auditor

Our Ethics & Code of Conduct

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



Purpose of Code

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

Application of Code

It is an obligation on us all to be responsible, honest, trustworthy, conscientious and dedicated to the highest standards of ethical

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

Compliance with this Code

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

Basic Principles of our Code

- Act with Honesty and Integrity**
All our decisions and actions shall continue to be, and seen to be, driven by the utmost level of honesty, integrity and fairness by executing right things in a right way.
- Comply with the Law**
We shall continue to comply in letter and spirit with laws, rules and regulations of Pakistan and the countries where we have established our business.
- Treat all with Respect**
We shall always extend maximum respect, kindness and fairness to all our customers, colleagues, applicants for employment, vendors and counterparties.
- Conflict of Interest**
The sole trigger of all our decisions and actions shall be to contribute towards success of the Bank. We manage our personal, financial and business affairs in a manner that ensures avoidance, or even appearance of any conflict of interest.
- Respect the Organisation**
We respect our organisation through adherence to its by-laws, rules, policies and procedures; and by remaining committed to safeguarding Assets, Reputation and Relations of the Bank.
- Non-Discrimination**
NBP will not tolerate discrimination in any form, or any dishonest, unethical or inappropriate behaviour. The Bank's policy is to ensure a harmonious environment with equal employment opportunity for all, regardless of age, gender, race, religion, colour, national origin and marital status and that client and prospective clients are not discriminated against on a prohibited basis.
- Safeguard the Confidentiality of Information**
We shall continue to appreciate and honor the trust bestowed upon us by our customers and counterparts in regard to their personal and business information that we possess.
- Limited Use of Confidential Information**
While recognizing the need for a constant flow of information for the smooth operation of the Bank, we will not disclose confidential information pertaining to our clients' affairs to our fellow workers within NBP unless they have a clear business need to know the information for the performance of their duties.

Avoid Conflicts of Interest

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

Use of NBP's Computer Systems

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

External Communications

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

Sincerity with NBP/Management and Others

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

Self-Dealing

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

Respect the Policies of the Organization

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

Demonstrate Discipline and Decency

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

Acceptance of Gifts from Suppliers or Clients

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

Borrowing Money from Vendors or Clients

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

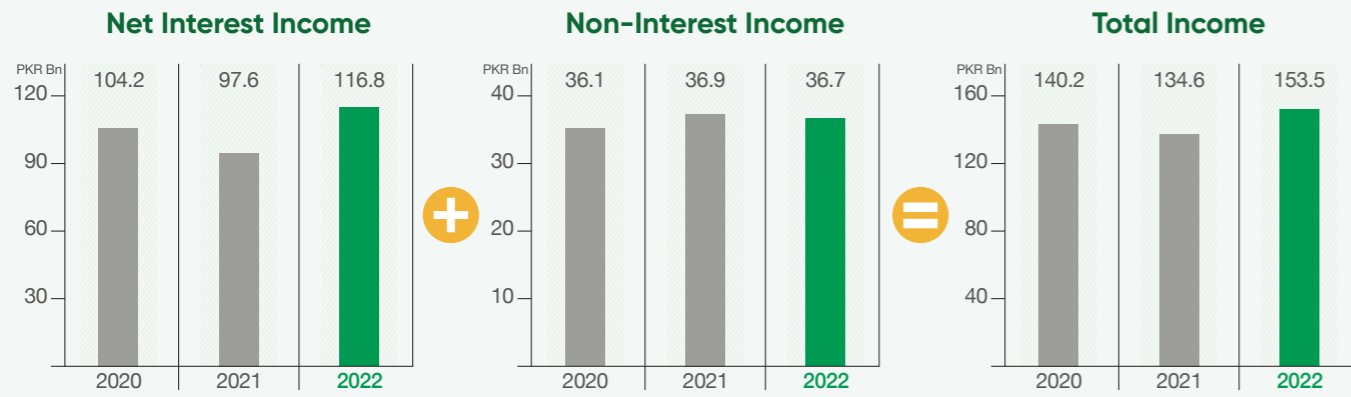
FINANCIAL PERFORMANCE

پیش قدمی

پیش قدمی

To be the best, it is important to be in the know. As our nationwide network caters to millions of people, we have constantly introduced services and products that are designed for all Pakistanis, everywhere, from basic banking to industry-specific product suites.

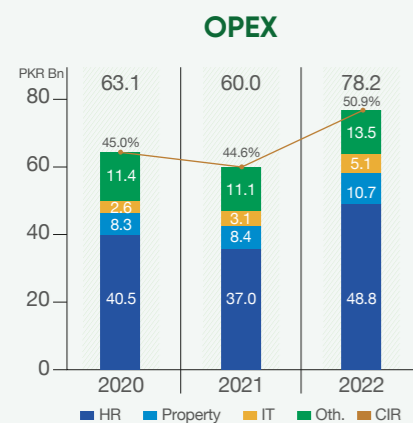
Financial Performance Overview



During the year, the average policy rate remained at 13.2% compared to 7.3% of last year. This translates into increase in the policy rate by 590bps due to which the Bank earned a gross mark-up/ interest income of PKR 503.3 Bn (117.1% YoY). Net interest-bearing assets during the period averaged at PKR 3,886.9 Bn (+41% YoY). Interest-bearing investment portfolio averaged 55.1% up at PKR 2,631.7 Bn (Dec '21 : PKR 1,697.2 Bn) and generated interest/mark-up income of PKR 348.3 Bn (150.4% YoY), making 69.2% of the total mark-up income. Average loans and advances (net) increased by 15.9% to PKR 1,145.5 Bn (2021: PKR 988.4 Bn) and generated mark-up/interest income of PKR 141.4 Bn, which compared to PKR 87.3 Bn levels of 2021, is higher by 61.8%. Average interest-bearing liabilities increased by 43.9% to PKR 3,871.9 Bn. Therefore, the Bank's cost of funds also increased to PKR 386.5 Bn (187.9% YoY), of which PKR 209.6 Bn (Dec '21: PKR 87.8 Bn) was on account of profit to the depositors. The Bank's cost of deposits increased by 400bps to close at 8.0% for 2022 (2021: 4.0%). Overall, the Bank's net mark-up/ interest income closed at PKR 116.8 Bn, which is 19.7% higher against PKR 97.6 Bn earned during the prior year.

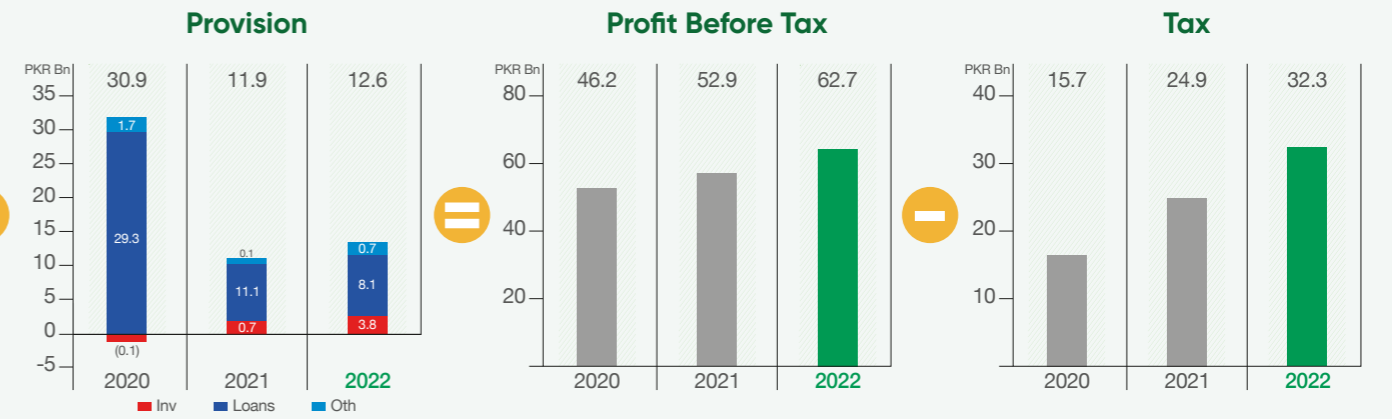
Despite a generally lower economic activity during the year due to the aftershocks of pandemic and the floods, the Bank succeeded to maintain the level of its non-fund-based income stream by generating a non-mark-up income of PKR 36.7 Bn which is slightly lower than the previous year's PKR 36.9 Bn. Non-markup income constitutes 23.9% of the total income (Dec '21: 27.5%). Branch banking operations continued generating healthy fees & commission income that closed at PKR 21.2 Bn (18.8% YoY). Dividend income increased by 13.3% to PKR 5.2 Bn as companies resorted to paying dividends. Higher international trade volumes, increasing the foreign exchange income by 14.4% YoY to PKR 7.4 Bn (Dec '21: PKR 6.5 Bn). These gains were however offset by the lower gain on securities that amounted to PKR 1.1 Bn (Dec '21: PKR 6.2 Bn). Accordingly, the non-mark-up/interest income of the Bank totalled PKR 36.7 Bn, as against PKR 36.9 Bn of the last year.

Net interest income and Non-interest income collectively generate PKR 153.5 Bn during the year.

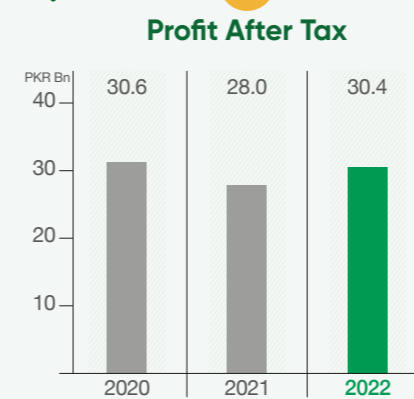


Operating expenses for the year closed at PKR 78.2 Bn against PKR 60.0 Bn for the year 2021. HR compensation that accounts for 62.5% of the total operating expenses amounted to PKR 48.8 Bn compared to PKR 37.0 Bn for the year 2021. Resultantly, the Bank's operating cost to income ratio stood at 50.9%, against 44.6% for the prior year.

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, The Bank continue to invest in upgrading its IT infrastructure, systems, and applications architecture. In 2022, we spent PKR 2.0 Bn on software maintenance and PKR 0.8 Bn on Network enhancement.

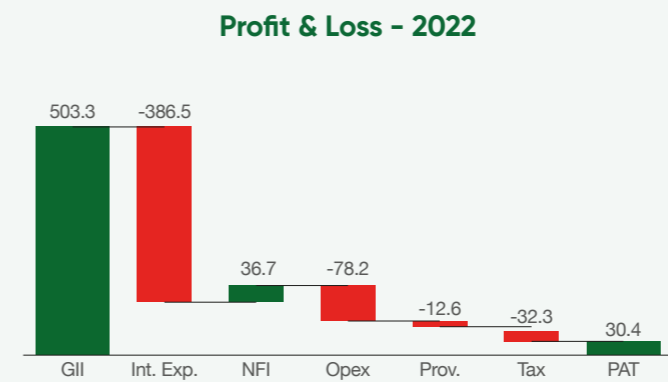
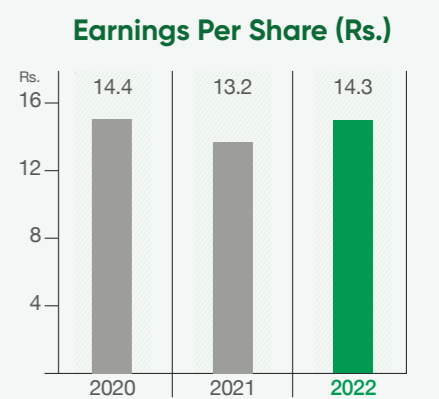


Pre-tax profit for the year amounted to PKR 62.7 Bn i.e. 18.7% higher YoY against PKR 52.9 Bn of 2021. As a result of retrospective taxation and increase of 10% in income tax rates for banks (from 39% to 49%), Tax charge amounted to PKR 32.3 Bn, translating into an effective tax rate of 51.5% (2021: 47.0%).

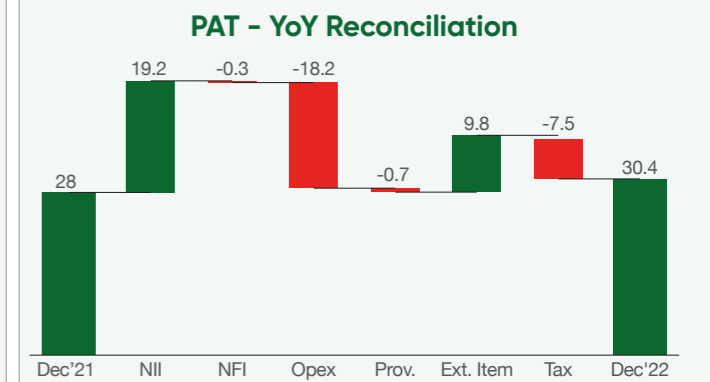


Profit after-tax for the year 2022 closed at PKR 30.4 Bn i.e. 8.6% above the PKR 28.0 Bn in 2021. This translates into Earnings Per Share of Rs. 14.29 as compared to Rs. 13.16 in the corresponding year.

Significant growth is achieved in profit before provisions, partially off-set by higher provisions charge and higher tax. Net assets increased by PKR 14.6 Bn to PKR 300.8 Bn.



Our performance remained strong as we continued to create growth opportunities for the Nation through uninterrupted delivery of services to our customers. Financial results for the year 2022 reflect our resilience to the impact of Covid and Flooding on the Bank, its customers and the economy.

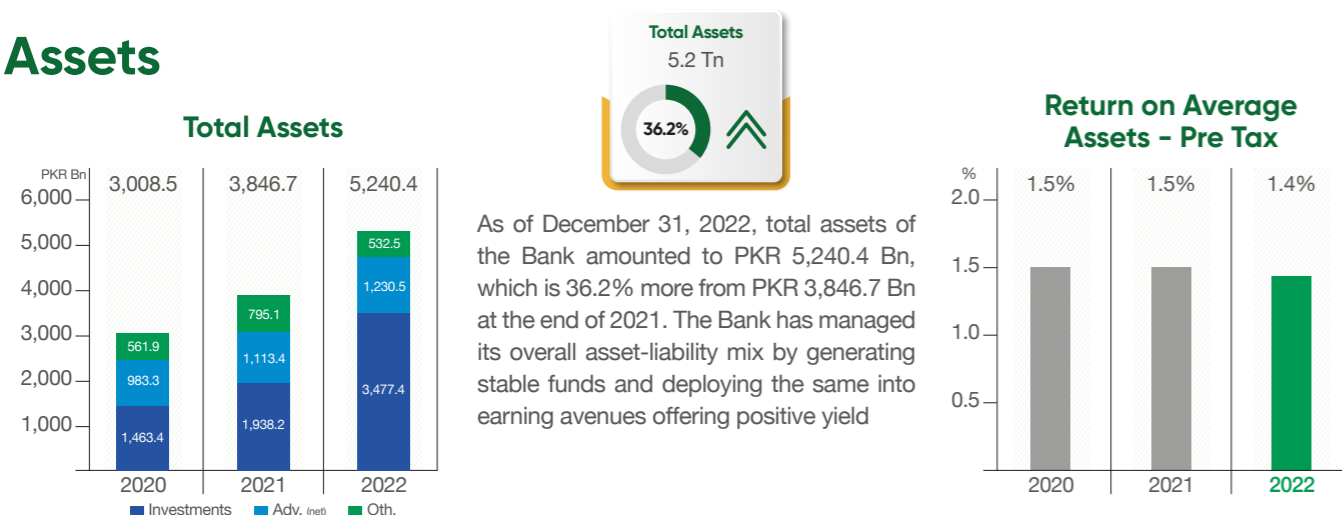


Significant growth is achieved in profitability, partially off-set by higher Opex.

Balance Sheet Strength

Balance sheet strength is critical to the Bank's ability to serve its customers, drive core business outcomes and deliver strong & sustainable returns to the shareholders. Our key capital, liquidity and funding metrics have strengthened further during FY'22. The strength of our balance sheet means the Bank is well-positioned to support its customers and the Pakistani economy through challenging and uncertain times.

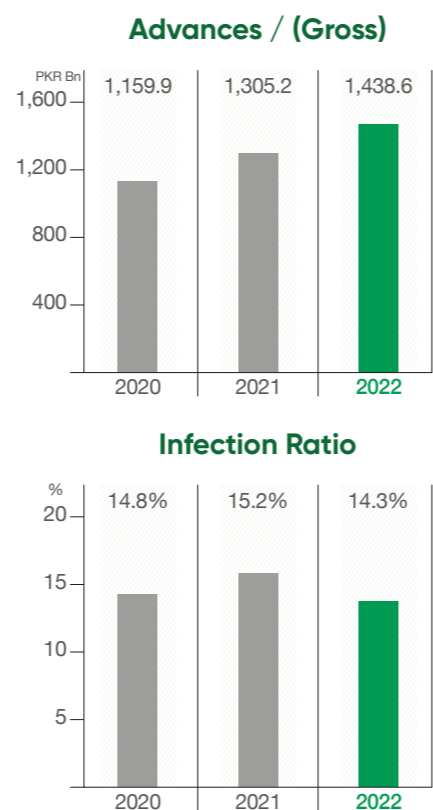
Assets



Loans and Advances

At Dec-2022, gross loans & advances of the Bank amounted to PKR 1,438.6 Bn depicting a 10.2% prudent increase from the year end 2021 levels. The loan book is diversified over 30+ sectors. Private and Public sector constitute 65.3% (2021: 67.8%) and 34.7% (2021: 32.2%), respectively. With PKR 203.2 Bn, Individuals make 14.1% of the loan book whereas Power makes 13.5% share and PKR 194.5 Bn in outstanding loans, followed by 11.5% of the Textile sector where the exposure increased by 3.2% YoY to reach PKR 165.1 Bn. Oil & Gas also recorded 73.9% growth to reach PKR 178.7 Bn from PKR 102.8 Bn in 2021. In line with the Bank's refreshed vision of inclusive development, healthy growth was also achieved in Commodity and Agriculture & Allied sectors. These 5 major sectors make almost 60% of the total loan book with PKR 837.9 Bn in outstanding.

With PKR 205.3 Bn of NPLs at end of 2022, net loans & advances amounted to PKR 1,230.5 Bn i.e. 10.5% up from PKR 1,113.4 Bn level at end 2021. Given the focused decline in deposits and a prudent growth in advances, the Bank's Advances-to-Deposits Ratio (gross) improved from 43% at the end of Dec'21 to 54.0% at end Dec'22. Furthermore, the Finance Act-2022 imposed 10% additional tax on banks if their Advances to Deposits Ratio falls below 50%; and 16% if the ADR goes below 40%. The Bank has also recognized a prior tax charge of PKR 3.8 Bn due to the retrospective applicability of additional tax on income from Government securities due to ADR below 50%. Business groups that contributed towards YoY growth in advances include C&IBG (+PKR 4.5 Bn), IDG (+PKR 12.6 Bn), RBG (+PKR 37.7 Bn), and AIBG (+PKR 4.01 Bn), etc.



Investments

At the end of 2022, the Bank's investments (at cost) amounted to PKR 3,509 Bn (YE'21: PKR 1,924.2 Bn), making just over one-half of the Bank's balance sheet. Given the limited quality loan-growth opportunities, and a constant growth in the customer deposits, excess liquidity with the Bank is placed in shorter term GoP securities to capitalize on price volatility in the hiking policy rate environment.

The PKR 1,584.8 Bn or 82.4% increase in investments (at cost) mostly came in T-Bills that increased by PKR 68.1 Bn from PKR 812.4 Bn at the YE'21 to PKR 880.5 Bn at end Dec'22. PIBs increased by PKR 1,484.3 Bn from PKR 925.2 Bn at the YE'21 to PKR 2,409.5 Bn at end Dec'22. As the market opportunity offered decent spread, investments were funded through deposit mobilization as well as leveraging keeping in view the hiking increase in policy rate.

PKR 42.0 Bn of investment in listed companies is a diversified portfolio in 30+ sectors with highest concentration in commercial banks (15.8%), followed by Oil & Gas downstream (13.7%), Cement (10.2%) Power (7.3%), and Oil & Gas upstream (6.5%).

Deposits

The Bank has established an unparalleled outreach to a wide range of core depositors throughout the country. As the Bank enjoys depositors' utmost trust, most of our deposits are 'stable funds' coming from core customers. During the year, the Bank followed a focused strategy to optimize its deposits to deliver higher PAT to its stakeholders therefore deposits reduced by PKR 353 Bn and amounted to PKR 2,666.2 Bn, which is 11.7% lower than PKR 3,019.2 Bn, at the end of year 2021. This was in line with our deposit management strategy to avoid non core deposits coming at year end, and not available for deployment but impacted higher tax rates in relation to advances-to-deposits ratio. Customers' deposits as of Dec'22 amounted to PKR 2,616.8 Bn, representing 98.1% of the total deposits. Total current deposits (including FI's) stood at PKR 1,310.2 Bn, depicting a 23.7% decrease YoY. Also, the saving deposits increased by 5.4% to PKR 807.4 Bn, as compared to PKR 765.9 Bn a year back. The bank's CASA deposits decreased slightly from 82.3% in December 2021 to 79.4% as of December 31, 2022.

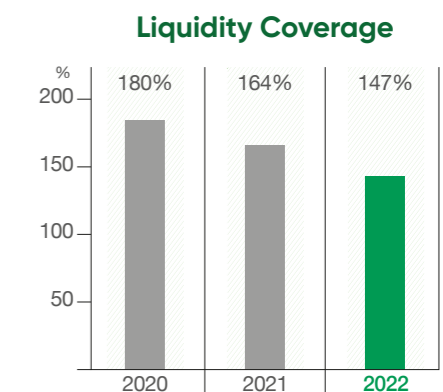
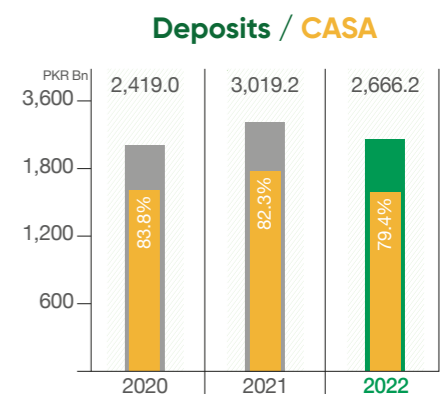
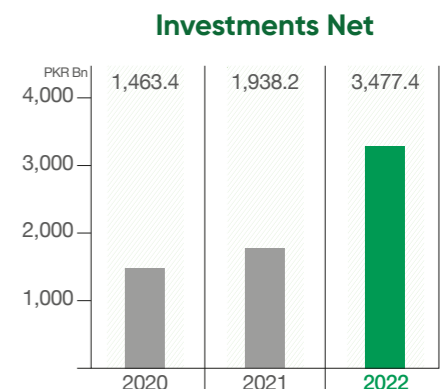
Funding & Liquidity

Your Bank has the second-largest share of customer deposits in the Pakistan banking sector and wide branch network to attract low cost CASA deposits. The Bank's liquidity and funding profile are sound as the vast bulk of assets are funded by a large and stable customer deposit base which continued to grow strongly.

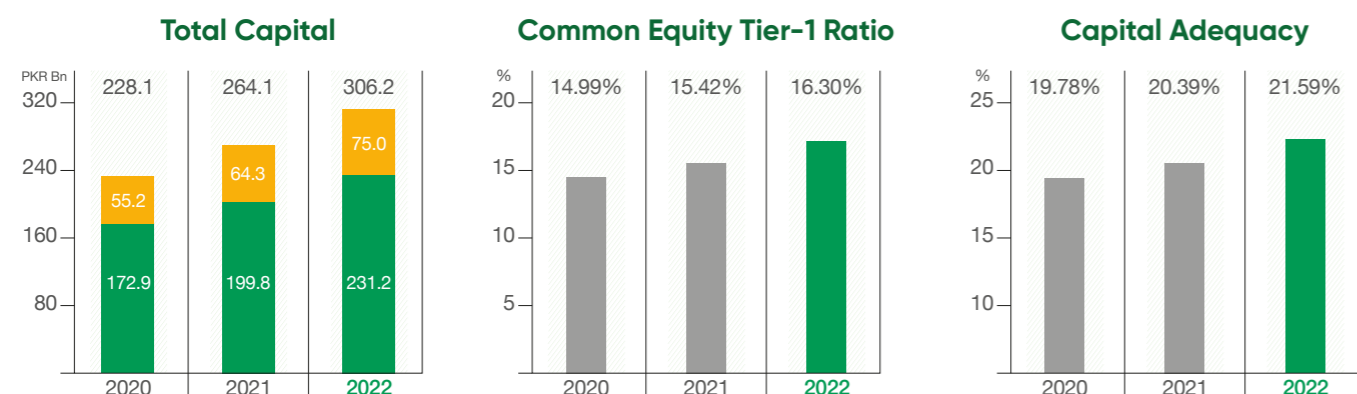
The Bank maintains optimum levels of funding and liquidity. As of December 31, 2022, deposits closed at PKR 2,666.2 Bn. Average deposits during the year however grew by PKR 474.6 Bn or 21.8% to PKR 2,655.3 Bn.

The majority of the Bank's funding comes from core customer deposits that contribute 98.1% (PKR 2,616.8 Bn) of the Bank's total deposits. Compared to Dec 31, 2021 level, customer deposits have increased by PKR 118.7 Bn or 4.8%. FI deposits, decreased during the period under review by PKR 471.7 Bn and closed at PKR 49.4 Bn (Dec'21: PKR 521.1 Bn).

The Bank's liquidity coverage ratio stood at 147%, and the Net Stable Funding Ratio stood at 251%, well above the statutory requirement of 100%.



Capital Strength and Adequacy



The Bank has been identified by the SBP as Domestic Systemically Important Bank 'DSIB'. Therefore, the Bank is required to maintain minimum CET-1 at 9.0% and Total CAR at 13.0%.

During 2022, the Bank's Eligible Tier 1 capital increased by PKR 31.4 Bn or 15.7% from PKR 199.8 Bn at YE'21 to PKR 231.2 Bn at the end of 2022. Likewise, Eligible Tier 2 capital also increased by PKR 10.7 Bn or 16.6% to close at PKR 75.0 Bn at year end 2022. Tier 2 capital eligible component increased corresponding to increase in total Tier 1 capital. Whereas total RWAs increased moderately by PKR 123.4 Bn or 9.5% from PKR 1,295.1 Bn at YE'21 to PKR 1,418.5 Bn at end Dec'22. Accordingly, Total Capital Adequacy Ratio (CAR) improved to 21.59% (2021: 20.39%). with Tier-1 capital adequacy ratio at 16.30% (2021: 15.42%). Leverage ratio of 3.0% was introduced in response to the Basel III accord as a regulatory minimum. At the year-end 2022, the Bank's leverage ratio was at 3.08% (2021: 3.47%).

Financial soundness indicators of the Bank have improved significantly in recent years and have resulted in the Bank being in a much stronger position. Retaining the profit has added to the Shareholders' wealth through higher book value per share, which has increased 12.4% from PKR 125.8 per share at the end of 2020 to PKR 141.4 per share at the end of December 2022. Key financial soundness indicators of our Bank are as follows.

Capital Soundness at December 31, 2022				Movement in RWAs (PKR Bn)			
Capital	Actual	Reqd.	Buffer	RWA Type	Dec'22	Dec '21	Change
CET1	16.30%	9.00%	730bps	Credit	1,066.2	983.7	82.6 8.4%
CAR	21.59%	13.00%	860bps	Market	93.6	82.3	11.2 13.6%
Leverage	3.08%	3.00%	8bps	Operational	258.7	229.1	29.6 12.9%
				Total RWAs	1418.5	1,295.1	123.4 9.5%

Capital Adequacy

Financial Performance	PKR Mn					
	2022	2021	2020	2019	2018	2017
Total Eligible Tier-1 Capital	231,191	199,752	172,896	142,716	124,818	101,303
Eligible Tier-2 Capital	75,036	64,343	55,224	39,816	43,840	37,582
Total Eligible Capital (Tier-1 + Tier-2)	306,227	264,095	228,120	182,532	168,658	138,885
Risk Weighted Assets						
Credit Risk	1,066,233	983,659	858,263	913,568	795,527	657,437
Market Risk	93,558	82,342	87,766	91,753	81,071	68,863
Operational Risk	258,687	229,114	207,072	173,620	155,079	144,667
Total Risk Weighted Assets	1,418,477	1,295,116	1,153,101	1,178,941	1,031,677	870,967
Capital Adequacy Ratio						
Total Eligible Capital	306,227	264,095	228,120	182,532	168,658	138,885
Total Risk Weighted Assets	1,418,477	1,295,116	1,153,101	1,178,941	1,031,677	870,967
Capital Adequacy Ratio	21.6%	20.4%	19.8%	15.5%	16.3%	15.9%

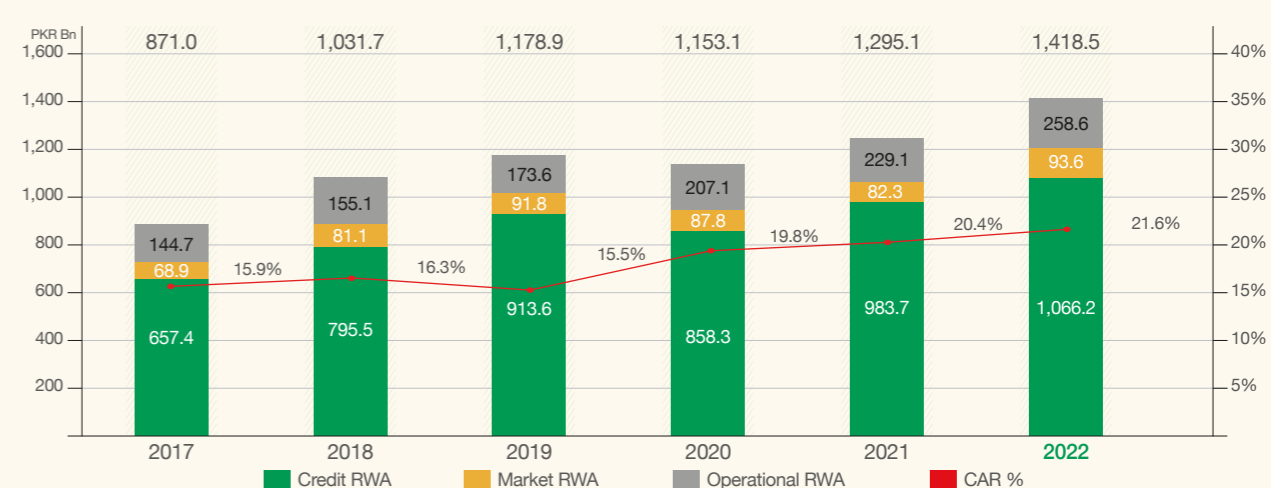
Minimum Capital Requirement

Minimum Capital Requirement (PKR Bn):	2022	2021
Paid-up Capital	21.3	21.3
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	231.2	199.8
Eligible Additional Tier 1 (ADT 1) Capital	-	-
Total Eligible Tier 1 Capital	231.2	199.8
Eligible Tier 2 Capital	75.0	64.3
Total Eligible Capital (Tier 1 + Tier 2)	306.2	264.1
Risk Weighted Assets (RWAs):		
Credit Risk	1,066.2	983.7
Market Risk	93.6	82.3
Operational Risk	258.7	229.1
Total	1,418.5	1,295.1
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%

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/>

Shareholders' Value	2022	2021	2020
Net Assets (PKR Bn)	300.8	286.2	267.2
Break up Value per Share (Rs.)	141.4	134.5	125.8

Risk Weighted Assets

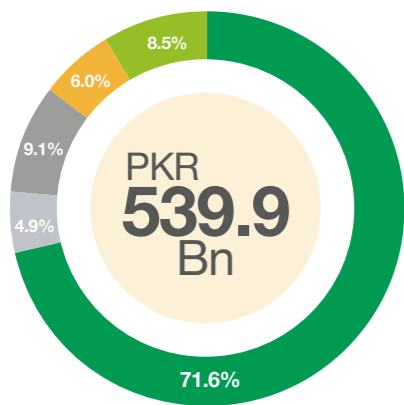


PKR 540 Bn to Our Stakeholders

Value Creation and Distribution

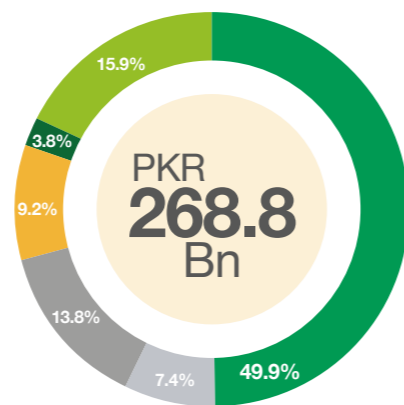
	PKR Mn			
	2022	%	2021	%
Economic Value Generated				
Mark-up / Interest Income Earned	503,310	93.2%	231,883	86.3%
Non Mark-up / Interest Income Earned	36,684	6.8%	36,942	13.7%
Total Value Generated	539,994	100%	268,824	100.0%
Economic Value Distribution				
Providers of Funds: Profit / Mark-up on Deposits, borrowings, etc.	386,484	71.6%	134,265	49.9%
Suppliers: Payments made for the provision of utilities, goods and services	26,456	4.9%	19,777	7.4%
Employees: Salaries, superannuation contributions, incentives and T&D	48,877	9.1%	37,045	13.8%
Society: Donations & CSR	107.1	0.02%	8.5	0.0%
Government: Income Tax	32,327	6.0%	24,852	9.2%
Others	73	0.0%	10,124	3.8%
Expansion & Sustainability:				
Value Erosion: Depreciation / Amortization	2,660	0.5%	2,828	1.1%
Provision against non-performing assets	12,601	2.3%	11,916	4.4%
Value Retained	30,410	5.6%	28,008	10.4%
Total Economic Value Distributed	539,994	100%	268,824	100%

Value Distribution - 2022



- Providers of Funds
- Suppliers
- Employees
- Government
- Expansion & Sustainability

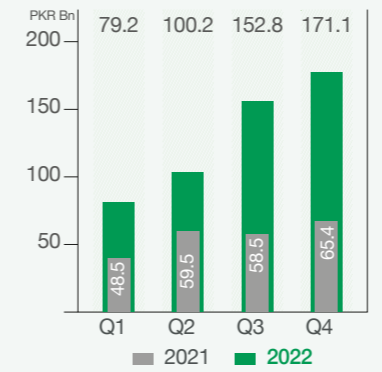
Value Distribution - 2021



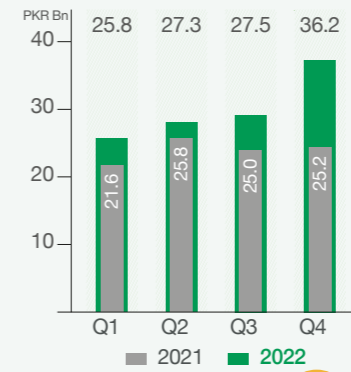
- Providers of Funds
- Suppliers
- Employees
- Government
- Expansion & Sustainability
- Others

Quarterly Performance

Gross Mark-up/Interest



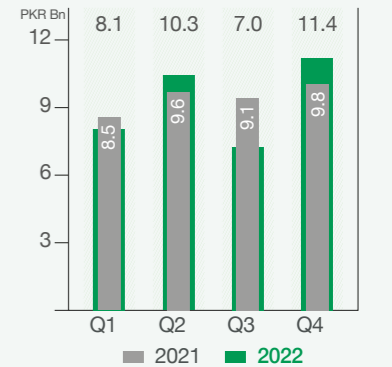
Net Interest Income



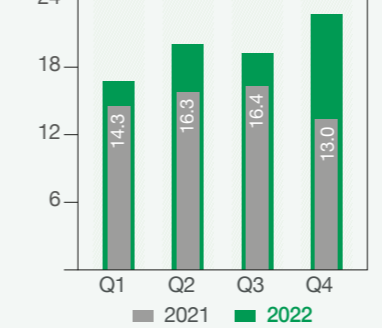
Net interest income for Q1 '22 amounted to PKR 25.8 Bn which increased by 2% as compared to Q4 '21 due to volumetric growth in average interests bearing assets coupled with the impact of higher average policy rate i.e. 9.75% during Q1 '22 as compared to Q4 '21 i.e. 7.0%. For the Q2 '22, NII amounted to PKR 27.3 Bn, i.e. 6% up as compared to the previous quarter and quarter 2 of 2021 as well. This is mainly due to increase in policy rate i.e. 13%. NII for the Q3 '22 amounted to PKR 27.5 Bn remained the same with a slight increase of 1% as compared to the previous quarter and show an increase of 10% as compared to the corresponding quarter of last year. Net interest income for the Q4 '22 amounting to PKR 36.2 Bn, i.e., 31.9% more as compared to the previous quarter. However, this was 43.7% higher than the corresponding quarter last year.

Non Interest / Mark-up Income

Non-interest income for the Q1 '22 amounted to PKR 8.1 Bn, reflecting 18% decrease, as compared to the previous quarter due to less deposits during the quarter which is due to the reduced transactions and ultimately transaction fee. Non-interest income for the Q2 '22 amounted to PKR 10.3 Bn i.e. 27% up as compared to Q1 '22 mainly due to increase deposits and increase by 7.4% than the corresponding quarter last year. Non-interest income for the Q3 '22 amounted to PKR 7.0 Bn i.e. 32% down as compared to the previous quarter due to limited economic activity. Non-interest income for the 4th quarter amounted to PKR 11.4 Bn which is 62.8% up as compared to the previous quarter and 15.5% as compared to the corresponding quarter last year, which is mainly due to an increase in dividend and foreign exchange income.

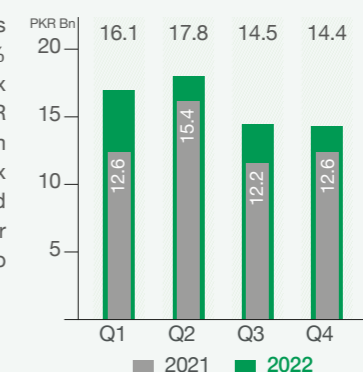


Operating Expenses



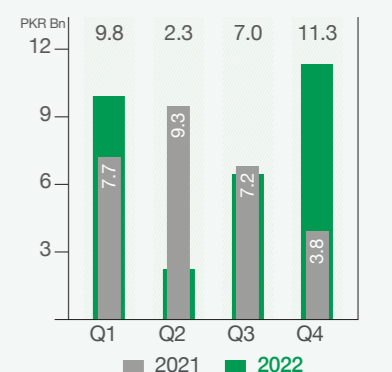
Due to inflationary pressure and geo-political tensions resulted in increase in commodity prices particularly of oil & gas and food which ultimately had impact on operating expenses of bank. Operating expenses of Q1 '22 amounted to PKR 16.8 Bn, reflecting 29% increase, as compared to the previous quarter. For the Q2 '22, operating expenses amounted to PKR 19.1 Bn which is 14% higher, as compared to Q1 '22 and 17% higher against the Q2 '21. Operating expenses for the Q3 '22 decreased to PKR 18.9 Bn, slightly lower by 1% as compared to the previous quarter. For the 4th quarter operating expenses amounting to PKR 23.4 Bn showing an increase of 24% as compared to Q3 '22 due to creation of certain provisions.

Pre-tax Profit



Profit after tax for the Q1 '22 amounted to PKR 9.8 Bn as compared to a profit of PKR 3.9 Bn in Q4 '21 reflecting 155% increase as compared to previous quarter. In Q2 '22, profit after tax is declined by 77% and closed at PKR 2.3 Bn as against PKR 9.8 Bn in the previous quarter due to increase in super tax rate from 4% to 10% and prior year charge pertaining to ADR related tax amounting to PKR 3.8 Bn. Profit after-tax for the Q3 '22 amounted to PKR 7.0 Bn, 205% up as compared to the previous quarter. For the Q4 '22 profit after-tax amounted to PKR 11.3 Bn, i.e., 60% up as compared to the previous quarter.

After-tax Profit



6 Years' Summary (Unconsolidated)

PKR Mn

Financial Position	2022	2021	2020	2019	2018	2017
Assets						
Cash and balances with treasury banks	229,911	278,747	249,260	292,513	247,518	160,090
Balances with other banks	18,594	17,667	14,227	13,221	12,202	26,404
Lending to financial institutions	31,272	335,467	126,805	134,780	106,392	26,916
Investments - net	3,477,354	1,938,171	1,463,398	1,449,555	1,284,319	1,295,720
Advances - net	1,230,522	1,113,392	983,255	1,008,139	926,007	739,772
Operating Fixed assets	58,495	54,754	54,717	54,679	54,106	32,752
Deferred tax assets - net	22,299	1,626	-	-	-	7,317
Right of use assets	6,708	6,605	6,670	7,221	-	-
Other assets	165,269	100,255	110,196	164,281	168,022	216,351
Total assets	5,240,425	3,846,684	3,008,527	3,124,389	2,798,566	2,505,321
Liabilities						
Bills payable	55,268	21,848	16,795	19,867	9,944	13,195
Borrowings	1,940,486	312,925	138,539	471,757	392,739	360,106
Deposits and other accounts	2,666,184	3,019,155	2,418,966	2,198,049	2,011,385	1,727,102
Liabilities against assets subject to Finance Lease	-	-	-	-	-	15
Lease liability against right of use assets	8,268	7,894	7,534	7,640	-	-
Deferred tax liabilities	-	-	2,978	10,916	6,985	-
Other liabilities	269,371	198,660	156,156	183,545	170,644	229,522
Total Liabilities	4,939,577	3,560,482	2,740,968	2,891,775	2,591,698	2,329,939
Net Assets (Represented by as below)	300,848	286,203	267,559	232,614	206,869	175,382
Share capital	21,275	21,275	21,275	21,275	21,275	21,275
Reserves	64,144	60,371	56,563	52,309	53,274	50,357
Surplus on revaluation of assets	42,917	64,482	73,699	70,244	59,986	49,689
Unappropriated Profit	172,512	140,074	116,021	88,786	72,333	54,061
Total	300,848	286,203	267,559	232,614	206,869	175,382

Financial Performance	2022	2021	2020	2019	2018	2017
Mark-up / return / interest earned	503,310	231,883	257,811	239,477	149,969	123,073
Mark-up / return / interest expensed	386,484	134,265	153,656	167,570	89,302	68,820
Non Mark-up / Interest Income	116,827	97,618	104,155	71,907	60,666	54,253
Fee & commission income and Exchange Income	28,602	24,314	22,327	25,170	27,017	19,026
Capital gain & Dividend income	6,345	10,783	9,787	5,262	6,545	10,301
Other income	1,737	1,844	3,963	5,768	2,687	1,740
Total non-mark-up / interest income	36,684	36,942	36,077	36,199	36,249	31,066
Total income	153,510	134,559	140,232	108,107	96,915	85,319
Non-Markup / Interest Expenses	78,173	60,004	63,112	65,853	55,931	48,528
Profit before provisions	75,338	74,556	77,120	42,254	40,984	36,791
Provisions and write offs - net	12,601	11,916	30,896	14,250	11,300	1,192
Extraordinary Item	-	(9,779)	-	-	-	-
Profit before taxation	62,737	52,860	46,224	28,003	29,683	35,599
Taxation	32,327	24,852	15,665	12,194	9,668	12,571
Profit after taxation	30,410	28,008	30,559	15,810	20,015	23,028

6 Years' Horizontal Analysis (Balance Sheet)

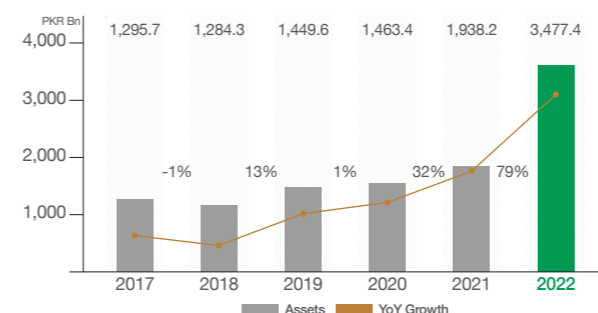
Horizontal Analysis (YoY growth)	2022	2021	2020	2019	2018	2017
	PKR' Mn YoY	PKR' Mn YoY	PKR' Mn YoY	PKR' Mn YoY	PKR' Mn YoY	PKR' Mn YoY
Assets						
Cash and balances with treasury banks	229,911 -18%	278,747 12%	249,260 -15%	292,513 18%	247,518 55%	160,090 0%
Balances with other banks	18,594 5%	17,667 24%	14,227 8%	13,221 8%	12,202 -54%	26,404 91%
Lending to financial institutions	31,272 -91%	335,467 165%	126,805 -6%	134,780 27%	106,392 295%	26,916 -78%
Investments - net	3,477,354 79%	1,938,171 32%	1,463,398 1%	1,449,555 13%	1,284,319 -1%	1,295,720 44%
Advances - net	1,230,522 11%	1,113,392 13%	983,255 -2%	1,008,139 9%	926,007 25%	739,772 11%
Operating Fixed assets	58,495 7%	54,754 0%	54,717 0%	54,679 9%	54,106 65%	32,752 0%
Deferred tax assets - net	22,299 1272%	1,626 0%	- 0%	- 0%	- -100%	7,317 42%
Right of use assets	6,708 2%	6,605 -1%	6,670 -8%	7,221 100%	- 0%	- 0%
Other assets	165,269 65%	100,255 -9%	110,196 -33%	164,281 -2%	168,022 -22%	216,351 96%
Total assets	5,240,425 36%	3,846,684 28%	3,008,527 -4%	3,124,389 12%	2,798,566 12%	2,505,321 25%
Liabilities						
Bills payable	55,268 153%	21,848 30%	16,795 -15%	19,867 100%	9,944 -25%	13,195 30%
Borrowings	1,940,486 520%	312,925 126%	138,539 -71%	471,757 20%	392,739 9%	360,106 703%
Deposits and other accounts	2,666,184 -12%	3,019,155 25%	2,418,966 10%	2,198,049 9%	2,011,385 16%	1,727,102 4%
Liabilities against assets subject to Finance Lease	- 0%	- 0%	- 0%	- 0%	- -100%	15 -43%
Lease liability against right of use assets	8,268 5%	7,894 5%	7,534 0%	7,640 100%	- 0%	- 0%
Deferred tax liabilities	- 0%	- -100%	2,978 -73%	10,916 56%	6,985 100%	- 0%
Other liabilities	269,371 36%	198,660 27%	156,156 -15%	183,545 8%	170,644 -26%	229,522 92%
Total Liabilities	4,939,577 39%	3,560,482 30%	2,740,968 -5%	2,891,775 12%	2,591,698 11%	2,329,939 27%
Net Assets	300,848 5%	286,203 7%	267,559 15%	232,614 12%	206,869 18%	175,382 -1%
Share capital	21,275 0%	21,275 0%	21,275 0%	21,275 0%	21,275 0%	21,275 0%
Reserves	64,144 6%	60,371 7%	56,563 8%	52,309 -2%	53,274 6%	50,357 8%
Surplus on revaluation of assets	42,917 -33%	64,482 -13%	73,699 5%	70,244 17%	59,986 21%	49,689 -12%
Unappropriated profit	172,512 23%	140,074 21%	116,021 31%	88,786 23%	72,333 34%	54,061 4%
Equity	300,848 5%	286,203 7%	267,559 15%	232,614 12%	206,869 18%	175,382 -1%

Total Assets



Over the past 6 years, the Bank's asset base has increased manifold depicting 16% CAGR. The PKR 5.2 Trillion of total assets represents approximately 15.0% of the total industry assets. In recent years, the Bank has achieved prudent & focused growth in assets-mix efficiently managing its assets-liability maturity profile. The highest 36.2% YoY increase in the asset base has been observed in 2022. In line with our effective strategy to manage cost of deposits, the deposits closed at PKR 2,666.2 as compared to 3,019.2 Bn of 2021. Liquidity generated was placed into investments that stood at PKR 3,477.4 Bn, which is PKR 1,539.2 Bn or 79.4% up from PKR 1,938.2 Bn at the end of 2021. This was in line with the Bank's prudent strategy of liquidity & funding management.

Investments (net)



Investments continue to take the major share of the total asset base. 79.4% YoY growth in 2022 is due to availability of surplus liquidity. The Bank holds a diversified investment portfolio that earns higher yield on investments. This translates into 22% CAGR over the past six years.

6 Years' Vertical Analysis (P&L)

	2022		2021		2020		2019		2018		2017	
	PKR' Mn	YoY	PKR' Mn	YoY	PKR' Mn	YoY	PKR' Mn	YoY	PKR' Mn	YoY	PKR' Mn	YoY
Markup / Return / Non Interest Income Earned												
Markup / Return / Interest earned	503,310	93%	231,883	86%	257,811	88%	239,477	87%	149,969	81%	123,073	80%
Fee & commission income and Exchange Income	28,602	5%	24,314	9%	22,327	8%	25,170	9%	27,017	15%	19,026	12%
Capital gains & dividend income	6,345	1%	10,783	4%	9,787	3%	5,262	2%	6,545	4%	10,301	7%
Other income	1,737	0%	1,844	1%	3,963	1%	5,768	2%	2,687	1%	1,740	1%
Total Income	539,994	100%	268,824	100%	293,888	100%	275,677	100%	186,218	100%	154,138	100%
Markup / Return / Non Interest Expense												
Markup / Return / Interest expensed	386,484	72%	134,265	50%	153,656	52%	167,570	61%	89,302	48%	68,820	45%
Operating expenses and other charges	78,173	14%	60,004	22%	63,112	21%	65,853	24%	55,931	30%	48,528	31%
Provisions	12,601	2%	11,916	4%	30,896	11%	14,250	5%	11,300	6%	1,192	1%
Extraordinary item	-	0%	9,779	4%	-	-	-	-	-	-	-	-
Taxation	32,327	6%	24,852	9%	15,665	5%	12,194	4%	9,668	5%	12,571	8%
Total Expense - As a % of Total Income	509,584	94%	240,816	90%	263,329	90%	259,867	94%	166,203	89%	131,110	85%
After-tax profit	30,410	6%	28,008	10%	30,559	10%	15,810	6%	20,015	11%	23,028	15%
Total	539,994	100%	268,824	100%	293,888	100%	275,677	100%	186,218	100%	154,138	100%

Non Mark-up / Interest Income



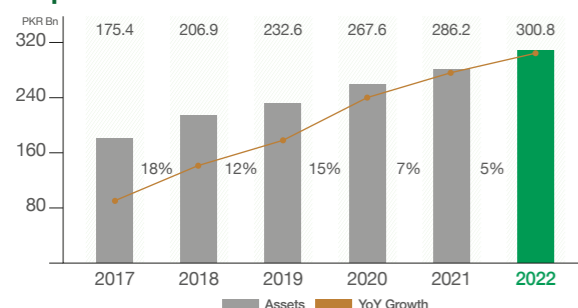
With 3% growth over the past six years, the Bank's Non-mark-up / interest income "NFI" has also recorded a satisfactory performance for most of the years. During these years, NFI has maintained a trend of contributing approximately one-third of the Bank's total income. However, due to a lackluster performance of the stock market, and depressed trade business, NFI for 2022 remained almost similar to that of 2021.

Operating Expenses



Total operating expenses in 2022 amounted to PKR 78.2 Bn against PKR 60.0 Bn for the year 2021. The operating expenses increased by 30.3%. Over the period increase was observed from 2017 to 2019 followed by a drop in 2020 and also in 2021. This drop was due to reversal of certain HR related utilised provisions that were no more required. In 2022 a 30% YoY growth depicts the impact of both i.e. the reversals in prior year as well as inflationary pressure in the rising utility and fuel prices.

Capital



Reflecting our prudent capital management strategy, net assets of the Bank have also posted healthy increase on the back of higher profitability and profit retention in the recent years. Net assets, that amounted to PKR 175.4 Bn in 2017, have increased to PKR 300.8 Bn at the end of December 2022. This translates into a 11% CAGR over the past six years.

6 Years' Summary (Consolidated Financials)

PKR Mn

Financial Position	2022	2021	2020	2019	2018	2017
Cash and balances with treasury banks	230,226	278,869	249,970	293,198	247,917	160,405
Balances with other banks	19,623	19,211	15,015	13,598	13,050	26,992
Lending to financial institutions	31,272	335,467	126,805	134,780	106,392	26,916
Investments - net	3,482,936	1,942,741	1,466,405	1,452,799	1,284,975	1,296,537
Advances - net	1,230,669	1,113,314	983,871	1,008,399	926,340	740,345
Operating Fixed assets	59,706	56,005	56,109	55,990	55,196	33,822
Deferred tax assets - net	22,406	1,903	-	-	-	7,342
Right of use assets	7,186	7,091	7,017	7,447	-	-
Other assets	167,741	102,434	112,018	166,148	170,018	219,092
Total Assets	5,251,766	3,857,035	3,017,210	3,132,360	2,803,886	2,511,452
Bills payable	55,268	21,848	16,795	19,867	9,944	13,195
Borrowings	1,940,486	312,925	138,539	471,757	392,739	360,106
Deposits and other accounts	2,665,273	3,018,148	2,418,928	2,197,985	2,011,313	1,727,059
Liabilities against assets subject to Finance Lease	121	134	197	194	121	57
Lease liability against right of use assets	8,761	8,361	7,869	7,831	-	-
Deferred tax liabilities	-	-	2,933	10,869	6,946	-
Other liabilities	271,556	200,596	157,545	184,633	171,762	231,359
Total Liabilities	4,941,466	3,562,012	2,742,808	2,893,138	2,592,825	2,331,776
Net Assets (Represented by as below)						
Share capital	21,275	21,275	21,275	21,275	21,275	21,275
Reserves	67,489	62,427	57,591	53,261	53,443	49,887
Surplus on revaluation of assets	42,274	64,995	73,988	70,359	59,262	49,632
Unappropriated Profit	178,190	145,313	120,632	93,466	76,240	58,069
Sub Total	309,227	294,010	273,486	238,360	210,220	178,864
Non-controlling interest	1,073	1,013	916	863	842	811
Total	310,300	295,023	274,402	239,223	211,061	179,676

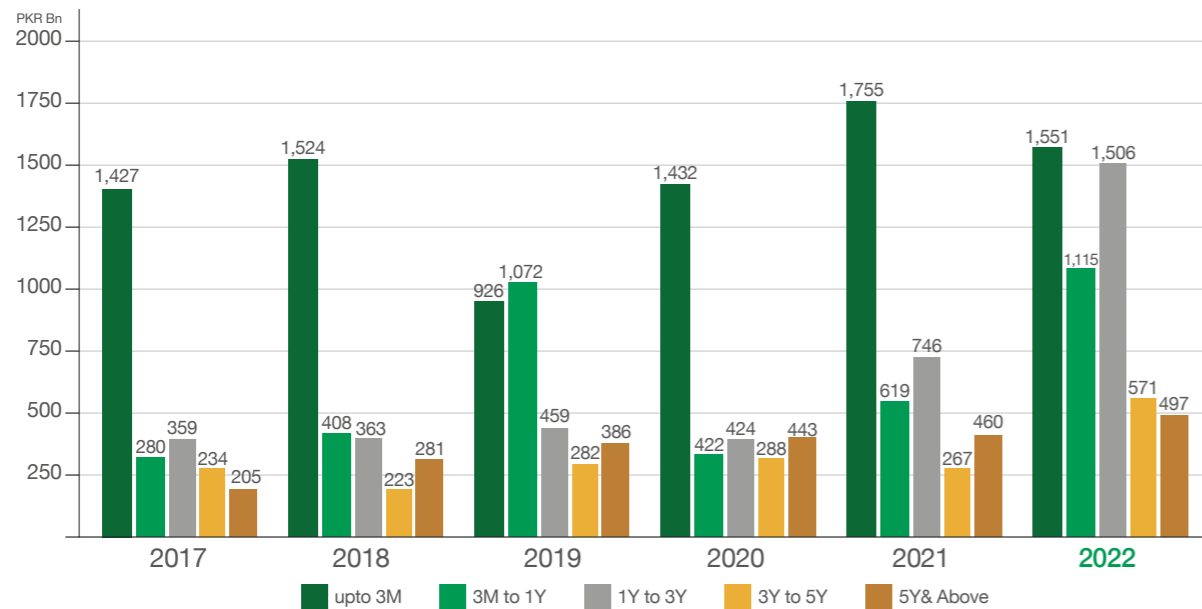
PKR Mn

Financial Performance	2022	2021	2020	2019	2018	2017
Mark-up / return / interest earned	503,576	232,052	258,031	239,710	150,178	123,415
Mark-up / return / interest expensed	386,474	134,285	153,652	167,556	89,287	68,811
Net mark-up / Interest income	117,102	97,767	104,379	72,154	60,891	54,604
Fee & commission income and Exchange income	30,840	26,054	23,823	26,737	28,924	20,820
Capital gain & Dividend income	6,193	10,718	9,748	5,265	6,445	10,049
Share of profit / (loss) from joint venture - net of tax	545	218	(219)	(96)	(334)	2
Share of profit / (loss) from associates - net of tax	(95)	23	43	37	(35)	(512)
Other income	1,790	1,856	3,965	5,817	2,675	1,757
Total non-markup / interest income	39,273	38,869	37,360	37,760	37,674	32,115
Total income	156,375	136,636	141,739	109,914	98,566	86,720
Operating Expenses	79,661	61,406	64,443	67,379	57,480	50,041
Profit before provisions	76,714	75,230	77,297	42,535	41,085	36,678
Provisions	13,116	11,659	30,912	13,557	11,205	535
Extraordinary item	-	(9,779)	-	-	-	-
Pre-tax profit	63,597	53,792	46,385	28,978	29,880	36,144
Taxation	32,648	25,032	15,798	12,331	9,844	12,798
After-tax profit	30,949	28,760	30,586	16,647	20,035	23,346

6 Years' - Maturities of Assets & Liabilities

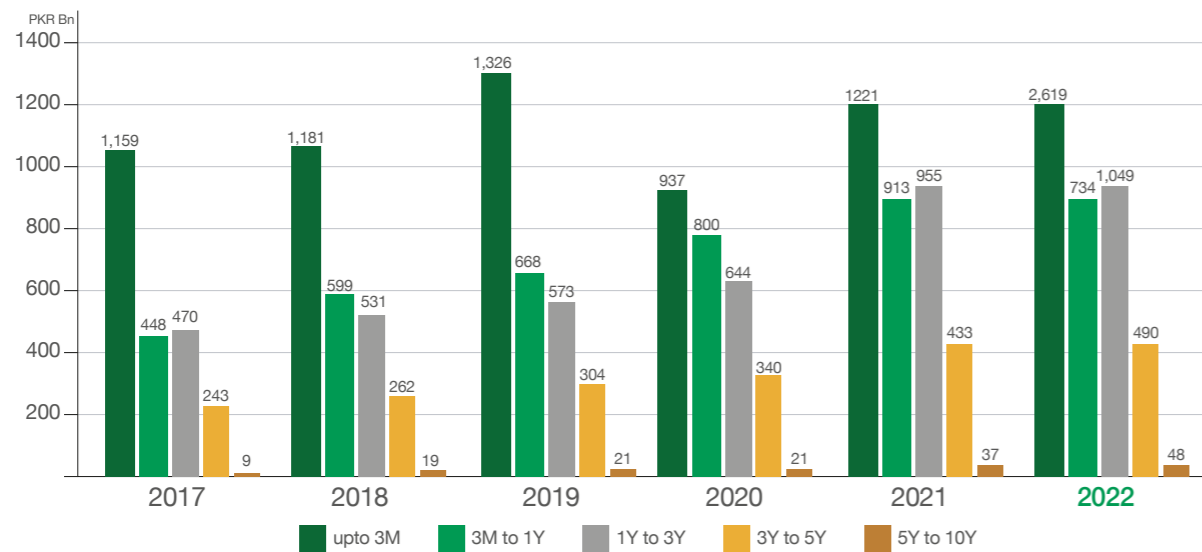
Maturity of Assets

At the year end 2022, the Bank's total assets stood at PKR 5,240.4 Bn, increasing at a CAGR of 15.90% over the past six-years based on expected maturities. While 13.40% of the Bank's assets are expected to mature within a period of one month, another 16.20% are expected to mature over the next two months i.e. a total of 29.6% to mature within a period of 3 months. The remaining 70.4% of the assets have a maturity period of beyond 3 months.



Maturity of Liabilities

At the year end 2022, the Bank's total liabilities stood at PKR 4,939.6 Bn, increasing at a CAGR of 16% over the past six-years based on expected maturities. While 40% of the Bank's liabilities are expected to mature within a period of one month, another 13.1% are expected to mature over the next two months i.e. a total of 53% to mature within a period of 3 months. The remaining 47% of the liabilities have a maturity period of beyond 3 months. Thus, efficiently managing the liquidity risk, the Bank maintains a positive maturity gap between the average maturity of its assets and liabilities.

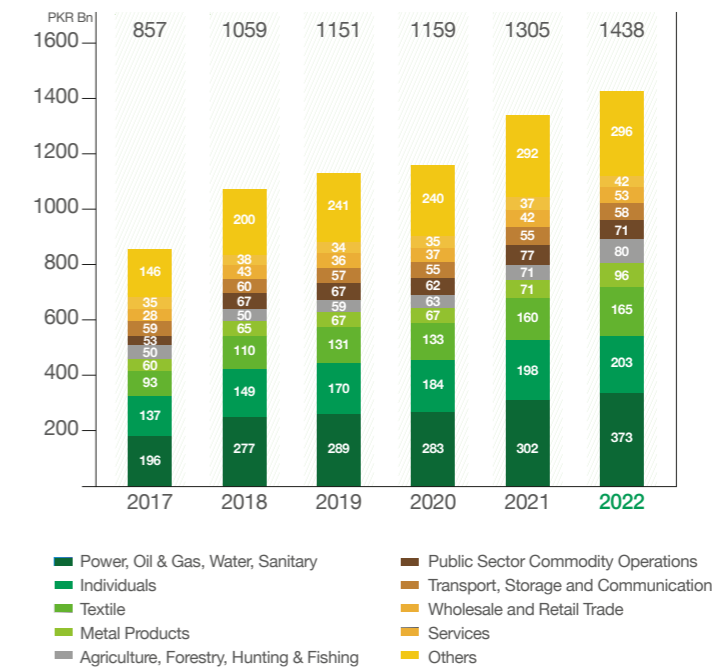


Sectoral Concentration

Sector	PKR Mn			PKR Mn		
	2022	Gross Advances (%Share)	(%YoY)	Contingencies and Commitments 2022	(%Share)	(%YoY)
Power, Oil & Gas, Water, Sanitary	373,229	25.9%	23.7%	127,665	4.6%	-23.3%
Individuals	203,235	14.1%	2.6%	317	0.0%	310.5%
Textile	165,107	11.5%	3.2%	15,853	0.6%	-37.6%
Public Sector Commodity Operations	96,305	6.7%	24.5%	200	0.0%	-97.6%
Agriculture, Forestry, Hunting & Fishing	80,495	5.6%	13.0%	504	0.0%	401.9%
Metal Products	70,883	4.9%	-0.2%	21,853	0.8%	36.9%
Transport, Storage and Communication	57,659	4.0%	4.7%	117,806	4.2%	146.9%
Wholesale and Retail Trade	53,369	3.7%	25.7%	1,464	0.1%	-37.6%
Services	42,007	2.9%	10.3%	1,532,588	55.2%	13.1%
Others	296,293	20.6%	2.1%	959,217	34.5%	7.8%
Total	1,438,581	100%	10.2%	2,777,466	100%	11.5%

Gross Advances

Gross advances of the Bank grew steadily over the last six years at a CAGR of 10.9%, closing at PKR 1,438.6 Bn at year end 2022. Whereas 25.9%, 14.2% and 11.5% of the Bank's gross advances pertain to Power, Individuals and Textile that primarily drive Pakistan's economy, Over the past six years, and more particularly in the recent years, significant growth in advances to Textile, Financial and Oil and Gas sectors is witnessed given an increasing demand following the Government's relief package for various sector.

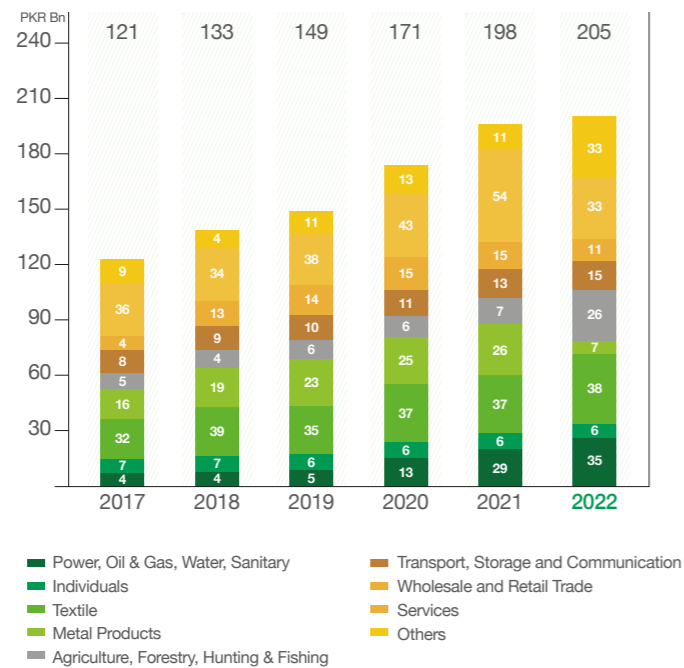


Sectoral Concentration

Sector	Non-performing Loans			Specific Provision Held		
	2022	(%Share)	(%YoY)	2022	(%Share)	(%YoY)
Power, Oil & Gas, Water, Sanitary	34,775	16.9%	4.0%	32,320	16.9%	10.0%
Individuals	6,469	3.2%	5.2%	4,350	2.3%	1.2%
Textile	37,830	18.4%	2.6%	36,395	19.1%	-1.2%
Public Sector Commodity Operations	74	0.0%	0.0%	74	0.0%	0.0%
Agriculture, Forestry, Hunting & Fishing	7,362	3.6%	2.1%	5,713	3.0%	10.0%
Metal Products	26,477	12.9%	3.1%	26,473	13.9%	3.8%
Transport, Storage and Communication	14,821	7.2%	16.0%	12,548	6.6%	21.2%
Wholesale and Retail Trade	10,713	5.2%	-0.2%	10,608	5.6%	-0.6%
Services	3,104	1.5%	-26.6%	1,813	1.0%	-28.7%
Others	63,682	31.0%	4.8%	60,416	31.7%	11.0%
Total	205,307	100%	3.7%	190,711	100%	6.4%

Non-performing Loans

At year end of 2022, Bank's non-performing loans stood at PKR 205.3 Bn, demonstrating a 3.7% YoY deterioration. However, despite same increase in total NPL, the infection ratio has improved from 15.17% in 2021 to 14.27% in 2022. NPL's that grew at a CAGR of 11.2% over the period under review, are more concentrated in the Oil, Gas, Sugar, Textile and Metal Products sectors. However, recently the NPL ratio has shown slight improvement as it changed from 14.1% in 2017 to 14.3% at the end of 2022. Furthermore, the coverage ratio has improved from 90.6% (2021) to 92.9% at the year end of 2022.

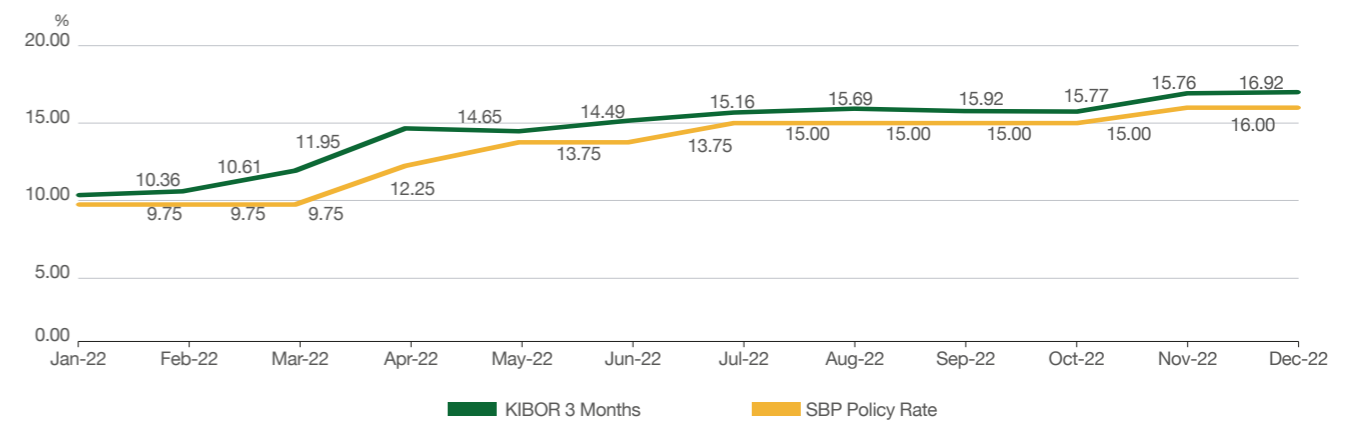


Maturities of Assets and Liabilities

Financial Position	PKR Mn						
	Total	Upto 3 Months	Over 3 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
Assets							
Cash and balances with treasury banks	229,911	154,645	73,984	1,282	-	-	-
Balances with other banks	18,594	17,239	1,355	-	-	-	-
Lending to financial institutions	31,272	31,272	-	-	-	-	-
Investments	3,477,354	672,262	794,298	593,545	741,082	419,894	256,273
Advances	1,230,522	557,590	229,380	70,628	64,097	125,183	183,644
Fixed assets	58,495	-	1,231	2,311	1,231	1,306	52,417
Right of Use Assets	6,708	17	238	374	845	1,550	3,684
Deferred tax assets	22,299	-	-	-	-	22,299	-
Other assets	165,269	118,099	14,146	29,928	688	1,032	1,376
Total	5,240,425	1,551,124	1,114,631	698,066	807,942	571,265	497,395
Liabilities							
Bills payable	55,268	31,191	12,470	11,607	-	-	-
Borrowings	1,940,486	1,868,128	29,118	3,942	4,278	12,396	22,622
Deposits and other accounts	2,666,184	558,358	656,096	529,765	463,476	456,492	1,998
Liabilities against assets subject to right of use assets	8,268	21	240	417	1,017	1,904	4,669
Other liabilities	269,371	161,059	36,236	24,159	9,894	19,221	18,802
Total	4,939,577	2,618,759	734,161	569,889	478,665	490,012	48,090
Net assets	300,848	(1,067,634)	380,470	128,177	329,277	81,253	449,305

Key Interest Bearing Assets and Liabilities

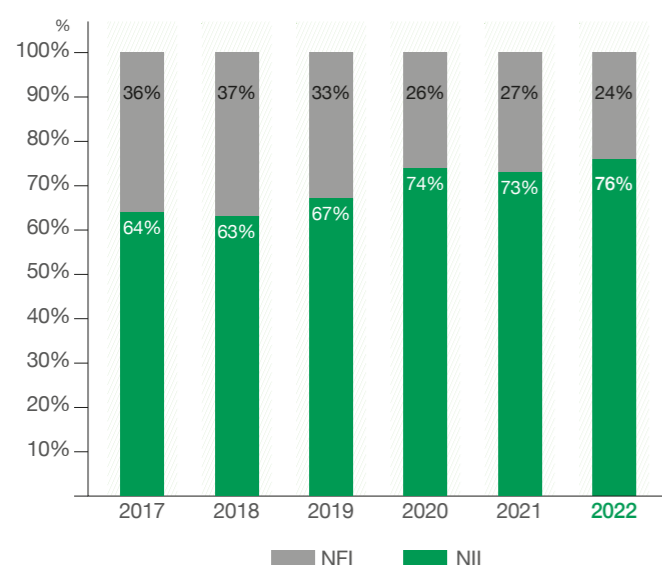
Financial Performance	PKR Bn					
	Avg. Volume	2022 Effective Interest Rate %	Interest	Avg. Volume	2021 Effective Interest Rate %	Interest
Interest Earning Assets						
Placements	110	12.4%	14	71	7.7%	5
Advances (net)	1,169	12.1%	141	988	8.8%	87
Investments	2,632	13.2%	348	1,697	8.2%	139
Interest Bearing Liabilities						
Deposits	2,655	7.9%	210	2,181	4.0%	88
Borrowings	1,208	13.7%	166	505	7.5%	38



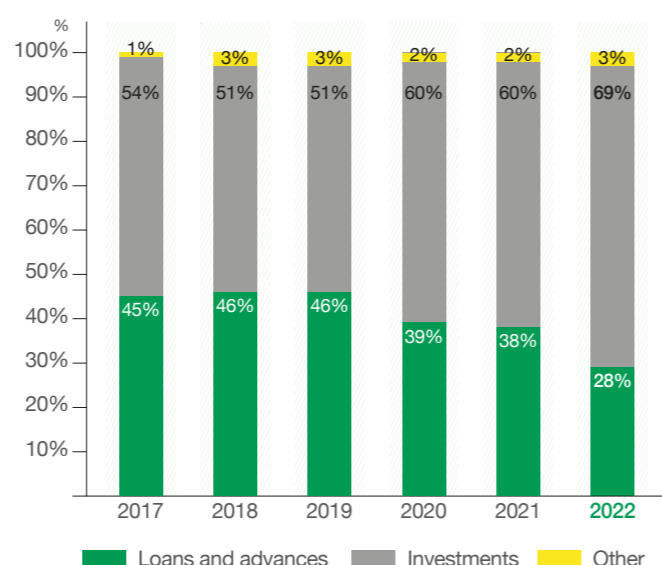
Markup & Non Markup Income

Financial Performance	PKR Mn					
	2022	2021	2020	2019	2018	2017
Mark-up Earned						
Loans and advances	141,365	87,347	99,781	109,646	69,359	54,885
Investments	348,305	139,115	154,041	122,337	76,288	66,453
Lending to financial institutions	12,815	3,957	2,374	5,367	3,593	1,068
Balances with banks	825	1,464	1,616	2,128	729	666
Total	503,310	231,883	257,811	239,477	149,969	123,073
Mark-up Expensed						
Deposits	209,598	87,838	103,380	110,075	61,704	54,875
Borrowings	5,117	6,839	6,930	6,982	2,942	953
Cost of foreign currency swaps against foreign currency deposits / borrowings	10,026	8,018	9,175	9,157	6,075	3,072
Finance charge on lease liability against ROUA	849	775	754	719	-	-
Securities sold under repurchase agreements	160,895	30,795	33,417	40,637	18,581	9,919
Total	386,484	134,265	153,656	167,570	89,302	68,820
Non Mark-up / Interest Income						
Fee and commission income	21,152	17,804	18,254	19,125	17,526	16,774
Dividend income	5,207	4,595	1,901	3,150	2,613	3,821
Foreign exchange income	7,450	6,511	4,073	6,045	9,490	2,251
Gain on securities - net	1,138	6,188	7,886	2,112	3,932	6,480
Other income	1,737	1,844	3,963	5,768	2,687	1,740
Total	36,684	36,942	36,077	36,199	36,249	31,066

Contribution to Total Income



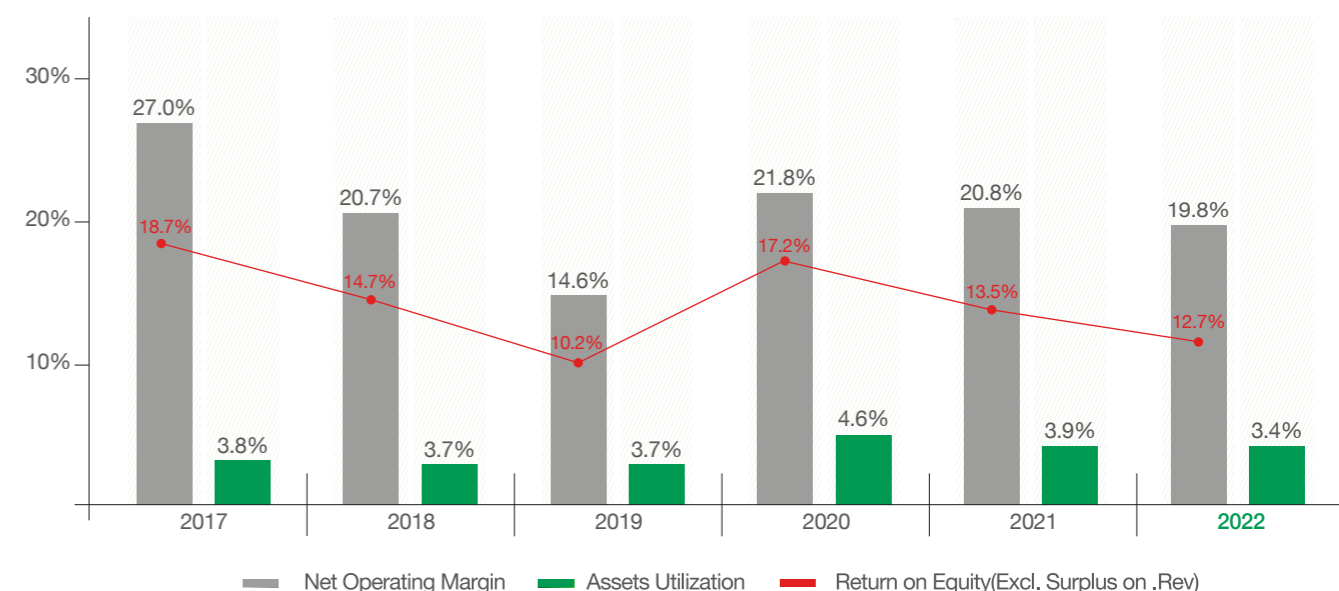
Contribution to GII



DuPont Analysis

Indicator	Formula	Unit	2022	2021	2020	2019	2018	2017
Net Operating Margin	PAT / Total Income	A %	19.8	20.8	21.8	14.6	20.7	27.0
Asset Utilisation	Total Income / Avg Assets	B %	3.4	3.9	4.6	3.7	3.7	3.8
Return on Assets	PAT / Avg Assets	C = A x B %	0.7	0.8	1.0	0.5	0.8	1.0
Leverage Ratio / Equity Multiplier	Avg Assets / Avg Equity	D Times	18.9	16.5	17.2	19.2	19.5	18.4
Return on Equity (Excl. Surplus on Rev.)	PAT/Avg Equity	E = C x D %	12.7	13.5	17.2	10.2	14.7	18.7

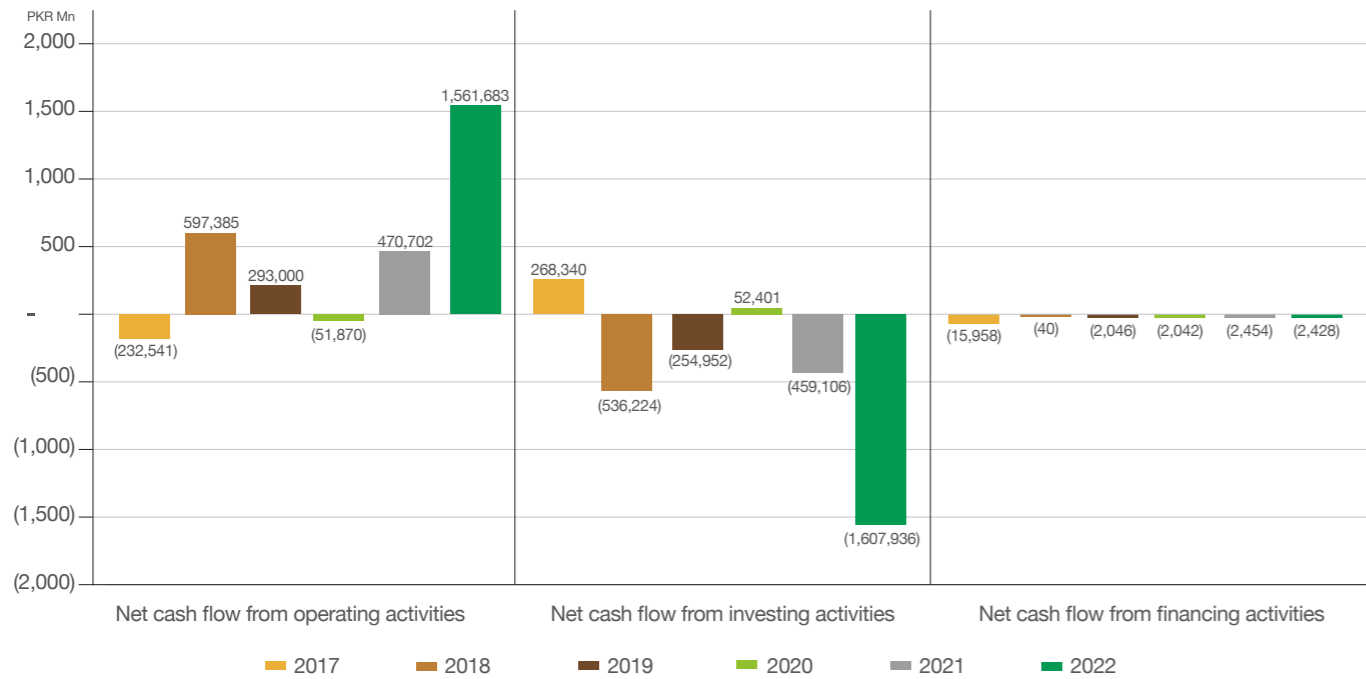
DuPont Analysis



- The Bank's operating margin of the Bank has lightly dropped in from 21.8% in 2020 to 19.8% in 2022. Two major reasons behind include (i) the civil penalty of PKR 9.8 Bn in 2021, and (ii) higher effective tax rates on the back of supertax and ADR related taxes.
- Assets utilisation in terms of total income has remained fairly stable over the period ranging between 3.4% in 2022 to 4.6% in 2020. In the past three years, there has been a drop in assets utilisation as the balance sheet size increased significantly.
- Return on equity has also remained high in the range of 18.7% in 2017 to 12% in 2022. In the recent years, RoE has recorded a drop as the Bank's has been retaining its profit after atx since 2017 to strengthen its capital base, resultantly reducing the RoE ratio.

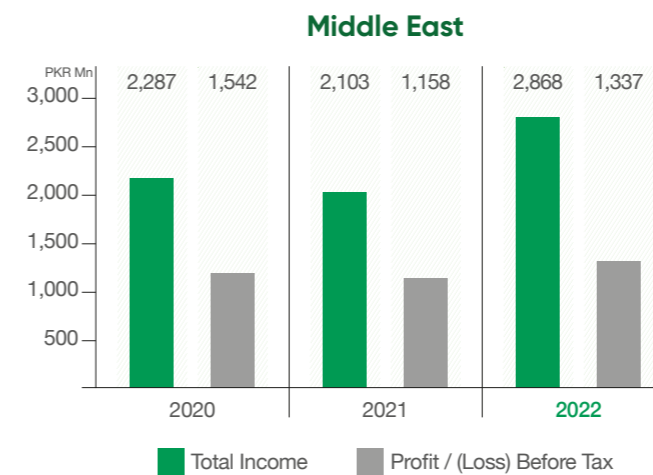
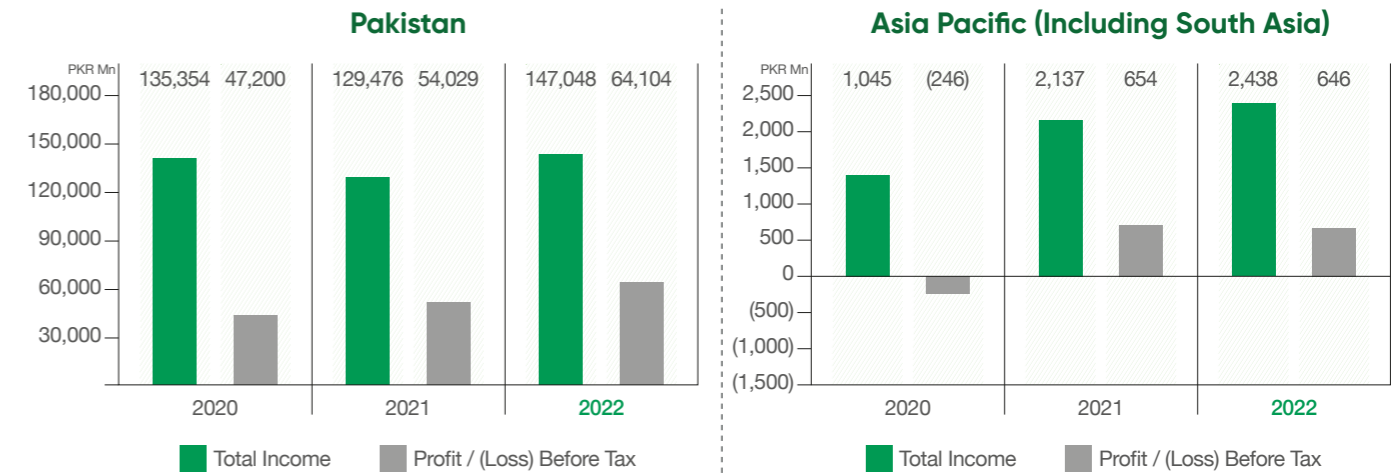
Summary of Cash Flows

Classification	PKR Mn					
	2022	2021	2020	2019	2018	2017
Net cash flow from operating activities	1,561,683	470,702	(51,870)	293,000	597,385	(232,541)
Net cash flow from investing activities	(1,607,936)	(459,106)	52,401	(254,952)	(536,224)	268,340
Net cash flow from financing activities	(2,428)	(2,454)	(2,042)	(2,046)	(40)	(15,958)
Cash & cash equivalent at beginning of the year	271,386	262,243	263,754	227,753	166,631	146,790
Cash & cash equivalent at the end of the year	222,704	271,386	262,243	263,754	227,753	166,631

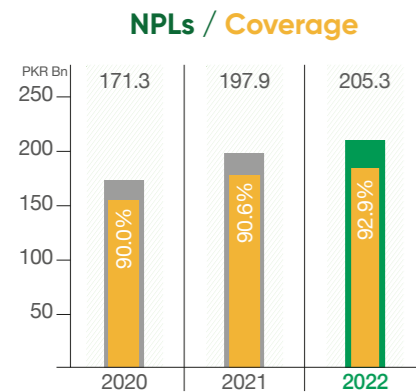


Cash Flow from operating activities mainly represent the core activity of the Bank i.e. mobilization of deposits. Since 2017, deposits of the Bank have shown a CAGR of 9.1%. During year 2022, there was net inflow of PKR 1,561.6 Bn from operating activities. The major outflow under investing activities was on account of net investments in available-for-sale securities and investment made in held-to-maturity securities. During the year 2022, outflows of PKR 2.4 Bn under financing activities were observed against payment of lease obligation.

Geographical Segment



Assets Quality and Provisions



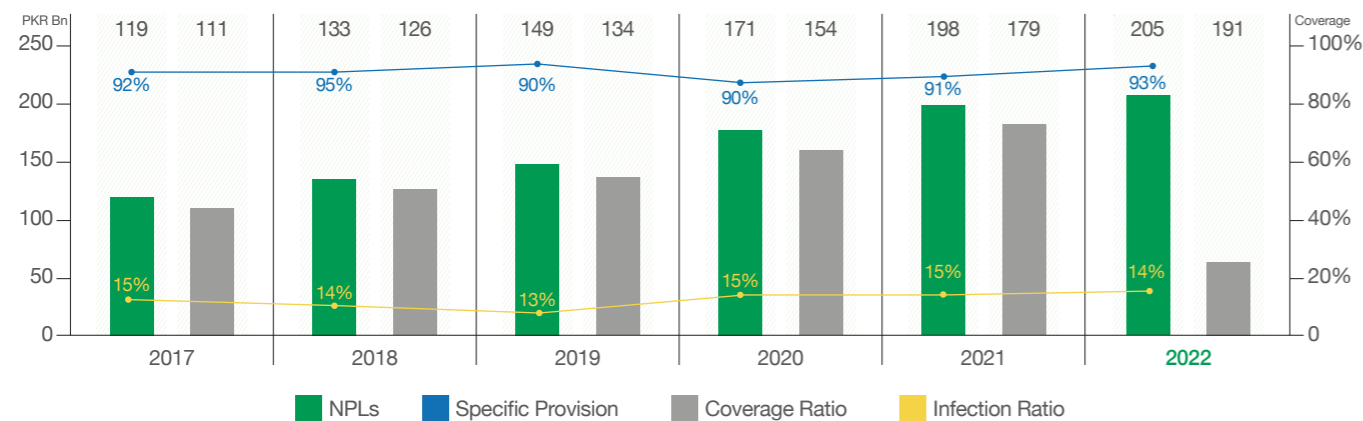
There was no increase in domestic NPLs. However, NPLs in FCY denominated loans recorded an increase of PKR 7.4 Bn mainly due to exchange impact. We prudently measure impairments in the assets portfolio and maintain robust levels of provisions. Provisions charge for 2022 amounted to PKR 12.6 Bn of which PKR 8.1 Bn was against impairment in loans, and PKR 3.8 Bn against diminution in value of investments.

Specific provisions held against NPLs stood at PKR 190.7 Bn (Dec'21: PKR 179.3 Bn) whereas general provisions stood at PKR 17.3 Bn (Dec'21: PKR 12.5 Bn) and NPL coverage against total NPL is 92.9%. Since IFRS 9 stands implemented effective January 01, 2023, therefore prudently some general provisions under the expected credit loss methodology have been kept over and above as required under prudential regulations.

Non-performing Loans

Category	2022		2021	
	NPL	Spec. Prov.	NPL	Spec. Prov.
OAEM	1,781	73	1,941	95
Substandard	5,888	1,440	5,245	1,230
Doubtful	9,165	4,811	17,286	8,596
Loss	188,473	184,387	173,466	169,390
Total	205,307	190,711	197,938	179,312

Asset Quality

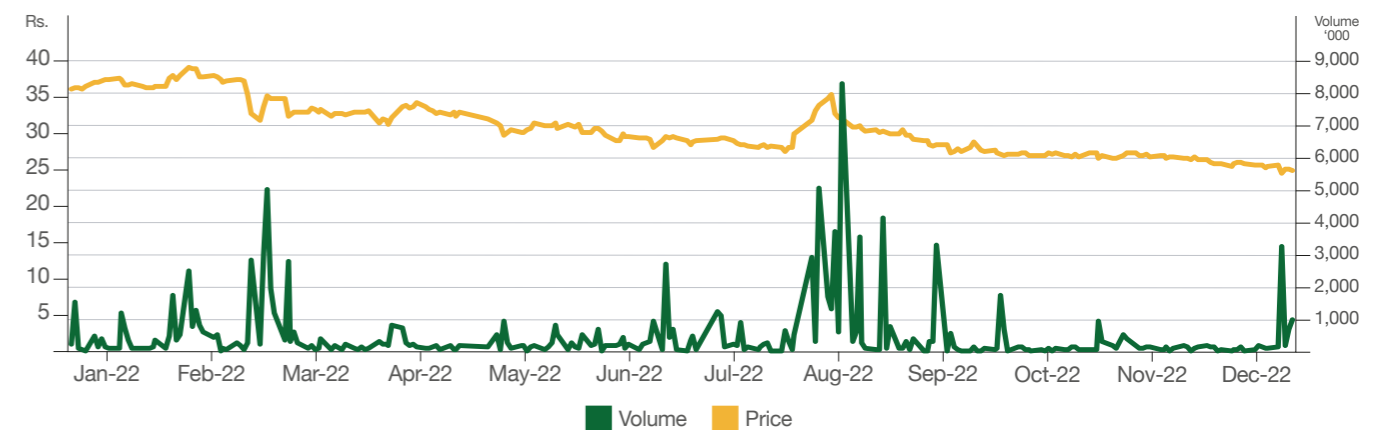


Share Price History

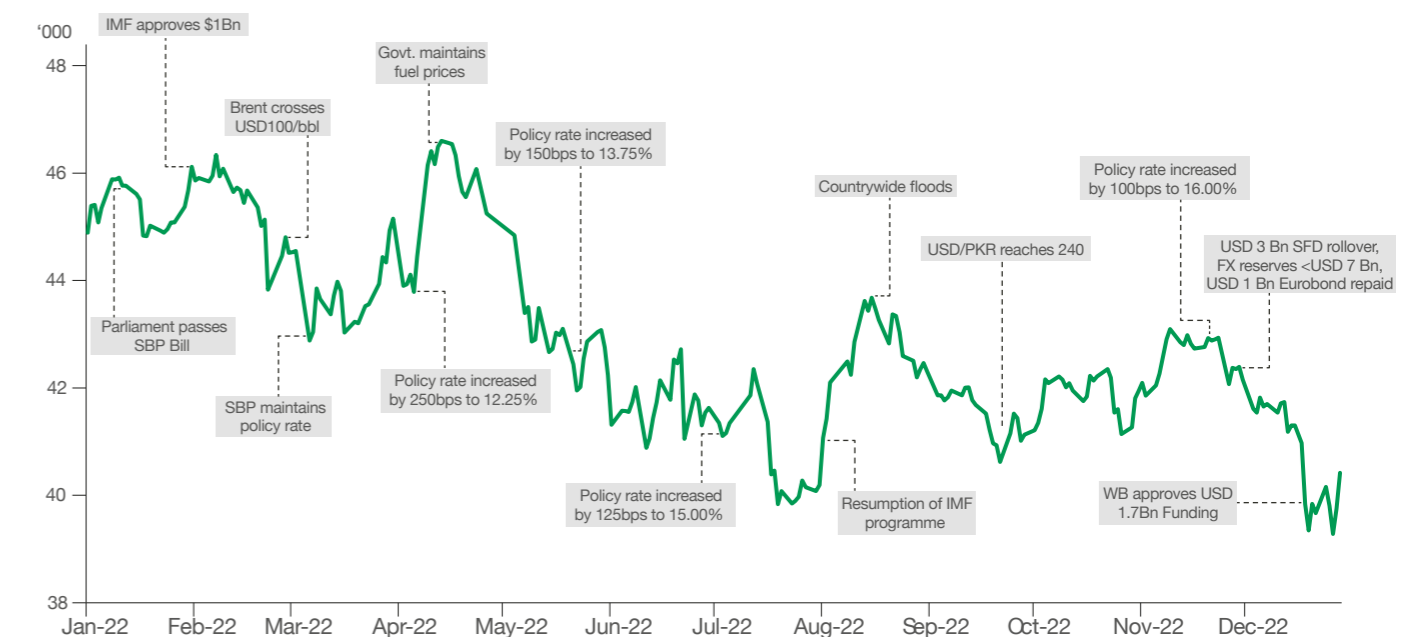
NBP	Mar'22	Jun'22	Sep'22	Dec'22
High	37.80	32.69	34.20	26.70
Low	29.52	26.00	25.55	23.00
Close	31.19	27.95	26.07	23.59
Average Volume	568,738	286,533	731,607	218,922
Total Volume	35,830,500	17,192,000	44,628,000	14,011,000
Closing Market Cap (Mn)	66,357	59,464	55,464	50,188

NBP	Dec'22	10% Increase	10% Decrease
No. of shares closing (Mn)	2,128	2,128	2,128
Closing Share Price (Dec'22)	23.59	25.95	21.23
Market Cap (Mn)	50,188	55,207	45,169

Share Price / Trade Volume - 2022



KSE 100 Index



Share Price Sensitivity

Market Capitalization as of December 31, 2022 PKR 50,188 Mn

Change in share price by:

+ 10% PKR 5,019 Mn
 - 10% PKR 5,019 Mn

The following major factors have varying impact on financial performance of the Bank and market valuation of its shares

- **Policy Rate**
 In the prevailing hyperinflationary environment, the State Bank of Pakistan has maintained a rising policy rate policy and the market expectations are that the policy rate will remain high in the short to near term. Any volatility in the interest rates will impact revenue and profitability of the Bank.
- **Capital and money markets**
 The Bank's investments amount to PKR 3,477 Bn, which mainly consist of high-yielding low-maturity, low-risk Government Securities. Trends in the money & capital markets have a direct impact on the Bank's financial performance.
- **Minimum Rate of Return on Deposits**
 Any upward revision in rate of profit payable to providers of funds leads to increased costs of funds and compression in net interest margins earned by the Bank. Such revision can negatively impact the earnings and correspondingly the share price of the scrip.
- **Exchange fluctuations**
 The Bank is a major enabler of the country's international trade. In this process, the Bank remains exposed to significant foreign currency exchange rates. Hence, the currency fluctuation also affects the Banking business.
- **Inflation**
 Inflationary trends inflict an indirect impact on earnings of the Bank through its corresponding incremental impact on the policy rate. Higher policy rates usually lead investments into high yielding but low-risk Government papers, thus resulting in increased interest income. This, in turn, will have a positive impact on overall profitability and the share price.
- **Political Stability**
 Political stability is a prerequisite for economic growth and resilience for the organisation as the same reduces the uncertainty and urges investors to mobilise economic activity through injecting their funds in investment avenues. Political stability will stimulate trade & business activity resultantly higher earnings for the Bank and its shareholders.
- **Natural Calamities**
 Natural calamities are outside the control of the Bank such as natural disasters, floods and pandemics might negatively disrupt the operations of the Bank and ultimately might affect share price of the Bank.

Pattern of Shareholding

as at December 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, President/CEO (A)	1	949	0.00
Farid Malik, Director	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
Total	10,486	2,127,513,026	100.00

Shareholders holding 10% or more	Shares Held	Percentage
M/s State Bank of Pakistan	1,599,845,728	75.20

RISK MANAGEMENT FRAMEWORK

رہبر
تعمیراتی
و
مالیاتی

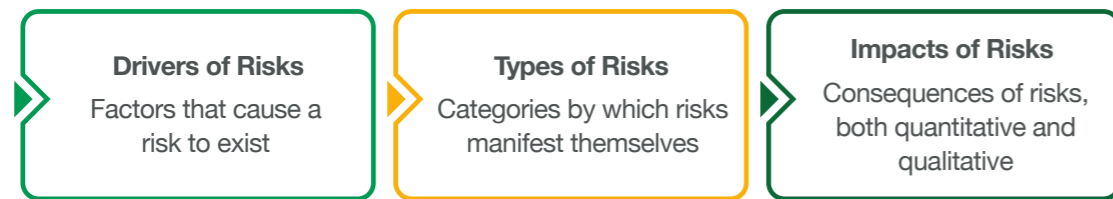
Whether national companies or small and medium enterprises, NBP has a suite of products that cater to each and every need, featuring consumer banking solutions designed to make business, and life, a blessing.

Risk Management Overview

Risk Management Group (RMG), as an integrated group, is comprised of Enterprise Risk Management Group (ERMG), Credit Risk Management Group (CRMG), and Retail & Program Lending Group (R&PLG). The group also includes divisions such as, Information Security Division (ISD) and Credit Administration Division (CAD) under the supervision of Chief Risk Officer (CRO). RMG functions as an independent group reporting directly to the President with dotted line reporting to the Board. RMG endeavours to cater all material risks that the Bank may be exposed to.

Risk Governance and Oversight Structure

The Bank's risk management governance and oversight structure involves understanding drivers, types, and impact of risks.



The Board takes the responsibility to ensure active oversight for the implementation of risk related policies, frameworks, and procedure manuals to prevent any significant financial loss or reductions in shareholders' value that may be incurred by the Bank. Therefore, the Board ensures that policies and frameworks are in place to recognize all significant/material risks to which the Bank is exposed to and the required human resources, culture, practices, and systems are adequate to address such risks. Following are the risk related board and management level committees for robust implementation and oversight of risk management practices.



Moreover, other relevant committees, such as Asset Liability Committee (ALCO) and Management Credit committee (MCC) etc. are responsible to ensure the formulation and implementation of a comprehensive risk management framework.

Management Credit Committee (MCC)
MCC is a senior management committee that is responsible for the approval / review of credit exposures, counterparty / borrower limits, credit policies and procedures as per the Credit Approval Authority Booklet (CAAB) / Credit Policy Manual and delegated by the Board Risk & Compliance Committee/ Board of Directors. Chief Risk Officer (CRO) & Chief Credit Officer (CCO) being the members of the committee, ensures an adequate participation of risk in the decision making process.

Asset Liability Committee (ALCO)
ALCO is responsible for managing the composition and pricing of assets and liabilities of the Bank, including off-balance sheet items, to produce results that are consistent with liquidity, capital adequacy, growth, profitability, and risk appetite/ tolerance objectives.

Risk Management Framework Implementation

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 & independent oversight and assurance that the activities take place as intended under the risk management framework, and frameworks are in place to recognize all significant/material risks to which the Bank is exposed to and the required human resources, culture, practices, and systems are adequate to address such risks.



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

Risk Management Approach

The Bank applies Basel framework as a cornerstone of the NBP's risk management framework and capital & liquidity strategies. The Bank maintains a strong capital, funding, and liquidity position in line with its ongoing commitment to maintaining balance sheet strength.

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

- identify and assess significant risks to which the Bank may be exposed to,
- timely response to the identified risks through formulating Bank's risk appetite,
- architecturally equip the Bank with tools & models for effective risk management,
- assist Business Groups in optimizing risk/return decisions,
- analyze the overall risk profile of the Bank,
- keep track of emerging risks and perform an active role in their mitigation.

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

The risks, Bank faces, are mainly categorized as Credit Risk, Market & Liquidity Risk, Operational Risk, and other risks that have material impact over the capital of the Bank.



CREDIT RISK

The Bank has strong credit risk management practices that include risk appetite framework, risk profiling, well-defined centralized credit approval mechanism, tools/models development and assessment, and portfolio reviews.

MARKET & LIQUIDITY RISK

Market & Liquidity risk is managed through market & liquidity risk management framework and regular review and monitoring of the investment portfolio by the Bank's Asset Liability Management Committee (ALCO) vis-a-vis approved limits, thresholds and ratio zones. The comprehensive structure comprising product, exposure, sensitivity, VaR limits along with MATs is in place to ensure that the Bank does not exceed its tolerance for market & liquidity risk.

OPERATIONAL RISK

Operational risk is being managed through an Operational Risk Management Framework. This framework includes aspects related to Governance, OR Strategy, Risk & Control Self-Assessment (RCSA), Key Risk Indicators (KRIs), and Loss Data Management.

INFORMATION SECURITY RISK

The information security risk is managed through a well-established information security policy and risk management/cyber-security frameworks that covers 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.

ENTERPRISE-WIDE RISKS

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 is not limited to, the Internal Capital Adequacy and Assessment Process (ICAAP), Recovery Plan, and Stress-Testing framework which take 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.

The Bank adopts different decision tools and techniques of risk management to keep the Bank resilient and vibrant to minimize losses within the defined risk appetite/tolerance levels, and credit concentration limits. Strategic goals are embedded into risk management to maintain a robust framework for identifying and escalating risks to support sustainable business growth.

PACRA

A1+ Short-Term
AAA Long-Term

VIS

A-1+ Short-Term
AAA Long-Term

FINANCIAL
STATEMENTS
(UNCONSOLIDATED)

المصارف الإسلامية

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 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.

Independent Correspondent Firm to
Deloitte Touche Tohmatsu Limited

Member firm of PwC network

Yousuf Adil
Chartered Accountants

A.F. Ferguson & Co.
Chartered Accountants

Following are the Key Audit Matters:

S.No.	Key Audit Matter	How the matter was addressed in our audit
1	<p>Provision against advances (Refer notes 5.6 and 11.4 to the unconsolidated financial statements)</p>	
	<p>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).</p> <p>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.</p> <p>The PRs also require the creation of general provision for certain categories of advances.</p> <p>Provision against advances of overseas locations is made as per the requirements of the respective regulatory regimes.</p> <p>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.</p> <p>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.</p>	<p>Our audit procedures to verify provision against domestic advances included, amongst others, the following:</p> <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> 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. <p>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.</p>

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S.No.	Key Audit Matter	How the matter was addressed in our audit
2	<p>Valuation of listed equity shares, units of mutual funds and term finance certificates classified as available-for-sale</p> <p>(Refer notes 5.2 and 10.1 to the unconsolidated financial statements)</p>	
	<p>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.</p> <p>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.</p>	<p>On a sample basis, we have performed the following procedures:</p> <ul style="list-style-type: none"> • 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.

Yousuf Adil
Chartered Accountants

A.F. Ferguson & Co.
Chartered Accountants

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.

Independent Correspondent Firm to
Deloitte Touche Tohmatsu Limited

Member firm of PwC network

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

Unconsolidated Statement of Financial Position

As at December 31, 2022

2021 ------(US Dollars in '000)-----	2022		Note	2022 ------(Rupees in '000)-----	2021
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.

Ashraf Mahmood Wathra
Chairman

Rehmat Ali Hasnie
President & CEO (A)

Abdul Wahid Sethi
Chief Financial Officer

Asif Jooma
Director

Ahsan Ali Chughtai
Director

Unconsolidated Profit and Loss Account

For the year ended December 31, 2022

2021 ------(US Dollars in '000)-----	2022		2022 ------(Rupees in '000)-----	2021
1,024,077	2,222,799	Mark-up / return / interest earned	503,310,285	231,882,702
592,962	1,706,851	Mark-up / return / interest expensed	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	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	1,137,947	6,188,319
8,145	7,673	Other income	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	78,099,994	59,657,321
1,530	321	Other charges	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	12,600,607	11,916,383
43,187	-	Extra ordinary item	-	9,778,848
233,450	277,069	PROFIT BEFORE TAXATION	62,737,163	52,860,408
109,757	142,767	Taxation	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	14.29	13.16
0.06	0.06	Diluted earnings per share	14.29	13.16

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

Ashraf Mahmood Wathra
Chairman

Rehmat Ali Hasnie
President & CEO (A)

Abdul Wahid Sethi
Chief Financial Officer

Asif Jooma
Director

Ahsan Ali Chughtai
Director

Unconsolidated Statement of Comprehensive Income

For the year ended December 31, 2022

2021 ------(US Dollars in '000)-----	2022		2022 ------(Rupees in '000)-----	2021
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.

Ashraf Mahmood Wathra
Chairman

Rehmat Ali Hasnie
President & CEO (A)

Abdul Wahid Sethi
Chief Financial Officer

Asif Jooma
Director

Ahsan Ali Chughtai
Director

Unconsolidated Statement of Changes in Equity

For the year ended December 31, 2022

	Reserves					Surplus / (deficit) on revaluation of assets			Unappropriated profit	Total		
	Share capital	Exchange translation	Statutory reserve	Merger reserve	General loan loss reserve	Revenue general reserve	Total	Investments			Fixed / Non-Banking Assets	Total
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)	(9,364,166)
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)	(197,684)	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	300,847,769

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

Ashraf Mahmood Wathra
Chairman

Rehmat Ali Hasnie
President & CEO (A)

Abdul Wahid Sethi
Chief Financial Officer

Asif Joorna
Director

Ahsan Ali Chughtai
Director

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.

Ashraf Mahmood Wathra
Chairman

Rehmat Ali Hasnie
President & CEO (A)

Abdul Wahid Sethi
Chief Financial Officer

Asif Jooma
Director

Ahsan Ali Chughtai
Director

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; and
- 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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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 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 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'.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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 SICR, 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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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 PRRs' 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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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 necessarily prejudice the Bank's right of recovery against the customers. The Bank determines write-offs in

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

- 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 policies. 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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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

As at December 31, 2022

Particulars	CJSC Subsidiary Bank of NBP in Almaty (Kazakhstan) (Subsidiary)					Total
	Chittagong Branch, (Bangladesh)	Baku (Azerbaijan)	Bishkek (Kyrgyzstan)	Paris (France)		
Cost of investment - net	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)

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

		2022	2021
	Note	------(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).

		2022	2021
	Note	------(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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

- 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).

		2022	2021
	Note	------(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		<u>31,272,467</u>	<u>335,466,675</u>

- 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		-	-
		<u>31,446,617</u>	<u>335,640,825</u>
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		<u>174,150</u>	<u>174,150</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

10. INVESTMENTS	2022					2021				
	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value		
10.1 Investments by type:										
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 sukuk	20,518,238	-	(339,589)	20,178,649	14,000,979	-	(31,279)	13,969,700		
Ordinary shares of listed companies	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 Pakistan	463,294	-	34,380,951	34,844,245	463,294	-	27,060,912	27,524,206		
Term finance certificates / Musharaka 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 sukuk	13,130,709	-	-	13,130,709	-	-	-	-		
Debentures, bonds, sukuk, participation term certificates and term finance certificates	404,585	(404,585)	-	-	407,164	(407,134)	30	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



Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	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)-----								
Note								
10.8/10.14	4,926,048	(3,942,498)	-	983,550	4,970,863	(3,938,595)	-	1,032,268
10.11	2,362,433	-	-	2,362,433	2,362,433	-	-	2,362,433
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
Investments by segments:								
Federal Government Securities								
	890,497,512	-	(2,357,065)	878,140,447	812,380,044	-	(486,151)	811,893,893
	2,409,456,346	-	(28,540,473)	2,380,915,873	925,199,203	-	(8,212,332)	916,986,871
	-	-	-	-	10,914,185	-	-	10,914,185
	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								
	42,026,055	(10,159,936)	4,792,925	36,659,044	34,146,109	(6,110,939)	11,749,467	39,784,637
	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 / Musharaka / Bonds / Debentures and Sukuk Bonds								
	14,940,898	(130,027)	335,083	15,145,954	15,629,231	(130,027)	517,227	16,016,431
	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								
	36,037,761	-	(18,622,514)	17,415,247	20,778,828	-	26,435	20,804,963
	38,010,819	-	(30,359)	37,980,460	34,972,532	-	26,372	34,998,904
	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

10.2



Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	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	463,294	-	34,380,951	34,844,245	463,294	-	27,060,912	27,524,206
Associates								
- Listed								
10.14 First Credit and Investment Bank Limited	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	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)	-	-
Dadaboy 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								
10.11 United National Bank Limited	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)	3,477,363,874	1,924,174,558	(18,486,879)	32,482,963	1,938,170,642

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	2022		2021	
	----- (Rupees in '000) -----			
	1,136,497,472	30,682,290		
	689,709,291	96,128,050		
	1,826,206,763	126,810,340		

	----- (Rupees in '000) -----									
	Number of shares	Percentage of holding	Country of incorporation	Based on the financial statements as at	Assets	Liabilities	Revenue	Profit / (loss) after taxation	Total comprehensive income / (loss)	
	20,000,000	30.77	Pakistan	June 30, 2022	2,082,274	1,330,436	134,082	8,189	(26,210)	
	17,030,231	20.19	Pakistan	N/A	-	-	-	-	-	
	3,970,859	32.79	Pakistan	June 30, 2022	144,598	254,888	-	(14,291)	(14,291)	
	3,754,900	25.03	Pakistan	June 30, 2022	1,233,803	552,420	14,247	(10,794)	(9,407)	
	4,906,000	20.27	Pakistan	N/A	-	-	-	-	-	
	106,014,565	27.01	Pakistan	December 31, 2021	67,216,574	63,460,781	10,100,924	(2,681,238)	(2,684,871)	
	31,347,444	3.16	Pakistan	June 30, 2022	13,817,269	149,653	(1,801,489)	(2,370,780)	(2,370,780)	
	12,500,000	33.33	Pakistan	June 30, 2022	478	404	56	(385)	(385)	
	1,300,000	39.50	Pakistan	N/A	-	-	-	-	-	
	33,333	33.33	Pakistan	N/A	-	-	-	-	-	
	11,000	20.37	Pakistan	N/A	-	-	-	-	-	
	37,500	32.05	Pakistan	N/A	-	-	-	-	-	
	2,500,000	21.52	Pakistan	N/A	-	-	-	-	-	
	644,508	25.00	Pakistan	N/A	-	-	-	-	-	
	9,900,000	23.11	Pakistan	N/A	-	-	-	-	-	
	5,000	20.00	Pakistan	N/A	-	-	-	-	-	
	200,000	20.00	Pakistan	N/A	-	-	-	-	-	

10.2.1 Investments given as collateral

Pakistan Investment Bonds
Market Treasury Bills

10.2.2 Associates

Listed

First Credit and Investment Bank Limited
National Fibres Limited
Land Mark Spinning Mills Limited
SG Allied Businesses Limited
Nina Industries Limited

Agritech Limited
NBP Stock Fund

Unlisted

Pakistan Emerging Venture Limited
National Fructose Company Limited
Venture Capital Fund Management
Kamal Enterprises Limited
Mehran Industries Limited
Tharparkar Sugar Mills Limited
Youth Investment Promotion Society
Dadabhai Energy Supply Company Limited
K-Agricole Limited
New Pak Limited

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	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) -----								
10.2.3	10,653,860	33.98	Pakistan	June 30, 2022	3,019,257	2,912,866	373,107	56,725	56,725
	150,000	20.00	Pakistan	N/A	-	-	-	-	-
	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	8,650	100.00	Kazakhstan	December 31, 2021	1,700,218	1,566	103,760	(57,131)	(57,131)
	99,999,999	100.00	Pakistan	December 31, 2021	1,497,043	133,401	375,415	141,719	141,719
	10,500,000	100.00	Pakistan	December 31, 2021	105,325	99,139	8,828	(13,317)	(13,317)
	7,875,002	58.32	Pakistan	December 31, 2021	1,329,436	1,015,638	155,636	11,018	11,270
	1,245,000	76.51	Pakistan	N/A	-	-	-	-	-
	13,499,996	54.00	Pakistan	June 30, 2022	2,897,230	1,535,503	1,210,137	236,221	235,015
	N/A: Not available								
10.3	----- (Rupees in '000) -----								
	Provision for diminution in value of investments								
	Opening balance								
	Charge / (reversals)								
	Charge for the year								
	Reversals for the year								
	Transfers-net								
	Closing balance								
10.3.1	----- (Rupees in '000) -----								
	Particulars of provision against debt securities								
	Category of classification								
	2022		2021		NPI		NPI		Provision
	----- (Rupees in '000) -----								
	6,525,731	6,394,746	5,607,314	5,607,314	5,607,314	5,607,314	5,607,314	5,607,314	5,607,314
	6,525,731	6,394,746	5,607,314	5,607,314	5,607,314	5,607,314	5,607,314	5,607,314	5,607,314

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

Unlisted companies entity-wise	2022		2021	
	Cost	Breakup value	Cost	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
Shoab 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	

N/A: Not available

Non Government Debt Securities	2022	2021
	------(Rupees in '000)-----	
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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

Foreign Securities

Government Securities	2022		2021	
	Cost (Rupees in '000)	Rating	Cost (Rupees in '000)	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

Cost	404,585	407,164
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Foreign Securities

Government Securities	2022		2021	
	Cost (Rupees in '000)	Rating	Cost (Rupees in '000)	Rating
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
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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).

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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+ respectively 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 ------(Rupees in '000)-----	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	<u>2,362,433</u>	<u>2,362,433</u>

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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

- 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 December 31, 2022 amounts to Rs. 110 million. These shares can not be disinvested without prior consultation with Ministry of Finance.

11. ADVANCES

	Performing		Non Performing		Total	
	2022	2021	2022	2021	2022	2021
Note	------(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	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	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
	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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	2022	2021
	------(Rupees in '000)-----	
11.2 Particulars of advances (Gross)		
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 (2021: Rs.197,938 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	1,780,995	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			2021		
	Specific	General	Total	Specific	General	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	(175,513)	-	(175,513)	(171,425)	-	(171,425)
Amounts charged off- agriculture financing	(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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

11.4.1 Particulars of provision against advances

	2022			2021		
	Specific	General	Total	Specific	General	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
Write-offs of below Rs. 500,000	11.6	128,797	125,900
Total Write offs		40,378	45,525
Total Reversals		169,175	171,425
		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.

12. FIXED ASSETS

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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	2022	2021
	----- (Rupees in '000) -----	
	1,010,529	1,335,603
	10,825	10,825
	58,733	58,733
	1,080,087	1,405,161

12.1 Capital work-in-progress

Civil works
Equipment
Advances to suppliers and contractors

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	73,018,109
Accumulated depreciation	-	-	(1,522,702)	(1,230,090)	(5,263,350)	(4,536,294)	(6,505,609)	(1,093,597)	(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	52,701,215

Year ended December 2022

Opening net book value
Additions
Movement in surplus on assets revalued
Disposals
Depreciation charge
Depreciation adjustment - disposal
Exchange rate adjustments
Other adjustments / transfers
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
	-	-	192,827	333,935	635,155	258,220	311,633	235,796	-	1,967,566
	1,110,306	1,622,180	791,946	167,353	-	-	-	-	-	3,691,785
	-	-	-	-	(18,664)	(7,205)	(7,952)	(173,354)	-	(207,175)
	-	-	(262,282)	(194,731)	(626,948)	(356,687)	(516,449)	(309,890)	-	(2,266,987)
	-	-	-	-	15,425	7,205	7,899	125,172	-	155,701
	(7,995)	-	(44,223)	(20,925)	3,651	-	3,611	2,644	-	(1,118)
	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
Accumulated depreciation
Net book value

	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
	-	-	(1,784,985)	(1,424,821)	(5,874,872)	(4,885,776)	(7,014,159)	(1,278,315)	(165,252)	(22,428,180)
	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	20% on cost	20% - 50% on cost	20% on cost	20% on cost	20% on cost
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Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	2021								Total	
	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
At January 1, 2021	(Rupees in '000)									
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	-	-	-	-	-	(15,197)	-	(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:										
									2021	
									2022	
	----- (Rupees in '000) -----									
Freehold land									1,132,637	
Leasehold land									890,025	
Building on freehold land									1,013,440	
Building on leasehold land									820,613	
									1,909,929	
									4,946,031	
									4,419,269	
									5,319,961	
									4,795,454	
									2,123,087	
									3,260,800	
									3,157,918	
									1,316,496	
									9,858,301	
									9,843,708	
12.2.2	Carrying amount of temporarily idle property of the Bank									
12.2.3	The cost of fully depreciated assets still in use									
	Furniture and fixtures									
	Electrical and office equipment									
	Computer and peripheral equipment									
	Vehicles									

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

12.3 Details of disposals of fixed assets to related parties

The particulars of disposal of fixed assets to related parties (Employees/Ex-Employees) 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
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
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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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	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 Anmar
Computer & peripheral equipments	106	-	11	11	As per Entitlement	Employee	Mr.Maj (R) 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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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	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	-	-	-	As per Entitlement	Ex-Employee	Mr Tariq Latif Ansari
Computer & peripheral equipments	95	-	-	-	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
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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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	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
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			

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

13. INTANGIBLE ASSETS	Note	2022 ------(Rupees in '000)-----	2021
Capital work-in-progress		841,289	145,179
Intangible assets	13.1	547,658	502,791
		<u>1,388,947</u>	<u>647,970</u>
		Core Banking Application	Computer software
		Total	
13.1 Intangible Assets		------(Rupees in '000)-----	
At January 1, 2022			
Cost		2,913,952	4,592,867
Accumulated amortisation and impairment		(2,913,952)	(4,090,076)
Net book value		-	502,791
Year ended December 2022			
Opening net book value	-	502,791	502,791
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
At December 31, 2022			
Cost		2,913,952	4,960,883
Accumulated amortisation and impairment		(2,913,952)	(4,413,225)
Net book value		-	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	4,054,507
Accumulated amortisation and impairment		(2,913,952)	(3,750,694)
Net book value		-	303,813
Year ended December 2021			
Opening net book value	-	303,813	303,813
Additions:			
- through acquisition/purchase	-	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
At December 31, 2021			
Cost		2,913,952	4,592,867
Accumulated amortisation and impairment		(2,913,952)	(4,090,076)
Net book value		-	502,791
Rate of amortisation (percentage)		33.33 % on cost	33.33 % on cost
Useful life		3 years	3 years

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	2022	2021
	------(Rupees in '000)-----	
13.2		
The cost of fully amortised intangible assets that are still in use		
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		
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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	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)
	<u>(2,978,364)</u>	<u>2,062,826</u>	<u>2,541,185</u>	<u>1,625,647</u>

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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

- 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
(Deficit) / surplus	(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
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.		

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

- 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).

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

19. DEPOSITS AND OTHER ACCOUNTS

	2022			2021		
	In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
Note	------(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
19.3	2,269,183,112	397,001,248	2,666,184,360	2,712,171,247	306,983,798	3,019,155,045

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

19.1 Composition of deposits

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. 870,538 million (2021: Rs. 1,132,236 million) including islamic branches.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

Note	2022 ------(Rupees in '000)-----	2021
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
Acceptances	20,644,122	10,311,259
Advance payments	350,895	370,807
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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	Note	2022 ------(Rupees in '000)-----	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	<u>4,170,799</u>	<u>3,805,376</u>

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

22.2 Issued, subscribed and paid up

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

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

Following shares were held by the associate of the Bank as of year end:

	2022 ------(Number of shares)-----	2021 ------(Number of shares)-----
First Credit & Investment Bank Limited	<u>70,000</u>	<u>70,000</u>
	<u>70,000</u>	<u>70,000</u>

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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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 ------(Rupees in '000)-----	2021
24. SURPLUS ON REVALUATION OF ASSETS			
Surplus / (deficit) 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
		<u>42,791,089</u>	<u>79,787,976</u>
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)
		<u>125,814</u>	<u>(15,305,853)</u>
		<u>42,916,902</u>	<u>64,482,122</u>
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		<u>47,733,683</u>	<u>44,320,452</u>
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
		<u>(3,061,347)</u>	<u>(2,537,701)</u>
		<u>44,672,336</u>	<u>41,782,751</u>
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
(Deficit) / surplus recognised during the year		(343,886)	106,679
Surplus on revaluation as at December 31		<u>2,520,000</u>	<u>2,863,886</u>
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)	-
		<u>(21,752)</u>	<u>(52,732)</u>
		<u>2,498,248</u>	<u>2,811,154</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	Note	2022 ------(Rupees in '000)-----	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
		<u>2,777,466,247</u>	<u>2,511,123,406</u>
25.1 Guarantees			
Financial guarantees		287,741,990	197,024,912
Performance guarantees		89,819,382	64,331,156
		<u>377,561,372</u>	<u>261,356,068</u>
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	-
		<u>2,373,285,184</u>	<u>2,213,570,534</u>
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
		<u>570,881,591</u>	<u>571,111,340</u>

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.

	Note	2022 ------(Rupees in '000)-----	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
		<u>54,568,834</u>	<u>38,255,954</u>

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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	2022	2021
	------(Rupees in '000)-----	
25.2.3 Commitments in respect of forward lending		
Undrawn formal standby facilities, credit lines and other commitments to lend	<u>50,363,949</u>	<u>20,618,971</u>
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.		
25.2.4 Other commitments		
Professional services to be received	<u>36,850</u>	<u>-</u>
25.3 Other contingent liabilities		
25.3.1 Claims against the Bank not acknowledged as debt	<u>26,619,691</u>	<u>36,196,804</u>

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.

- 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.
- 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 million, Rs. 815 million in 2009 and 2010 respectively. Whereby for tax year 2016, the department has created demand of Rs. 118 million which has been adjusted against tax refunds of tax year 2018.
- 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 million.
- 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.
- 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.
- The aggregate effect of contingencies as on December 31, 2022, excluding amount of Rs. 1,912 million (December 31, 2021: Rs. 2,096 million) in respect of indirect tax issues, amounts to Rs. 15,419 million (December 31, 2021: Rs. 17,983 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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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.

26. MARK-UP / RETURN / INTEREST EARNED

On:

a) Loans and advances

b) Investments

c) Lendings to financial institutions

d) Balances with banks

	2022	2021
	------(Rupees in '000)-----	
	141,365,310	87,346,632
	348,305,015	139,115,194
	12,815,152	3,956,776
	824,808	1,464,100
	503,310,285	231,882,702

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	Note	2022 ------(Rupees in '000)-----	2021
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		399,736	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		90,887	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 for delayed refunds determined under Section 171 of Income Tax Ordinance 2001.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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

31.1 Total compensation expense

Managerial Remuneration

i) Fixed

ii) Variable

of which;

a) Cash Bonus / Awards etc.

Charge for defined benefit plan

Rent & house maintenance

Utilities

Medical

Conveyance

Club Membership & Subscription

Education Allowance

Insurance

Honorarium to Staff and Staff Welfare

Overtime

Special Duty Allowance

Washing Allowance

Key Allowance

Unattractive Area Allowance

Leave Encashment

Teaching Allowance

Incentive on CASA deposits mobilization

Meal Allowance

Liveries

Inflationary Allowance

Saturday Allowances

Severe Winter Allowance

Hill Allowance

ATM Cash Replenish Allowance

PhD Allowance

Other retirement benefits for international branches

Reimbursement of visa fees etc

Recruiting expenses

Others

	15,479,326	7,943,984
	5,129,786	4,481,382
	8,354,267	7,406,457
	5,825,886	5,305,594
	2,112,571	1,961,619
	3,871,937	3,453,565
	3,743,225	3,359,933
	140,451	197,461
	1,443,112	1,455,624
	472,023	337,287
	262,284	208,592
	45,255	44,249
	2,408	139
	15,044	16,590
	71,914	72,813
	61,969	56,898
	12,967	9,775
	10,590	10,392
	23,739	20,473
	249,065	255,290
	62	1,265
	840,224	-
	149,162	93,449
	54,659	50,849
	35,176	28,825
	14,977	7,500
	10,441	5,353
	85,969	79,772
	13,620	8,155
	7,732	5,427
	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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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
		<u>81,962</u>	<u>94,770</u>

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.

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	<u>107,076</u>	<u>8,197</u>

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
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31.5 Auditors' remuneration

	------(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
	<u>16,157</u>	<u>16,157</u>	<u>32,314</u>	<u>26,928</u>
Special certifications	1,136	1,136	2,272	2,272
	<u>17,293</u>	<u>17,293</u>	<u>34,586</u>	<u>29,200</u>
Other special certifications and sundry advisory services	5,162	15,577	20,739	5,662
Sales Tax	2,406	3,718	6,124	3,508
Out-of-pocket expenses	4,500	4,500	9,000	9,000
	<u>29,361</u>	<u>41,088</u>	<u>70,449</u>	<u>47,370</u>
Fee for audit of overseas branches including advisory services and out-of-pocket expenses	-	-	171,960	136,240
	<u>29,361</u>	<u>41,088</u>	<u>242,409</u>	<u>183,610</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	Note	2022 ------(Rupees in '000)-----	2021
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	8,059,708	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
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.		
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
Super tax at statutory rate @ 10% (2021: 4%)		6,273,716	2,114,416
Increase / (decrease) in taxes resulting from:			
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
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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

		2022	2021																																				
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																																				
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 flow used in financing activities																																						
		<table border="1"> <thead> <tr> <th colspan="2">2022</th> </tr> <tr> <th>Lease Obligation</th> <th>Unclaimed Dividend</th> </tr> </thead> <tbody> <tr> <td colspan="2" style="text-align: center;">----- (Rupees in '000) -----</td> </tr> <tr> <td>Balance as at January 1, 2022</td> <td>7,893,960</td> <td>181,997</td> </tr> <tr> <td>Changes from financing cashflows</td> <td></td> <td></td> </tr> <tr> <td> Payment of lease obligation / dividend</td> <td>(2,428,160)</td> <td>(146)</td> </tr> <tr> <td>Total charges from financing activities</td> <td>(2,428,160)</td> <td>(146)</td> </tr> <tr> <td>Other charges</td> <td></td> <td></td> </tr> <tr> <td> Renewed lease during the year</td> <td>2,244,669</td> <td>-</td> </tr> <tr> <td> Interest unwinding</td> <td>848,592</td> <td>-</td> </tr> <tr> <td> Foreign exchange loss</td> <td>(291,112)</td> <td>-</td> </tr> <tr> <td>Total other charges</td> <td>2,802,149</td> <td>-</td> </tr> <tr> <td>Balance as at December 31, 2022</td> <td>8,267,949</td> <td>181,851</td> </tr> </tbody> </table>		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
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Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	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%

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

39.4	Reconciliation of (receivable from) / payable to defined benefit plans		2021					2022						
			Post retirement medical scheme	Benevolent scheme	Gratuity scheme	Compensated absences	Total	Post retirement medical scheme	Benevolent scheme	Gratuity scheme	Compensated absences	Total		
			89,128,297	29,176,898	1,697,838	3,767,868	8,734,235	132,505,126	89,128,297	29,176,898	1,697,838	3,767,868	8,734,235	132,505,126
			(66,064,403)	-	-	-	(66,064,403)	(66,064,403)	-	-	-	-	(66,064,403)	(66,064,403)
			23,063,894	29,176,898	1,697,838	3,767,868	8,734,235	66,440,723	23,063,894	29,176,898	1,697,838	3,767,868	8,734,235	66,440,723
			79,608,695	24,516,717	1,778,825	3,168,258	9,952,554	119,025,049	79,608,695	24,516,717	1,778,825	3,168,258	9,952,554	119,025,049
			1,034,974	856,635	63,621	473,120	11,299	2,439,649	1,034,974	856,635	63,621	473,120	11,299	2,439,649
			1,119,100	441,385	-	-	31,837	1,580,485	1,119,100	441,385	-	-	31,837	1,580,485
			240,914	52,731	328	364,696	1,449,972	325,810	240,914	52,731	328	364,696	1,449,972	325,810
			9,162,030	2,808,493	196,854	(128,928)	(631,129)	13,682,045	9,162,030	2,808,493	196,854	(128,928)	(631,129)	13,682,045
			(3,267,938)	(1,229,299)	(206,837)	(109,288)	(2,080,302)	(5,164,227)	(3,267,938)	(1,229,299)	(206,837)	(109,288)	(2,080,302)	(5,164,227)
			1,230,522	1,730,236	(134,853)	(109,288)	(2,116,617)	(2,080,302)	1,230,522	1,730,236	(134,853)	(109,288)	(2,116,617)	(2,080,302)
			89,128,297	29,176,898	1,697,838	3,767,868	8,734,235	132,505,126	89,128,297	29,176,898	1,697,838	3,767,868	8,734,235	132,505,126
			61,773,750	-	-	-	-	61,773,750	61,773,750	-	-	-	-	61,773,750
			7,247,610	-	-	-	-	7,247,610	7,247,610	-	-	-	-	7,247,610
			1,345,187	-	-	-	-	1,345,187	1,345,187	-	-	-	-	1,345,187
			(3,267,938)	-	-	-	-	(3,267,938)	(3,267,938)	-	-	-	-	(3,267,938)
			1,738,818	-	-	-	-	1,738,818	1,738,818	-	-	-	-	1,738,818
			(2,773,024)	-	-	-	-	(2,773,024)	(2,773,024)	-	-	-	-	(2,773,024)
			66,064,403	-	-	-	-	66,064,403	66,064,403	-	-	-	-	66,064,403
			17,834,945	24,516,717	1,778,825	3,168,258	9,952,554	57,251,299	17,834,945	24,516,717	1,778,825	3,168,258	9,952,554	57,251,299
			2,949,394	3,665,128	280,475	837,816	(919,031)	6,793,782	2,949,394	3,665,128	280,475	837,816	(919,031)	6,793,782
			1,119,100	441,385	-	-	31,837	1,580,485	1,119,100	441,385	-	-	31,837	1,580,485
			240,914	52,731	328	364,696	1,449,972	325,810	240,914	52,731	328	364,696	1,449,972	325,810
			(1,345,187)	-	-	-	-	(1,345,187)	(1,345,187)	-	-	-	-	(1,345,187)
			4,003,546	1,730,236	(134,853)	(109,288)	-	5,489,641	4,003,546	1,730,236	(134,853)	(109,288)	-	5,489,641
			(1,738,818)	(1,229,299)	(206,837)	(128,928)	(331,129)	(3,635,107)	(1,738,818)	(1,229,299)	(206,837)	(128,928)	(331,129)	(3,635,107)
			23,063,894	29,176,898	1,697,838	3,767,868	8,734,235	66,440,723	23,063,894	29,176,898	1,697,838	3,767,868	8,734,235	66,440,723
			1,034,974	856,635	63,621	473,120	11,299	2,439,649	1,034,974	856,635	63,621	473,120	11,299	2,439,649
			1,119,100	441,385	-	-	31,837	1,580,485	1,119,100	441,385	-	-	31,837	1,580,485
			1,914,420	2,808,493	196,854	(128,928)	(631,129)	6,434,435	1,914,420	2,808,493	196,854	(128,928)	(631,129)	6,434,435
			4,068,404	4,106,513	280,475	837,816	(919,031)	8,354,267	4,068,404	4,106,513	280,475	837,816	(919,031)	8,354,267
			4,049,273	1,259,537	(278,861)	45,522	-	5,075,471	4,049,273	1,259,537	(278,861)	45,522	-	5,075,471
			(2,818,751)	470,899	144,008	(154,810)	-	(2,358,654)	(2,818,751)	470,899	144,008	(154,810)	-	(2,358,654)
			2,773,024	-	-	-	-	2,773,024	2,773,024	-	-	-	-	2,773,024
			4,003,546	1,730,236	(134,853)	(109,288)	-	5,489,641	4,003,546	1,730,236	(134,853)	(109,288)	-	5,489,641
			1,366,738	1,516,049	(213,037)	19,552	-	2,679,302	1,366,738	1,516,049	(213,037)	19,552	-	2,679,302
			299,351	(1,162,822)	(105,847)	(76,089)	-	(1,045,407)	299,351	(1,162,822)	(105,847)	(76,089)	-	(1,045,407)
			600,193	-	-	-	-	600,193	600,193	-	-	-	-	600,193
			2,256,282	353,227	(318,884)	(56,537)	-	2,234,088	2,256,282	353,227	(318,884)	(56,537)	-	2,234,088

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39.7.1

39.7.2

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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).

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

41. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

41.1 Total Compensation Expense

Items	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non-Executives				
2022						
------(Rupees 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	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non- Executives				
2021						
------(Rupees 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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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						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. Sadaf 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. Sadaf 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
(Rupees 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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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:

On balance sheet financial instruments	2022				Total
	Carrying Value	Level 1	Level 2	Level 3	
------(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 / Musharaka 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)

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	2021				Total
	Carrying Value	Level 1	Level 2	Level 3	
----- (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 / Musharaka 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
	<u>1,561,672,792</u>	<u>84,591,003</u>	<u>1,477,081,788</u>	<u>-</u>	<u>1,561,672,791</u>
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
	<u>369,563,357</u>	<u>-</u>	<u>366,461,866</u>	<u>-</u>	<u>366,461,866</u>
	<u>1,931,236,149</u>	<u>84,591,003</u>	<u>1,843,543,654</u>	<u>-</u>	<u>1,928,134,657</u>
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)

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

43. SEGMENT INFORMATION 43.1 Segment Details with respect to Business Activities

	2022							Eliminations	Total
	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		
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	-
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	-
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	-
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	-
Inter segment expense allocation	-	-	-	-	-	-	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	-
Provisions charge / (reversal)	39,252	1,823,824	5,642,750	4,066,055	153,204	187,806	687,716	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	-
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	-
Investments	-	-	26,566,790	3,338,860,011	55,398,579	53,920,119	2,610,375	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	-
Advances - performing	221,901,091	236,174,990	608,422,187	-	68,916,285	46,381,315	51,477,911	1,233,273,779	-
Advances - non-performing	4,107,960	21,853,219	24,119,377	-	53,726,670	654,979	100,846,220	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)	-
Advances - net	217,037,033	238,236,568	609,441,180	-	70,286,002	46,380,995	49,140,026	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	252,771,652	-
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)
Borrowings	-	6,032,537	78,399,346	1,839,417,048	16,638,856	-	-	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	-
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	2,899,990	3,373,890	81,038,625	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)
Equity	-	-	283,293	21,178,677	(18,632,621)	424,444	297,593,965	300,847,758	-
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)
Contingencies and commitments	-	183,082,386	1,907,266,393	625,450,425	28,425,095	-	33,241,948	2,771,466,247	-

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	2021									
	Retail Banking Group	Inclusive Development Group	Corporate & Investment Banking Group	Treasury	International, Financial Institution and Remittance	Alteemad & Islamic Banking Group	Head Office / Others	Sub total	Eliminations	Total
Profit and loss account										
Net mark-up / return / profit	(58,755,894)	17,163,761	25,963,957	105,182,793	3,799,879	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)	(2,712,959)	28,537,475	(1,166,373)	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	197,988,229	-	197,988,229
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	84,949,519	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	6,154,839,635	(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



Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

43.2 Segment details with respect to geographical locations

	2022					Total
	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	
	------(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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	2021					
	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	Total
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
TRUST ACTIVITIES						
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.
44.1



Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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					
Category	No. of IPS Accounts	Securities Held (Face Value)			Total
		Market Treasury Bills	Pakistan Investment Bonds	Government Ijarah Sukuks	
------(Rupees 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	
------(Rupees 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:

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	2022										2021											
	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Person fund (current)	Person fund (fixed deposit)	Person fund (N.D.A.A.C)	Provident fund	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Person fund (current)	Person fund (fixed deposit)	Person fund (N.D.A.A.C)	Provident fund	Other related parties		
Balances with other banks																						
In current accounts	-	-	-	-	395,137	-	-	-	-	-	-	-	-	-	235,951	-	-	-	-	-	235,951	
Investments																						
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Investment made during the year	-	-	-	-	-	-	-	-	-	4,465,809	-	-	-	-	-	-	-	-	-	-	-	
Investment redeemed / disposed off during the year	-	-	-	-	-	-	-	-	-	1,605,804	-	-	-	-	-	-	-	-	-	-	-	
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
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	-	-	-	-	-	-	-	-	-	641,482	-	-	-	-	233,267	-	-	-	-	-	305,117	
Addition during the year	-	-	-	-	-	-	-	-	-	2,229,175	-	-	-	-	254,880	-	-	-	-	-	35,589,939	
Repaid during the year	-	-	-	-	-	-	-	-	-	(1,435,378)	-	-	-	-	(36,276)	-	-	-	-	-	(35,253,573)	
Transfer in / (out) - net	-	-	-	-	-	-	-	-	-	650,516	-	-	-	-	(104,319)	-	-	-	-	-	-	
Closing balance	-	-	-	-	-	-	-	-	-	2,085,795	-	-	-	-	347,382	-	-	-	-	-	641,482	
Provision held against advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	251,585	-	-	-	-	-	2,837,287	
Other Assets																						
Interest / mark-up accrued	-	-	-	-	-	-	-	-	-	-	-	-	-	-	251,316	-	-	-	-	-	-	
Other receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	73,280	-	-	-	-	-	-	
Provision against other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	324,536	-	-	-	-	-	1,719,049	
Borrowings																						
Opening balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Borrowings during the year	-	-	-	-	-	-	-	-	-	35,741	-	-	-	-	-	-	-	-	-	-	9,111	
Settled during the year	-	-	-	-	-	-	-	-	-	16,504	-	-	-	-	-	-	-	-	-	-	26,630	
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	-	-	1,369,644	13,282,016	227,967	-	235,269,961	
Received during the year	-	885,658	14,507	3,000	-	-	41,961,279	8,370,003	5,025,151	5,647,369	9,334	777,224	693,981	-	-	-	10,000,000	-	-	-	235,269,961	
Withdrawn during the year	(14)	(894,821)	(110,741)	-	-	-	(42,010,321)	(10,100,000)	(8,155,520)	(4,616,736)	(5,669,604)	(8,994)	(763,659)	(1,240,353)	-	-	(1,322,875)	(427,261)	(196,497,842)	-	(196,497,842)	
* Transfer in / (out) - net	(1,746)	(23,803)	-	-	-	-	-	-	-	(42,798,288)	(42,798,288)	(90)	(59,347)	-	-	-	-	-	-	-	-	4,336,036
Closing balance	-	96,488	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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	-	-	30,676	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Contingencies and Commitments																						

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



Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	2022							2021								
	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Pension fund	Provident fund	Funds / others	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Pension fund	Provident fund	Funds / others
Income																
Mark-up / return / interest earned	-	-	28,121	3,384	1	-	-	-	-	-	2,731	9,857	-	-	-	-
Debits due by Companies in which Directors of the Bank is interested as Directors	-	-	-	-	-	-	-	457,362	-	-	-	-	-	-	-	8,137
Fee and commission 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	-	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 in which 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

(Rupees in '000)

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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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/>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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
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 Tanneries	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	-	-	-	-	-
Miscellaneous	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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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	1,525,314
	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	99,887	99,887	99,887	99,887
Private	939,648,637	884,440,266	205,207,538	197,838,342	190,610,974	179,211,835
	1,438,581,204	1,305,176,798	205,307,425	197,938,229	190,710,861	179,311,722

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	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.

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

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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
	------(Rupees in '000)-----	
Funded	306,636,922	244,605,208
Non Funded	1,544,521,600	1,230,335,750
Total Exposure	<u>1,851,158,522</u>	<u>1,474,940,958</u>

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

Province / Region	2022						
	Disbursements		Utilization				
	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	<u>1,066,693,365</u>	<u>422,259,044</u>	<u>490,806,309</u>	<u>11,459,625</u>	<u>4,573,074</u>	<u>130,350,515</u>	<u>7,244,799</u>
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	<u>792,295,691</u>	<u>238,408,770</u>	<u>477,991,188</u>	<u>18,742,921</u>	<u>3,678,107</u>	<u>45,550,315</u>	<u>7,924,390</u>

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	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	-	(173,567)
- Other comprehensive income	611,514	-	620,409	-

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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

	2022		2021	
	Banking book	Trading book	Banking book	Trading book
	----- (Rupees in '000) -----			
	17,740,339	758,615	8,629,166	368,677

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
1.6%	229,910,949	19,349,334	-	-	-	-	-	-	-	-	210,561,615
5.5%	18,593,800	3,235,004	1,613,059	566,760	797,970	-	-	-	-	-	12,391,007
16.2%	31,272,467	31,262,744	-	-	-	-	-	-	-	-	9,723
13.2%	3,477,353,874	621,351,066	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
10.4%	1,230,521,804	324,286,274	280,091,474	173,744,248	165,864,406	25,730,493	43,725,218	66,886,032	53,927,228	31,850,855	64,445,576
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	189,702,005	39,001,549	496,834,293
	55,268,019	-	-	-	-	-	-	-	-	-	55,268,019
15.8%	1,940,485,787	1,306,993,999	481,134,339	24,758,723	4,359,766	3,941,769	4,270,460	12,396,285	22,576,300	44,147	-
7.9%	2,666,184,360	1,693,194,904	56,331,841	143,645,001	62,752,364	87,887,931	21,560,944	14,583,213	1,997,543	-	584,260,619
10.4%	8,267,949	50	21,308	60,618	179,806	416,971	1,016,832	1,904,041	2,978,296	1,680,227	-
0.0%	266,726,618	-	-	-	-	-	-	-	-	-	266,726,618
	4,936,832,933	3,080,188,953	537,487,488	168,464,342	67,291,736	92,216,671	26,656,236	28,863,539	27,554,139	1,734,374	906,255,456
	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)
	1,696,635,726	-	-	-	-	-	-	-	-	-	1,696,635,726
	165,879,919	78,713,612	62,008,252	25,198,054	-	-	-	-	-	-	-
	(32,591,500)	(32,591,500)	-	-	-	-	-	-	-	-	-
	50,363,949	-	-	-	-	-	-	-	-	-	50,363,949
	798,234	-	-	-	-	-	-	-	-	-	798,234
	1,881,086,248	46,122,032	62,008,252	25,198,054	-	-	-	-	-	-	1,747,797,909
	(2,094,582,480)	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	
	(2,094,582,480)	(733,349,959)	(157,479,473)	140,666,378	195,596,073	327,046,701	541,010,668	683,158,465	720,425,610	2,058,802,356	

Impact of 1% change in interest rates

- Profit and loss account
- Other comprehensive income

47.2.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

On-balance sheet financial instruments

Assets

- Cash and balances with treasury banks
- Balances with other banks
- Lendings to financial institutions
- Investments
- Advances
- Other assets

Liabilities

- Bills payable
- Borrowings
- Deposits and other accounts
- Lease liability against right of use assets
- Other liabilities

Off-balance sheet financial instruments

Documentary credits and short-term trade-related transactions

Commitments in respect of:

- Forward foreign exchange contracts
- Forward government securities transactions
- Forward lending

Commitments for acquisition of:

- fixed assets
- other commitments

Off-balance sheet gap

Total Yield / Interest Risk Sensitivity Gap

Cumulative Yield / Interest Risk Sensitivity Gap

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

Effective Yield / Interest rate	2021										Non-interest bearing financial instruments	
	Exposed to Yield / Interest risk											
	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	278,747,059	25,786,429	1,230,868	-	-	-	-	-	-	-	-	251,727,762
Balances with other banks	17,667,067	3,649,152	728,951	766,147	-	-	-	-	-	-	-	12,008,146
Lendings to financial institutions	335,466,675	305,466,675	30,000,000	-	-	-	-	-	-	-	-	-
Investments	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	19,850,120
Advances	1,113,392,485	233,082,018	347,474,887	221,335,325	87,266,493	15,422,466	18,353,878	96,686,071	52,224,236	21,686,992	-	60,619,899
Other assets	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	288,797,182	29,495,102	-	421,583,177
Liabilities												
Bills payable	21,848,270	-	-	-	-	-	3,634,279	6,463,258	15,362,877	-	-	21,848,270
Borrowings	312,925,106	33,993,924	129,395,726	81,758,922	29,616,731	13,089,389	3,634,279	6,463,258	15,362,877	-	-	-
Deposits and other accounts	3,019,155,045	1,606,638,783	92,855,650	64,016,936	72,939,726	18,293,487	79,321,676	4,588,165	588,979	-	-	1,079,941,642
Lease liability against 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	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	74,985,217	1,462,876	-	-	-	-	-	-	-
- forward government securities transactions	22,180,109	-	(171,628)	-	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	680,176,588	897,471,105	1,182,269,820	1,190,283,930	1,917,338,991	-	-
47.2.2.6 Reconciliation of Financial Assets & Liabilities with Total Assets & Liabilities												
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												
Other Liabilities	2,643,854											2,544,817
Total liabilities as per statement of financial position	4,939,576,787											3,560,481,904



Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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.

Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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
229,910,949	227,629,726	898,000	1,333,223	53,880	666,169	-	797,970	-	-	-	-	-	-
18,953,800	12,404,772	208,159	1,131,200	53,880	666,169	946,890	556,760	-	-	-	-	-	-
3,272,467	9,723	30,884,537	778,207	2,084,677	186,814,863	406,388,250	221,688,778	398,517,150	177,655,218	599,374,146	756,921,831	458,210,559	257,219,533
3,477,953,874	5,642,931	3,022,008	3,740,930	2,084,677	66,304,945	19,816,294	117,851,616	66,796,248	61,478,106	70,627,513	64,102,083	125,183,386	183,644,203
1,220,621,804	395,617,066	4,058,283	41,934,580	13,107,471	-	-	-	767,650	1,847,737	787,649	462,982	1,395,721	52,417,085
57,105,882	-	-	-	-	-	-	-	-	462,982	462,982	462,983	-	-
1,388,947	-	-	74	-	16,055	611	58,696	104,470	74,851	374,173	844,718	1,590,294	3,684,462
6,706,404	-	-	-	-	-	611	58,696	104,470	74,851	374,173	844,718	1,590,294	3,684,462
22,298,403	-	-	-	-	35,063,591	35,453,086	180,147,744	1,555,736	1,555,736	29,327,589	688,171	222,989,403	1,376,342
165,269,056	40,801,665	-	-	-	288,885,613	462,802,131	358,166,624	467,771,634	241,874,603	702,614,140	823,707,445	609,561,619	498,341,625
5,240,424,546	681,985,883	40,898,987	48,190,007	16,024,235	288,885,613	462,802,131	358,166,624	467,771,634	241,874,603	702,614,140	823,707,445	609,561,619	498,341,625

Assets

Cash and balances with treasury banks
Balances with other banks
Lending to financial institutions
Investments
Advances
Fixed assets
Intangible assets
Right of Use Assets
Deferred tax assets
Other assets

Liabilities

Bills payable
Borrowings
Deposits and other accounts
Liabilities against assets subject to right of use assets
Other liabilities

Net assets

Share capital
Reserves
Unappropriated profit
Surplus on revaluation of assets

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
278,747,059	275,826,353	717,384	1,689,838	533,576	322,264	192,407	786,147	-	-	-	-	-	-
17,667,057	13,841,633	2,749,413	533,576	2,405,644	322,264	192,407	786,147	-	-	-	-	-	-
335,466,675	2,405,644	274,941,337	2,405,644	2,405,644	115,945,326	484,786,384	163,339,043	79,413,300	105,916,554	417,430,271	142,824,222	134,858,789	243,811,976
1,988,170,642	4,515,392	611,150	4,603,040	40,215,196	68,472,193	32,145,072	99,428,026	44,682,449	56,204,577	56,918,407	90,890,852	127,063,915	162,253,800
1,113,392,485	3,192,220,013	3,480,102	49,909,626	2,934,122	2,834,122	2,834,122	2,834,122	2,834,122	2,834,122	2,834,122	2,834,122	2,834,122	2,834,122
94,106,376	-	-	-	-	-	-	-	-	802,951	2,352,291	802,951	1,407,464	48,739,719
647,970	-	-	-	-	-	-	-	-	-	-	-	-	-
6,696,400	-	-	-	-	17,682	464	53,920	72,810	215,990	588,608	215,990	1,417,863	3,885,007
1,625,647	-	-	-	-	17,682	464	53,920	72,810	215,990	588,608	215,990	1,417,863	3,885,007
100,255,148	18,172,590	225,894	316,477	16,646,615	16,646,615	16,994,106	12,596,172	1,388,113	1,369,446	29,022,877	725,138	1,087,707	1,450,276
3,946,684,469	633,981,626	279,948,646	57,062,557	201,394,080	534,108,434	307,376,980	126,322,820	164,620,394	536,529,444	235,706,712	267,460,786	480,140,779	

Assets

Cash and balances with treasury banks
Balances with other banks
Lending to financial institutions
Investments
Advances
Fixed assets
Intangible assets
Right of Use Assets
Deferred tax assets
Other assets

Liabilities

Bills payable
Borrowings
Deposits and other accounts
Liabilities against assets subject to right of use assets
Other liabilities

Net assets

Share capital
Reserves
Unappropriated profit
Surplus on revaluation of assets



Notes to and forming part of the Unconsolidated Financial Statements

For the year ended December 31, 2022

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.

Ashraf Mahmood Wathra
Chairman

Rehmat Ali Hasnie
President & CEO (A)

Abdul Wahid Sethi
Chief Financial Officer

Asif Jooma
Director

Ahsan Ali Chughtai
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

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					8
1	S.B. Hosieny Factory Pvt. Ltd. 2nd Floor, Platinum Bank Building (Now KASB Bank Building, Kotwali Road, Faisalabad.	3 Late Muhammad Ikram 33100-1627050-1 Shehnaaz Ikram 33100-6740898-8 Muhammad Usman 33100-7368631-7 Faisal Saeed Sheikh 33100-1014832-3	4 Haji Tutal Muhammad Muhammad Ikram Muhammad Ikram Saeed Mehmood Sheikh	5 196,741	6 46,768	7 162,811	8 406,320	9 76,741	10 -	11 209,579	12 286,320
2	Sohail Textiles 21- Km Ferozpur Road, Lahore	3 Sohail Hamid Rana 35201-1636030-9	4 Rana Hamid Khan	5 25,788	6 6,945	7 27,262	8 59,995	9 -	10 -	11 14,375	12 14,375
3	Uppal Textiles 1 Km Old Kasur Road, Rawind 565 G, Johar Town, Lahore.	3 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	4 Muhammad Ali Asif Ali Arshad Ali Muhammad Ali Muhammad Ali Liaqat Ali	5 -	6 -	7 33,278	8 33,278	9 -	10 -	11 17,369	12 17,369
4	East N Link Products Limited Office 5-6, 5th Floor, Block C-1, Taj Complex, Opp: Capri Cinema Karachi	3 Nisar Ahmed 42301-3612315-7 Anwar Ahmed 42301-7452922-5 Hamida Begum 42301-4908895-2 Samina Nisar 42201-0562367-6 Rukhsana Anwar 42301-1946870-2 Sikandar Ali 48547157648 (Old) Syed Waj Ullah	4 Muhammad Yaqoob Muhammad Yaqoob Muhammad Yaqoob Nisar Ahmed Anwar Ahmed Nizamuddin Syed Habibullah Hussaini	5 74,051	6 42,211	7 156,413	8 272,675	9 -	10 -	11 192,675	12 192,675

Annexure 'I' as referred to in note 11.6 of the Bank's Unconsolidated Financial Statements

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
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 Rahmyarkhan	Abdul Hameed 31302-7561665-9	Muhammad Abdullah	1,047	-	-	1,047	1,047	-	-	1,047
7	Muhammad Yameen Near Masjid Bahar e Madina, Mohallah Rapputan Dhanate, Kehror Pacca, Lodhian	Muhammad Yameen 36202-3640971-1	Muhammad Younus	579	-	-	579	579	-	-	579
8	Malik Alta Muhammad Basti Warna, P.O Kotla Musa Khan, Tehsil Ahmedpur East, District Bahawalpur	Malik Alta Muhammad 31201-2112288-3	Malik Ahmad Bukhsh	515	-	-	515	515	-	-	515
9	M/s Askari Corporation Mohalla Kot Warsi Shah, Near Chungi No. 1, Suraj Miani Road, Multan	Syed Iftikhar Bokhari 36302-7855011-1	Syed Abdul Ghafor 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 Raaza Abad Colony, Multan	Nadeem Sarfraz 36302-6289423-1	Khusi Masih	600	-	-	600	600	-	-	600
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 Piratak Joint Road, Gymkhana, Quetta	Saleem Iqbal 64400-6004083-5	Iqbal	561	-	-	561	561	-	-	561
17	Late Naseer Ahmed Village Amb Panhwar P.O Makhdoom Blawan Bagban Taluka, Dadu	Late Naseer Ahmed 41201-2208306-7	Muhammad Rajib Panhwar	575	-	-	575	575	-	-	575
18	Late Azzullah Muhallah Gareebabad Naudero District Larkana	Late Azzullah 43203-3105732-3	Wahid Bux Abro	672	-	-	672	672	-	-	672
19	Late Bagan Village Durani Mahar Kandhot, District Kashmir	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

Annexure 'I' as referred to in note 11.6 of the Bank's Unconsolidated Financial Statements

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
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 Jhri, District Dadu	Late Ghulam Akbar 43301-6215736-9	Allardhno Rustamani	887	-	-	887	887	-	-	887
23	Late Muhammad Ibrahim Muhalla Ayob Colony, Tehsil Naushero Feroz, District Larkana	Late Muhammad Ibrahim 43205-1522586-1	Hamid Ali Janwar	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 Behar 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 Thuli, District Jacobabad	Late Muhammad Rafique 43105-646269-1	Hamal Khan Lashari	586	-	-	586	586	-	-	586
28	Late Muhammad Bachal Village Muhammad pur Ocho Taluka Garhi Khairo, District Jacobabad	Late Muhammad Bachal 43101-0166329-9	Mehboob Ali Jakthro	589	-	-	589	589	-	-	589
29	Late Ghulam Hyder Village Mured Khan Jabriani P.O Kamber, District Kamber Shandadkot	Late Ghulam Hyder 43202-3595432-1	Muhammad Ilyas Jagirani	686	-	-	686	686	-	-	686
30	Late Khadim Hussain Qazi Muhalla Taluka Jhri, District Dadu	Late Khadim Hussain 41202-3277364-3	Muhammad Salih Khoso	841	-	-	841	841	-	-	841
31	Late Muhammad Ilyas Goth Almani, Tatri, Tehsil Dokri, District Larkana	Late Muhammad Ilyas 43201-3581048-9	Abdul Rasool Jhatal	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 Mukhtyarkar Office Muhalla Jatt P.O Ghari Khairo, Tehsil Ghari Khairo, District Jacobabad	M. Zaman 43101-5192595-9	Ghulam Hyder Mirjat	518	-	-	518	518	-	-	518
34	Gazi Village Khair Muhammad Khali Taluka Kashmir, District Kandhkot	Gazi 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, Shandadkot	Fida Hussain 43202-8019330-7	Ali Hassan Khoso	510	-	-	510	510	-	-	510
37	Deedar Ali Village Kule P.O Gereho 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 Philri Taluka Sjawal Junejo, District Kamber Shandadkot	Muharam Ali 43204-6036571-9	Nihal Khan Tunio	640	-	-	640	640	-	-	640



Annexure 'I' as referred to in note 11.6 of the Bank's Unconsolidated Financial Statements

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				5	6	7	8	9	10	11	12
40	Ahmed Ali Muhalla Kianchandabad, District Shikarpur	Ahmed Ali 43304-0582783-1	Kairam Bux Rind	537	-	-	537	537	-	-	537
41	Raham Ali Leghari Goth Allah Dino Khan Leghari, T apal Ghar, District Ghotki	Raham Ali Leghari 45102-4761638-5	Din Muhammad Leghari	885	-	-	885	885	-	-	885
42	Paryal Shah Village Chandio Sachayo, District Shikarpur	Paryal Shah 43304-6317237-9	Shaman Shah	909	-	-	909	909	-	-	909
43	Gurban Ali Channa Village Mirza Channa Taluka Johi, District Dadu	Gurban Ali Channa 41202-3422951-5	Muhammad Ali Channa	835	-	-	835	835	-	-	835
44	Rasool Bux Village Ibrahim Sand, P.O Kianpur, Taluka K.N Shah, District Dadu	Rasool Bux 41203-6618285-5	Jaro Khan Sand	519	-	-	519	519	-	-	519
45	Nisar Ahmed Village Boiri Taluka Khatpur, Nathan Shah, District Dadu	Nisar Ahmed 41203-2237640-3	Muhammad Isha	550	-	-	550	550	-	-	550
46	Mukhtar Ali Village Ibrahim Samia Dya Mir DHO Jagir, District Shikarpur	Mukhtar Ali 43304-7798894-5	Noor Muhammad	963	-	-	963	963	-	-	963
47	Aashique Hussain Shah Patlan Village Shakh, Fojtaluka Bakrani, District Larkana	Aashique Hussain Shah 43201-6573972-7	Zamir Hussain Shah	1,151	-	-	1,151	1,151	-	-	1,151
48	Muhammad Arab Village Dhani Panyo P.O Makhdoom Bilawal Taluka, Dadu	Muhammad Arab 41201-773203-5	Muhammad Rajib Panthar	1,159	-	-	1,159	1,159	-	-	1,159
49	Shabir Ahmed Muhalla Scarp Colony, Larkana	Shabir Ahmed 43205-9266270-7	Inam Bux Mangarho	501	-	-	501	501	-	-	501
50	Waryam Valirs RO Village Doodoo Dero, PO Shan Panjo Sultan, Taluka Mehtar, Dadu	Waryam Valirs 41205-2282856-9	Muhammad Alam	628	-	-	628	628	-	-	628
51	Muhammad Phanwar Muhallah Mehtar, Taluka Mehtar, District Dadu	Muhammad 41205-9300916-9	Muhammad Ibrahim Bhangar	1,244	-	-	1,244	1,244	-	-	1,244
52	Ali Anwar Soomro Mohalla Soomra, Mehtar, 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 Boodar	515	-	-	515	515	-	-	515
54	Parvez Ali Village Chandio Ptafi, P.O Koreja Taluka Ratodero, District Larkana	Parvez Ali 43205-5022809-3	Muhammad Ali Ptafi	742	-	-	742	742	-	-	742
55	Late Muhammad Heshim Muhallah Ali Gohar Abad, Sameh Abad, Larkana	Late Muhammad Heshim 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.1738/68-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 Buchke Badday, District Nankana	Muhammad Saqib 35501-0161773-7	Ali Muhammad	2,973	405	3,777	7,155	-	-	541	541
59	Shakeel Ahmad Gillani Rakh Machine P.O, Khas, Tehsil & District Sheikhpura	Falk Sher 35402-9844569-3	Shakeel Ahmad Gillani 35404-4676627-7	739	-	-	739	739	-	-	739

Annexure 'I' as referred to in note 11.6 of the Bank's Unconsolidated Financial Statements

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					Total	Principal written-off	Interest/ Mark-up written off	Other financial relief / waiver provided	Total (9+10+11)		
				Principal	Interest/ mark-up	Others	Total	9						10	11
1												12			
60	Ishtiaq Ahmed Muralain Chah, Badraywala, Sharakpur Sharif	Ishtiaq Ahmed 35401-1831896-5	Nazeer Ahmed	927	-	-	927	927	-	-	-	927			
61	All Hassan Katto R-19, Sector-13, Scheme 33, Chaitta Gabool Goth, Muslim Society, Karachi	All Hassan Katto 43102-8886571-7	Mithal Khan Katto	623	-	-	623	623	-	-	-	623			
62	Yasir Abbas H # 461/A, Gali Daba Tabakhi, Mohallah Hatiz Miran Khan, D.I Khan	Yasir Abbas 12101-0944572-9	Khuda Baksh	1,354	-	-	1,354	1,354	-	-	-	1,354			
63	Mosab Hussain Village Zeran Yousef Khel, P.O Parachinar, District Khurram	Mosab Hussain 21303-5004445-9	Mukhtar Hussain	507	-	-	507	507	-	-	-	507			
64	Khan Muhammad Qureshi Dak Khana Pupal Bazar, Bozi Khali, 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 Talai 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 81202-6620238-3	Mirza Abouli Rashid Baig	687	-	-	687	687	-	-	-	687			
68	M. Basharat Rehmat P.O Meri Khokhira, Tehsil & District Gujrat	M. Basharat Rehmat 34201-3310088-7	Muhammad Azam	997	-	-	997	997	-	-	-	997			
69	Muhammad Zaigham Iqbal H.No.888/1, Gali Mirza Mukhtar Wali Mohallah, Piprianwala District Jhang	Muhammad Zaigham Iqbal 33202-1206528-7	Iqbal Ahmed	598	-	-	598	598	-	-	-	598			
70	Syed Ghulam Mustafa Shah Gillani Nooragan Garhi, Duppara, 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 Atzal Darra Batangi, P.O Muzaffarabad, Azad Kashmir	Sher Atzal 82203-893578-5	Jumma Khan	788	-	-	788	788	-	-	-	788			
72	Ch. Muhammad Arif s/o Ahmed Khan Dardar Kallan Bhimber, Azad Kashmir	Ch. Muhammad Arif 81102-9389332-9	Ahmed Khan	638	-	-	638	638	-	-	-	638			
73	Abdul Majeed Dudhnai, Sheikh Bela, Tehsil Sharda, District Neelum	Abdul Majeed 82201-4923321-9	Feroz Din	667	-	-	667	667	-	-	-	667			
74	Choudhary Maqsood Ahmed Moj P.O Leepa, Tehsil Kamah, District Jhelum Valley	Choudhary Maqsood Ahmed 82202-6938852-1	Muhammad Yaqoob	501	-	-	501	501	-	-	-	501			
75	Riaz Muhammad Wach Khwar, Naway Kay, Khwaza khela, District Swat	Riaz Muhammad 15602-0390214-9	Gul Rahim	685	-	-	685	685	-	-	-	685			
76	Said Akbar S/o Said Ghaffar Chayal Tehsil Khuwaza Khela, 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	Mr Ghazabz	566	-	-	566	566	-	-	-	566			
78	Asif Hussain S/o Raza Hussain Village & P.O Bande Sahb 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	Erebaeva AlynBolusheina NIC-AN 2707107	Anarbek	2,629	1,714	-	4,343	-	-	-	1,076	1,076			
80	Indirova Gulshat Melisovna H.14, F.28, Umelaleva str., Kyrgyzstan	Indirova Gulshat Melisovna NIC ID2289498	Melis	638	1,173	-	1,811	-	-	-	1,084	1,084			
81	Tabaladev Ujarbek Kichikvoich H.209, f.9, Ayni str., Kyrgyzstan	Tabaladev Ujarbek Kichikvoich 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 ------(Rupees in '000)-----	2021
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 ------(Rupees in '000)-----	2021
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

Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Unconsolidated Financial Statements

1	Investments by segments:	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)-----									
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

2	Islamic financing and related assets	Note	2022	2021
			------(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						Book Value as at December 31, 2022
	Cost			Accumulated Depreciation			
	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)		

Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Unconsolidated Financial Statements

	2021						Book Value as at December 31, 2021
	Cost			Accumulated depreciation			
	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

	Note	2022	2021
		(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
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

Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Unconsolidated Financial Statements

	2022	2021
	------(Rupees in '000)-----	
2.2.3 Murabaha sale price	12,721,419	7,905,588
Murabaha purchase price	12,234,017	7,739,500
	<u>487,402</u>	<u>166,088</u>
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	<u>73,359</u>	<u>25,980</u>

3 Deposits	2022			2021		
	In Local currency	In Foreign currencies	Total	In Local currency	In Foreign currencies	Total
Note	------(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
	<u>76,883,137</u>	<u>167,871</u>	<u>77,051,008</u>	<u>72,399,171</u>	<u>264,535</u>	<u>72,663,706</u>
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
	<u>16,540,706</u>	<u>-</u>	<u>16,540,706</u>	<u>12,185,814</u>	<u>-</u>	<u>12,185,814</u>
3.2	<u>93,423,843</u>	<u>167,871</u>	<u>93,591,714</u>	<u>84,584,985</u>	<u>264,535</u>	<u>84,849,520</u>

	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
	<u>93,591,714</u>	<u>84,849,520</u>

3.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 47,134 million (2021: Rs. 43,701 million).

Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Unconsolidated Financial Statements

	2022	2021
	----- (Rupees in '000) -----	
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		
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: Transferred / remitted to Head Office	(1,502,668)	(2,108,388)
Closing Balance	2,297,141	1,502,668
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

Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Unconsolidated Financial Statements

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

Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Unconsolidated Financial Statements

Avenues / sectors of economy / business where Mudaraba 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.

	31-Dec-22 (Rupees in '000)
Mudarib Share	
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%.

**FINANCIAL
STATEMENTS
(CONSOLIDATED)**



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
	<u>150,281.6</u>
Profit available for appropriations	181,230.6
Appropriation:	
Transfer to statutory reserve	(3,041.0)
Unappropriated profit carried forward	<u>178,189.6</u>

For and on behalf of the Board of Directors

Rehmat Ali Hasnie
President & CEO (A)

Farid Malik
Director

Karachi
Dated: February 28, 2023

شیئر ہولڈرز کیلئے ڈائریکٹرز کی رپورٹ مجموعی مالیاتی گوشوارے

معزز شیئر ہولڈرز،

بورڈ آف ڈائریکٹرز کی جانب سے، ہمیں 31 دسمبر 2022ء کو ختم ہونے والے سال کے لیے نیشنل بینک آف پاکستان اور اس کی گروپ کمپنیز کے آڈٹ شدہ مجموعی مالیاتی گوشوارے کے ساتھ ڈائریکٹرز کا جائزہ پیش کرتے ہوئے خوشی محسوس ہو رہی ہے۔

31 دسمبر 2022ء کو ختم ہونے والے سال کے لیے گروپ کا مجموعی بعد از ٹیکس منافع 30.95 ارب روپے ہے، جو کہ 31 دسمبر 2021ء کو ختم ہونے والے سال کے 28.8 ارب روپے منافع سے 7.6% زیادہ ہے۔ 31 دسمبر 2022ء کو ختم ہونے والے سال کے لیے، سبسڈری کمپنیز نے گروپ کے منافع میں 0.807 ارب روپے (2021ء: 0.389 ارب روپے) شامل کیے؛ جبکہ ایسوسی ایٹس نے 0.095 ارب روپے (2021ء: منافع 0.023 ارب روپے) کا خالص نقصان ظاہر کیا ہے۔ تاہم 0.545 ارب روپے (2021ء: 0.218 ارب روپے) کے منافع کا حصہ یو این بی ایل - برطانیہ کے مطابق ریکارڈ کیا گیا ہے، جو کہ برطانیہ میں قائم ایک جوائنٹ وینچر ہے جس میں نیشنل بینک آف پاکستان کی شیئر ہولڈنگ 45% ہے۔ اس کے مطابق، اس سال کے لیے مجموعی بعد از ٹیکس منافع 30.95 ارب روپے رہا جو کہ 31 دسمبر 2021ء کو ختم ہونے والے پچھلے سال کے لیے 13.44 روپے فی حصص منافع (EPS) کے مقابلے میں اس سال 14.49 روپے فی حصص منافع (EPS) ہے۔

31 دسمبر 2022ء کے مطابق، گروپ کے مجموعی اثاثوں کی رقم 5,251.8 ارب روپے ہے جو کہ 31 دسمبر 2021ء کے 3,857.0 ارب روپے سے 1,394.7 ارب روپے یعنی 36.2% زیادہ ہے۔

2021ء کے جمع شدہ منافع کو آگے بڑھاتے ہوئے، 31 دسمبر 2022ء کو ختم ہونے والے سال کے لیے گروپ کے بعد از ٹیکس منافع کو اس طرح مختص کرنے کی تجویز دی گئی ہے:

	(ملین روپے میں)	
31 دسمبر 2022ء کو ختم ہونے والے سال کے لیے بعد از ٹیکس مجموعی منافع	30,949.0	
آگے لایا گیا غیر مختص منافع	145,312.5	
دیگر جامع آمدن - محصول کی خالص	(3,114.2)	
کنٹرول نا ہونے والا سود	(114.4)	
فلڈ اثاثوں کی دوبارہ تشخیص پر سرپلس سے منتقلی - محصول کی خالص	197.7	
عمومی قرض کے نقصان کے ذخائر سے منتقلی	8,000.0	
	<u>150,281.6</u>	
اختصاص کے لیے دستیاب منافع	181,230.6	
اختصاص		
قانونی ذخائر منتقلی	(3,041.0)	
آگے بڑھایا گیا غیر مختص منافع	<u>178,189.6</u>	

بورڈ آف ڈائریکٹرز کے لیے اور کی جانب سے،

فرید ملک
ڈائریکٹر

رحمت علی حسنی
صدر اور سی ای او (نگراں)

کراچی

تاریخ: 28 فروری 2023ء

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.

Independent Correspondent Firm to
Deloitte Touche Tohmatsu Limited

Member firm of PwC network

Yousuf Adil
Chartered Accountants

A.F. Ferguson & Co.
Chartered Accountants

Following are the Key Audit Matters:

S.No.	Key Audit Matter	How the matter was addressed in our audit
1	<p>Provision against advances (Refer notes 5.8 and 11.4 to the consolidated financial statements)</p>	
	<p>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).</p> <p>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.</p> <p>The PRs also require the creation of general provision for certain categories of advances.</p> <p>Provision against advances of overseas locations is made as per the requirements of the respective regulatory regimes.</p> <p>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.</p> <p>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.</p>	<p>Our audit procedures to verify provision against domestic advances included, amongst others, the following:</p> <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> 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. <p>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.</p>

Independent Correspondent Firm to
Deloitte Touche Tohmatsu Limited

Member firm of PwC network

S.No.	Key Audit Matter	How the matter was addressed in our audit
2	<p>Valuation of listed equity shares, units of mutual funds and term finance certificates classified as available-for-sale</p> <p>(Refer notes 5.4 and 10.1 to the consolidated financial statements)</p>	
	<p>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.</p> <p>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.</p>	<p>On a sample basis, we have performed the following procedures:</p> <ul style="list-style-type: none"> • 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.

Yousuf Adil
Chartered Accountants

A.F. Ferguson & Co.
Chartered Accountants

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.

Independent Correspondent Firm to
Deloitte Touche Tohmatsu Limited

Member firm of PwC network

Yousuf Adil
Chartered Accountants

A.F. Ferguson & Co.
Chartered Accountants

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

Independent Correspondent Firm to
Deloitte Touche Tohmatsu Limited

Member firm of PwC network

Consolidated Statement of Financial Position

As at December 31, 2022

2021 ------(US Dollars in '000)-----	2022		Note	2022 ------(Rupees in '000)-----	2021
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.

Ashraf Mahmood Wathra
Chairman

Rehmat Ali Hasnie
President & CEO (A)

Abdul Wahid Sethi
Chief Financial Officer

Asif Jooma
Director

Ahsan Ali Chughtai
Director

Consolidated Profit and Loss Account

For the year ended December 31, 2022

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

The annexed notes 1 to 52 and annexures I and II form an integral part of these consolidated financial statements.

Ashraf Mahmood Wathra
Chairman

Rehmat Ali Hasnie
President & CEO (A)

Abdul Wahid Sethi
Chief Financial Officer

Asif Jooma
Director

Ahsan Ali Chughtai
Director

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2022

2021 ------(US Dollars in '000)-----	2022		2022 ------(Rupees in '000)-----	2021
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)
<u>91,349</u>	<u>67,712</u>	Total comprehensive income	<u>15,331,591</u>	<u>20,683,713</u>
		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
<u>91,349</u>	<u>67,712</u>		<u>15,331,591</u>	<u>20,683,713</u>

The annexed notes 1 to 52 and annexures I and II form an integral part of these consolidated financial statements.

Ashraf Mahmood Wathra
Chairman

Rehmat Ali Hasnie
President & CEO (A)

Abdul Wahid Sethi
Chief Financial Officer

Asif Jooma
Director

Ahsan Ali Chughtai
Director

Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

	Reserves				Surplus / (deficit) on revaluation of assets			Sub Total	Non-Controlling Interest	Total			
	Share capital	Exchange translation	Statutory reserve	General loan loss reserve	Revenue general reserve	Total	Investments				Fixed / Non-Banking Assets	Total	
Balances as at January 01, 2021	21,275,131	12,845,832	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	(8,698,163)	(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	14,880,885	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	24,900,893	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.

Ashraf Mahmood Wathra
Chairman

Rehmat Ali Hasnie
President & CEO (A)

Abdul Wahid Sethi
Chief Financial Officer

Asif Jooma
Director

Ahsan Ali Chughtai
Director

Consolidated Cash Flow Statement

For the year ended December 31, 2022

2021 ------(US Dollars in '000)-----	2022		2022 ------(Rupees in '000)-----	2021
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	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	(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	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.

Ashraf Mahmood Wathra
Chairman

Rehmat Ali Hasnie
President & CEO (A)

Abdul Wahid Sethi
Chief Financial Officer

Asif Jooma
Director

Ahsan Ali Chughtai
Director

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 10.16.1)	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. Kiyani Road, Karachi. NBPECL is engaged in foreign currency remittances and exchange transactions. NBPECL has 20 branches (2021: 21 branches) and 1 booth (2021: 1).

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	Type of 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
- 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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

- 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
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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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 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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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:

- 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.
- 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.
- 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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended 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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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 necessarily 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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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 additions 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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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 arrangements 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 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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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 policies. 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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

Particulars	As at December 31, 2022					Total
	CJSC Subsidiary Bank of NBP in Almaty (Kazakhstan) (Subsidiary)	Chittagong Branch, (Bangladesh)	Baku (Azerbaijan)	Bishkek (Kyrgyzstan)	Paris (France)	
	----- (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)

7.	CASH AND BALANCES WITH TREASURY BANKS	Note	2022	2021
			----- (Rupees in '000) -----	
	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).

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended 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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	2022				2021			
	Cost / Amortised Cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
10. INVESTMENTS	----- (Rupees in '000) -----							
Investments by type:								
Note								
	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	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 / Musharaka 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	483,294	-	34,380,951	34,864,245	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							
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	1,127,609	(742,298)	-	385,311	1,271,766	(674,785)	-	596,981
Joint Venture	7,441,308	-	-	7,441,308	7,140,903	-	-	7,140,903
Subsidiaries	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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	2022				2021			
	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
Investments by segments:								
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	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/Musharaka/Bonds/ Debentures and Sukuk Bonds								
Listed	14,982,715	(130,027)	335,083	15,187,771	15,671,286	(130,027)	515,523	16,066,782
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
	871	-	-	871	680	-	-	680
Non Government Debt securities								
Foreign Currency Debt Securities	75,821,264	-	(18,652,873)	57,168,391	57,126,378	-	52,807	57,179,185
	2,006,756	(845,730)	209,451	1,370,477	1,706,823	(539,708)	98,614	1,265,729
	2,843,587	(41,167)	930,956	3,733,376	1,071,138	(41,167)	1,288,545	2,318,516
	463,294	-	34,380,951	34,844,245	463,294	-	27,060,912	27,524,206
Preference shares								
Investments in mutual funds								
Ordinary shares of a bank outside Pakistan								
Associates								
- Listed								
First Credit and Investment Bank Limited	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)	-	-
Agriotech Limited	-	-	-	-	-	-	-	-
NBP Stock Fund	413,825	(191,856)	-	221,969	512,401	(109,728)	-	402,673
	931,900	(546,589)	-	385,311	1,031,242	(434,261)	-	596,981

10.2

Note

Federal Government Securities:

Market Treasury Bills
Pakistan Investment Bonds
Bai Muajjal Government of Pakistan
Ijarah Sukuks

Shares

10.13 & 10.14

Listed Companies
Unlisted Companies

Non Government Debt Securities
Term Finance Certificates/Musharaka/Bonds/
Debentures and Sukuk Bonds

Listed
Unlisted

Foreign Securities

Government securities

GoP Foreign Currency Bonds
Foreign Government Securities

Non Government Debt securities

Foreign Currency Debt Securities

Preference shares

Investments in mutual funds

Ordinary shares of a bank outside Pakistan

Associates

- Listed

First Credit and Investment Bank Limited
Land Mark Spinning Mills Limited
SG Allied Businesses Limited
Nina Industries Limited
Agriotech Limited
NBP Stock Fund

10.15

10.8

10.9

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	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)	-	-
Dadabroy Energy Supply Company Limited	32,105	(32,105)	-	-	32,105	(32,105)	-	-
Pakistan Mercantile Exchange Limited	106,539	(106,539)	-	-	106,539	(106,539)	-	-
	195,709	(195,709)	-	-	240,524	(240,524)	-	-
10.11	1,127,609	(742,298)	-	385,311	1,271,766	(674,785)	-	596,981
Joint Venture								
United National Bank Limited	7,441,308	-	-	7,441,308	7,140,903	-	-	7,140,903
10.12								
Subsidiaries								
Cast-N-Link Products Limited	1,245	(1,245)	-	-	1,245	(1,245)	-	-
10.16								
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

10.2.1 Investments given as collateral

Pakistan Investment Bonds
Market Treasury Bills

----- (Rupees in '000) -----

	2022	2021
	1,136,497,472	30,682,290
	689,709,291	96,128,050
	<u>1,826,206,763</u>	<u>126,810,340</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	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)
10.2.2 Associates									
Listed									
	20,000,000	30.77	Pakistan	June 30, 2022	2,052,274	1,330,436	134,082	8,189	(26,210)
First Credit and Investment Bank Limited									
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	-	-	-	-	-
Agriotech 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	-	-	-	-	-
Dadabhoj 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	-	-	-	-	-
N/A: Not available									

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	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

Domestic

Loss

6,525,731	6,394,746	5,607,314	5,607,314
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Total

6,525,731	6,394,746	5,607,314	5,607,314
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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 translation 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
National Fructose Company Limited
National Assets Insurance Company Limited
Dadabhoy Energy Supply Company Limited
Pakistan Mercantile Exchange Limited

50,565	-	-	-	-	-	-	-	-	50,565
6,500	-	-	-	-	-	-	-	-	6,500
44,815	-	(44,815)	-	-	-	-	-	-	-
32,105	-	-	-	-	-	-	-	-	32,105
106,539	-	-	-	-	-	-	-	-	106,539

Listed

First Credit and Investment Bank Limited
Land Mark Spinning Mills Limited
SG Allied Business Limited
Nina Industries Limited
Agritech Limited
NBP Stock Fund

211,537	-	-	-	3,492	-	-	(4,258)	-	210,771
39,710	-	-	-	-	-	-	-	-	39,710
218,534	-	-	-	-	-	-	-	-	218,534
49,060	-	-	-	-	-	-	-	-	49,060
-	-	-	-	-	-	-	-	-	-
512,401	-	-	-	(98,576)	-	-	-	-	413,825

1,271,766	-	(44,815)	-	(95,084)	-	-	(4,258)	-	1,127,609
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Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	2021									
	Opening Balance	Addition	Disposal	Dividend paid	Share of profit / (loss) for the year - net of tax	Exchange translation reserve	Surplus / (deficit) on Revaluation Properties	Surplus / (deficit) on Revaluation Securities	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 Limited	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 Spinning Mills Limited	39,710	-	-	-	-	-	-	-	-	39,710
SG Allied Business Limited	218,534	-	-	-	-	-	-	-	-	218,534
Nina Industries Limited	49,060	-	-	-	-	-	-	-	-	49,060
AgriTech Limited	-	-	-	-	-	-	-	-	-	-
NBP Stock Fund	500,734	-	-	(7,009)	18,676	-	-	-	-	512,401
	1,259,067	-	-	(7,009)	23,057	-	-	(3,349)	-	1,271,766

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

10.5 Quality of available for sale securities	2022		2021	
	------(Rupees in '000)-----			
Details regarding quality of available for sale securities are as follows:				
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	
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	41,606,225		34,150,987	
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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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) 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
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
Shoab 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

N/A: Not available

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

Unlisted companies entity - wise	2022		2021	
	Cost	Breakup value	Cost	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	

N/A: Not available

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

- 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, 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
	2022	2021
	Note	----- (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	<u>7,441,308</u> <u>7,140,903</u>

- 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 December 31, 2022 amounts to Rs. 110 million. These shares can not be disinvested without prior consultation with Ministry of Finance.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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

	Performing		Non Performing		Total	
	2022	2021	2022	2021	2022	2021
Note ------(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	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	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
	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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	2022	2021
	------(Rupees in '000)-----	
11.2 Particulars of advances (Gross)		
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 (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	(177,162)	-	(177,162)	(171,425)	-	(171,425)
Amounts charged off- agriculture financing	(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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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
Write-offs of below Rs. 500,000	11.6	130,446	125,900
		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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	2021
	(Rupees in '000)
	1,010,529
	10,825
	64,647
	1,086,001

12.1 Capital work-in-progress

Civil works
Equipment
Advances to suppliers and contractors

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
At January 1, 2022	20,370,446	19,465,743	6,526,538	5,146,223	7,123,227	5,184,275	7,687,505	2,015,331	454,933	9,627	192,094	14,367	74,190,329
Cost / revalued amount	-	-	(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)	(20,985,358)
Accumulated depreciation													
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)	(962)	(28)	(4)	(314,841)
Depreciation charge	-	-	(262,362)	(195,858)	(654,955)	(633,592)	(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	4,183,826	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	5,618,929	7,754,929	5,465,672	8,060,552	2,094,610	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	4,183,826	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	

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

		2021											
		(Rupees in '000)											
		Free hold land	Lease 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
At January 1, 2021		20,370,446	19,673,159	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
Cost / revalued amount		-	(1,242,781)	(911,172)	(4,734,748)	(4,343,448)	(6,220,437)	(923,581)	(244,651)	(2,415)	(42,808)	(277,297)	(17,943,338)
Accumulated depreciation		-	5,256,857	3,470,023	2,038,899	243,966	1,100,337	392,444	205,581	7,212	53,763	22,121	52,854,808
Net book value		20,370,446	19,673,159	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
Year ended December 2021													
Opening net book value		20,370,446	19,673,159	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
Additions		-	-	26,900	545,315	527,110	532,614	865,250	46,007	-	-	-	2,614,242
Cost - Adjustments		-	-	712,892	42,560	-	841,822	-	-	-	-	-	1,597,264
Accumulated Depreciation - Adjustments		-	-	(132,235)	(84,048)	-	(685,383)	-	-	-	-	-	(851,676)
Movement in surplus on assets revalued		-	(193,330)	-	-	-	-	-	-	-	-	-	(193,330)
Disposals		-	-	-	(25,841)	(24,670)	(10,397)	(167,874)	(41,286)	(988)	(988)	(6,612)	(277,688)
Depreciation charge		-	-	(280,879)	(643,298)	(666,707)	(653,369)	(338,800)	(63,393)	(962)	(233)	(13)	(2,543,715)
Depreciation adjustment - disposal		-	-	-	19,154	7,848	19,154	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	6	733	786	(157)	-	(130,289)	270,768	141,861	1,418,611
Closing net book value		20,370,446	19,465,743	3,906,767	7,123,227	494,007	1,136,940	887,769	170,209	6,250	19,752	13,208	53,204,991
At December 31, 2021													
Cost / revalued amount		20,370,446	19,465,743	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		-	-	(1,239,456)	(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	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	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
Carrying amount of temporarily idle property of the Group	5,319,961	4,795,454
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

12.2.2

Carrying amount of temporarily idle property of the Group

12.2.3

The cost of fully depreciated assets still in use

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

12.3 Details of disposals of fixed assets to related parties

The particulars of disposal of fixed assets to related parties (Employees/Ex-Employees) 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
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
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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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.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.Shoab 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 (R) 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.Shoab 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 Shoab
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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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	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
	<u>3,841</u>	<u>-</u>	<u>360</u>	<u>360</u>			
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
	<u>678</u>	<u>-</u>	<u>-</u>	<u>-</u>			
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
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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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	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
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			

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

13. INTANGIBLE ASSETS	Note	2022	2021
		----- (Rupees in '000) -----	
Capital work-in-progress		869,907	223,397
Intangible assets	13.1	1,231,415	1,171,446
		2,101,322	1,394,843

13.1 Intangible Assets

	2022					Total
	Core Banking Application	Computer software	Website	Goodwill on NBP Fund Acquisition	Others	
	----- (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
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			
	----- (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
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			

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

13.2 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.

	2022	2021
	------(Rupees in '000)-----	
13.3 The cost of fully amortised intangible assets that are still in use.		
Core Banking Application	2,913,952	2,913,952
Computer software	873,310	430,570
Website	1,041	1,041
	<u>3,788,303</u>	<u>3,345,563</u>

14. RIGHT OF USE ASSETS		
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	<u>7,186,067</u>	<u>7,090,980</u>

15. DEFERRED TAX ASSETS			
2022			
At January 1, 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	5,072,768	34,236	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
	<u>17,583,568</u>	<u>2,985,480</u>	<u>22,929,593</u>
Taxable temporary differences on			
- Surplus on revaluation of fixed assets	(2,446,324)	149,134	(2,968,387)
- Excess of accounting book value of leased assets over lease liabilities	796	(8,655)	(7,890)
- Surplus on revaluation of investments	(12,715,501)	82	3,208,916
- Surplus on revaluation of non-banking assets	(52,732)	-	(21,752)
- Exchange translation reserve	(466,996)	-	(734,250)
	<u>(15,680,757)</u>	<u>140,561</u>	<u>(523,363)</u>
	<u>1,902,811</u>	<u>3,126,041</u>	<u>22,406,230</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	2021			At December 31, 2021
	At January 1, 2021	Recognised in profit and loss account	Recognised in other comprehensive income	
------(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

16. OTHER ASSETS	Note	2022	2021
		------(Rupees in '000)-----	
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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

- 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
(Deficit) / surplus	(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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

- 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).
- 18.11** 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).

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

19. DEPOSITS AND OTHER ACCOUNTS

	2022			2021		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
Note	------(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
19.3	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. 870,538 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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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.

	2022	2021
Note	------(Rupees in '000)-----	
21. LEASE LIABILITIES AGAINST RIGHT-OF-USE ASSETS		
Lease liabilities included in the statement of financial position As at December 31	8,761,015	<u>8,360,755</u>
Of which are:		
Current lease liability	1,734,848	1,646,939
Non-current lease liability	7,026,167	<u>6,713,816</u>
	8,761,015	<u>8,360,755</u>
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	<u>6,504,031</u>
Total undiscounted lease liabilities as at December 31,	17,490,552	<u>15,270,627</u>
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	<u>16,829,474</u>
	271,556,131	<u>200,596,128</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	2022	2021
Note	------(Rupees in '000)-----	
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	<u>4,170,799</u>	<u>3,805,376</u>

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)-----	
<u>2,500,000,000</u>	<u>2,500,000,000</u>	Ordinary shares of Rs. 10 each	<u>25,000,000</u>	<u>25,000,000</u>

23.2 Issued, subscribed and paid up

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

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

	2022	2021
	------(Number of shares)-----	
23.3 Shares of the Bank held by subsidiary and associate		
Following shares were held by the associate of the Bank as of year end:		
First Credit & Investment Bank Limited	70,000	70,000
	<u>70,000</u>	<u>70,000</u>

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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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.

	2022	2021
Note	------(Rupees in '000)-----	
25. SURPLUS ON REVALUATION OF ASSETS		
Surplus / (deficit) 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 acquired 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 acquired in satisfaction of claims	25.2 (21,752)	(52,732)
	125,816	(15,305,852)
	42,273,537	64,994,980
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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	Note	2022 ------(Rupees in '000)-----	2021 -----
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
(Deficit) / surplus 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
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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	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
	<u>54,568,834</u>	<u>38,255,954</u>

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

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

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	<u>36,850</u>	<u>-</u>

26.3 Other contingent liabilities

26.3.1 Claim against the Group not acknowledged as debt	<u>26,619,691</u>	<u>36,196,804</u>
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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.

- 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.
- 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 million, Rs. 815 million in 2009 and 2010 respectively. Whereby for tax year 2016, the department has created demand of Rs. 118 million which has been adjusted against tax refunds of tax year 2018.
- 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 million.
- 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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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 million (December 31, 2021: Rs. 2,096 million) in respect of indirect tax issues, amounts to Rs. 15,419 million (December 31, 2021: Rs. 17,983 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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	Note	2022 ------(Rupees in '000)-----	2021 -----
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		399,736	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		87,202	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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	2022	2021
Note	------(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	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 for delayed refunds determined under Section 171 of Income Tax Ordinance 2001.

	2022	2021
Note	------(Rupees in '000)-----	
32. OPERATING EXPENSES		
Total compensation expenses	32.1 49,591,298	37,750,321
Property expense		
Rent and taxes	32.2 1,149,827	820,046
Insurance	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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	Note	2022 ------(Rupees in '000)-----	2021
Other operating expenses			
Directors' fees and allowances		25,772	25,431
Directors' fees and allowances - subsidiaries		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	109,076	9,197
Auditors' remuneration	32.5	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
Recruiting 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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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) 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.

32.4 Donations include following amounts

Description	2022	2021
	------(Rupees in '000)-----	
Prime Minister's Flood Relief Fund 2022	2,000	-
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	-
The Patients' Behbud Society for AKUH	-	1,000
Pakistan Hindu Council	-	1,000
Tehzibul Akhlaq Trust	-	2,000
Total	109,076	9,197

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

Yousuf Adil	A.F. Ferguson & Co.	Total 2022	Total 2021
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------(Rupees in '000)-----

32.5 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
	16,157	16,157	32,314	26,928
Special certifications	1,136	1,136	2,272	2,272
	17,293	17,293	34,586	29,200
Other special certifications and sundry advisory services	5,162	15,577	20,739	5,662
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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

		2022	2021
		------(Rupees in '000)-----	
35.2 Relationship between tax expense and accounting profit			
Accounting profit before tax		63,597,150	53,792,081
Income tax at statutory rate @ 39% (2021: 35%)		24,802,889	18,827,228
Super tax at statutory rate @ 10% (2021: 4%)		6,273,716	2,114,416
Increase / (decrease) in taxes resulting from:			
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
		2022	2021
36. BASIC EARNINGS PER SHARE			
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
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
		2022	2021
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
	Note	------(Rupees in '000)-----	

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

38.1 Reconciliation of movements of liabilities to cash flow used in financing activities

	2022	
	Lease Obligation	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 Obligation	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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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
Present value of obligations	891,128,297	29,176,898	1,697,838	3,767,856	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	3,767,856	8,734,235	66,440,723	17,834,945	24,516,717	1,778,825	3,168,258	9,952,554	67,251,293
Subsidiaries	-	-	-	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	67,550,980

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
Current service cost	1,034,974	856,635	63,621	473,120	11,299	2,439,649
Past Service due to early retirement gratuity	1,119,100	441,385	-	-	1,560,485	119,800
Adjustment against contingency reserve	240,914	52,731	328	-	31,837	325,810
Interest cost	9,162,080	2,808,493	196,854	364,696	1,149,972	13,682,045
Benefits paid by the Bank	(3,267,938)	(1,229,299)	(206,937)	(128,928)	(931,125)	(5,164,227)
Re-measurement loss / (gain) - Profit and Loss	-	-	-	-	(2,080,302)	(2,080,302)
Re-measurement loss / (gain) - OCI	1,230,522	1,730,236	(134,853)	(109,288)	-	2,716,617
Obligations at the end of the year	891,128,297	29,176,898	1,697,838	3,767,856	8,734,235	132,505,126

40.6 Movement in fair value of plan assets

Fair value at the beginning of the year	61,773,750	-	-	-	-	61,773,750
Interest income on plan assets	7,247,610	-	-	-	-	7,247,610
Contribution by the Bank - net	1,345,187	-	-	-	-	1,345,187
Benefits paid	(3,267,938)	-	-	-	-	(3,267,938)
Benefits paid on behalf of fund	1,738,818	-	-	-	-	1,738,818
Actuarial gain / (loss) on assets	(2,773,024)	-	-	-	-	(2,773,024)
Fair value at the end of the year	66,064,403	-	-	-	-	66,064,403

40.7 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
Charge / (reversal) for the year	2,949,394	3,665,128	260,475	837,816	(919,031)	6,793,782
Past Service due to early retirement gratuity	1,119,100	441,385	-	-	-	1,560,485
Adjustment against contingency Reserve	240,914	52,731	328	-	31,837	325,810
Contribution by the bank - net	(1,345,187)	-	-	-	-	(1,345,187)
Re-measurement loss / (gain) recognized in OCI during the year	4,003,546	1,730,236	(134,853)	(109,288)	-	5,489,641
Benefits paid on behalf of fund	(1,738,818)	(1,229,299)	(206,937)	(128,928)	(931,125)	(6,335,107)
	23,063,894	29,176,898	1,697,838	3,767,856	8,734,235	66,440,723

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
Past Service due to early retirement gratuity	1,119,100	441,385	-	-	-	1,560,485
Actuarial loss recognized - Profit and Loss	-	-	-	-	(2,080,302)	(2,080,302)
Net interest on defined benefit asset / liability	1,914,420	2,808,493	196,854	364,696	1,149,972	6,434,435
	4,068,494	4,106,513	260,475	837,816	(919,031)	8,354,267

40.7.2 Re-measurements recognised in OCI during the year

Loss / (gain) on obligation	4,049,273	1,259,537	(278,861)	45,522	-	5,075,471
Financial assumptions	(2,818,751)	470,899	144,008	(154,810)	-	(2,358,654)
Experience adjustment	2,773,024	-	-	-	-	2,773,024
Return on plan assets over interest income	4,003,546	1,730,236	(134,853)	(109,288)	-	5,489,641
Total re-measurements recognised in OCI	-	-	-	-	-	-

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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).

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

42.2 Remuneration paid to Directors for participation in Board and Committee Meetings

		2022								
		Meeting Fees and Allowances Paid								
S.No.	Name of Director	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								
		Meeting Fees and Allowances Paid								
S.No.	Name of Director	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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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				Total
	Carrying Value	Level 1	Level 2	Level 3	
------(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 / Musharaka 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)

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	2021				Total
	Carrying Value	Level 1	Level 2	Level 3	
------(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 / Musharaka 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
	<u>1,563,799,322</u>	<u>84,791,563</u>	<u>1,479,007,759</u>	<u>-</u>	<u>1,563,799,322</u>
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
	<u>369,732,680</u>	<u>-</u>	<u>369,732,680</u>	<u>-</u>	<u>369,732,680</u>
	<u>1,933,532,002</u>	<u>84,791,563</u>	<u>1,848,740,439</u>	<u>-</u>	<u>1,933,532,002</u>
Off-balance sheet financial instruments - measured at fair value					
Foreign exchange contracts purchase and sale	<u>571,111,340</u>	<u>-</u>	<u>3,058,205</u>	<u>-</u>	<u>3,058,205</u>
Forward government securities transactions	<u>38,255,954</u>	<u>-</u>	<u>(308,328)</u>	<u>-</u>	<u>(308,328)</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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				Total
	Carrying Value	Level 1	Level 2	Level 3	
	------(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				Total
	Carrying Value	Level 1	Level 2	Level 3	
	------(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	Ajmanad and Islamic Banking Group	Head Office / Others	Sub total	Eliminations	Total
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	272,395	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	51,521,889	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	-	406,454,888	-	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	108,629,462	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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

2021

	Retail Banking Group	Inclusive Development Group	Corporate and Investment Banking Group	Treasury	International, Financial Institution and Remittance Group	Atteread 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	25,983,957	105,182,793	3,798,879	4,682,066	(267,953)	97,767,801	-	97,767,801
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	(561,383)	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	6,003,670	2,673,273	298,079,973	-	298,079,973
Investments	-	-	26,543,698	1,803,150,092	55,804,559	49,948,769	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	10,887,659	1,113,314,128	-	1,113,314,128
Others	25,276,052	2,297,783	18,315,585	3,581,004	4,984,806	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	100,771,663	406,865,969	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	8,589,826	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	100,777,648	147,819,236	6,166,369,497	(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	100,771,663	406,865,969	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	-	37,123,635	2,511,123,406	-	2,511,123,406

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	2022					Total
	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	
------(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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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	
------(Rupees 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	
------(Rupees 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 appointment.

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	2022										2021									
	Directors	Key management personnel	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.D.A.Ac)	Provident Fund	Other related parties	Directors	Key management personnel	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.D.A.Ac)	Provident Fund	Other related parties		
Balances with other banks																				
In current accounts	-	-	-	385,137	-	-	-	-	-	-	-	-	-	-	-	-	-	-	295,951	
	-	-	-	385,137	-	-	-	-	-	-	-	-	-	-	-	-	-	-	295,951	
Advances																				
Opening balance	-	347,592	2,934,162	-	-	-	-	641,483	-	-	233,267	2,961,029	-	-	-	-	-	-	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)	-	-	(56,216)	(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	
	-	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	-	-	-	-	-	-	-	
	-	-	2,665,220	-	-	-	-	-	-	-	-	2,837,287	-	-	-	-	-	-	-	
Other Assets																				
Interest / mark-up accrued	-	-	1,717,167	-	-	-	-	-	-	-	-	1,719,049	-	-	-	-	-	-	-	
	-	-	1,717,167	-	-	-	-	-	-	-	-	1,719,049	-	-	-	-	-	-	-	
Borrowings																				
Opening balance	-	-	-	35,741	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Borrowings during the year	-	-	-	16,504	-	-	-	-	-	-	-	-	-	9,111	-	-	-	-	-	
Settled during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	26,630	-	-	-	-	-	
Closing balance	-	-	-	52,245	-	-	-	-	-	-	-	-	-	35,741	-	-	-	-	-	
	-	-	-	52,245	-	-	-	-	-	-	-	-	-	35,741	-	-	-	-	-	
Deposits and other accounts																				
Opening balance	1,760	131,454	-	-	86,264	-	46,769	12,854,755	49,336,142	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)	(8,158,520)	(4,616,736)	(6,669,604)	(8,994)	(763,659)	-	-	-	-	(1,322,875)	(427,261)	(195,497,842)	-		
* Transfer in (out) - net	(1,746)	(23,903)	-	-	-	-	-	(42,798,288)	-	90	(69,347)	-	-	-	-	-	-	4,336,036		
Closing balance	-	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	-		
	-	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	-		
Contingencies & Commitments																				
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	2022						2021							
	Directors	Key management personnel	Associates	Joint venture	Pension Fund	Provident Fund	Funds / Others	Directors	Key management personnel	Associates	Joint venture	Pension Fund	Provident Fund	Funds / Others
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	1,663,174	88	3,873	-	41	55,688	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 in which 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

(Rupees in '000)

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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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%

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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
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
Miscellaneous	464,627	467,203	23,447	25,996	23,448	25,996
Leather and Tanneries	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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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
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	99,887	99,887	99,887	99,887
Private	940,099,837	884,704,797	205,624,750	198,245,802	191,914,860	179,554,723
	1,439,032,404	1,305,441,329	205,724,637	198,345,689	191,014,747	179,654,610

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	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.

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

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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	<u>1,851,158,522</u>	<u>1,474,940,958</u>

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

Province/Region	2022						
	Disbursements		Utilization				
	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	<u>1,066,693,366</u>	<u>422,259,044</u>	<u>490,806,309</u>	<u>11,459,625</u>	<u>4,573,074</u>	<u>130,350,515</u>	<u>7,244,799</u>

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	<u>792,295,691</u>	<u>238,408,770</u>	<u>477,991,188</u>	<u>18,742,921</u>	<u>3,678,107</u>	<u>45,550,315</u>	<u>7,924,390</u>

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

	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
Impact of 1% change in foreign exchange rates	------(Rupees in '000)-----			
- Profit and loss account	-	261,830	-	(173,567)
- Other comprehensive income	636,654	-	648,971	-

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
Impact of 5% change in equity prices	------(Rupees in '000)-----			
- 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
Impact of 1% change in interest rates on	------(Rupees in '000)-----			
- Profit and loss account	-	758,615	-	368,677
- Other comprehensive income	17,740,339	-	8,629,166	-

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

48.2.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk										Non-interest bearing financial instruments
		2022										
		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												
<u>Assets</u>												
1.6%	230,226,311	19,694,686	-	-	-	-	-	-	-	-	-	210,561,615
5.5%	19,623,124	4,000,785	566,760	797,970	-	-	-	-	-	-	-	12,391,006
16.2%	31,272,467	31,262,744	-	-	-	-	-	-	-	-	-	9,723
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
10.4%	1,230,669,118	324,139,397	280,088,870	173,991,260	165,871,653	25,742,864	43,745,383	66,856,032	53,927,228	31,850,855	-	64,445,576
0.0%	128,133,163	961,390	86,973	38,709	-	-	-	-	-	-	-	126,996,148
	5,122,860,030	1,003,879,219	1,777,064,606	719,695,862	368,949,326	147,158,736	158,327,028	242,847,407	169,702,005	39,001,549	-	496,834,290
<u>Liabilities</u>												
0.0%	55,268,019	-	-	-	-	-	-	-	-	-	-	55,268,019
15.8%	1,940,485,787	1,386,993,998	481,134,339	24,738,723	4,959,766	3,941,769	4,278,460	12,396,285	22,578,300	44,147	-	-
7.9%	2,665,275,257	1,692,294,015	56,331,627	143,645,001	62,752,384	87,857,931	21,560,944	14,583,213	1,997,543	-	-	584,260,619
16.1%	121,453	44,748	-	-	-	-	76,705	-	-	-	-	-
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	-	-
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
	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)
On-balance sheet gap												
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions												
1,696,635,726												
Commitments in respect of:												
- forward foreign exchange contracts												
165,879,918												
- forward government securities transactions												
(32,591,580)												
- Forward lending												
50,363,949												
Commitments for acquisition of:												
- fixed assets												
798,234												
Other commitments												
1,881,086,247												
Off-balance sheet gap												
1,696,635,726												
Total Yield/Interest Risk Sensitivity Gap												
(2,030,314,013)												
Cumulative Yield/Interest Risk Sensitivity Gap												
(2,030,314,013)												

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 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				
		(Rupees in '000)												
On-balance sheet financial instruments														
Assets														
Cash and balances with treasury banks	0.1%	278,868,736	25,910,106	-	1,230,888	-	-	-	-	-	-	-	-	251,727,762
Balances with other banks	0.6%	19,211,237	5,193,321	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	7,809,110	77,377,251	77,377,251	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	19,850,120	19,850,120
Other assets	0.0%	61,505,255	642,580	-	127,892	114,894	-	-	-	-	-	-	-	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	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	15,382,877	-	-	-	1,079,941,642
Deposits and other accounts	4.0%	3,018,147,709	1,603,631,447	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	-	20,980	69,732	461,203	643,301	788,395	1,849,562	3,046,610	1,480,992	-	-	196,114,706
Other liabilities	0.0%	196,962,495	847,788	-	-	-	-	-	-	-	-	-	-	196,114,706
		3,588,377,933	1,640,151,275	222,272,336	145,945,590	103,017,659	32,036,178	83,799,832	12,870,985	18,988,466	1,480,992	1,480,992	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)	(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	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	727,055,063	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	1,923,941,540	1,923,941,540	

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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		
Other liabilities	3,836,860	3,633,633
Total liabilities as per statement of financial position	4,941,465,662	3,562,011,566

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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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.

Notes to and forming part of the Consolidated Financial Statements

For the year ended December 31, 2022

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.

Ashraf Mahmood Wathra
Chairman

Rehmat Ali Hasnie
President & CEO (A)

Abdul Wahid Sethi
Chief Financial Officer

Asif Jooma
Director

Ahsan Ali Chughtai
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

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					8
1	S.B. Hosieny Factory Pvt. Ltd. 2nd Floor, Platinum Bank Building (Now KASB Bank Building, Kotwali Road, Faisalabad.	3 Late Muhammad Ikram 33100-1627050-1 Shehbaz Ikram 33100-6740898-8 Muhammad Usman 33100-7368631-7 Faisal Saeed Sheikh 33100-1014832-3	4 Haji Tutal Muhammad Muhammad Ikram Muhammad Ikram Saeed Mehmood Sheikh	5 196,741	6 46,768	7 162,811	8 406,320	9 76,741	10 -	11 209,579	12 286,320
2	Sohail Textiles 21- Km Ferozpur Road, Lahore	3 Sohail Hamid Rana 35201-1636030-9	4 Rana Hamid Khan	5 25,788	6 6,945	7 27,262	8 59,995	9 -	10 -	11 14,375	12 14,375
3	Uppal Textiles 1 Km Old Kasur Road, Rawind 565 G, Johar Town, Lahore.	3 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	4 Muhammad Ali Asif Ali Arshad Ali Muhammad Ali Muhammad Ali Liaqat Ali	5 -	6 -	7 33,278	8 33,278	9 -	10 -	11 17,369	12 17,369
4	East N Link Products Limited Office 5-6, 5th Floor, Block C-1, Taj Complex, Opp: Capri Cinema Karachi	3 Nisar Ahmed 42301-3612315-7 Anwar Ahmed 42301-7452922-5 Hamida Begum 42301-4908895-2 Samina Nisar 42201-0562367-6 Rukhsana Anwar 42301-1946870-2 Sikandar Ali 48547157648 (Old) Syed Waj Ullah	4 Muhammad Yaqoob Muhammad Yaqoob Muhammad Yaqoob Nisar Ahmed Anwar Ahmed Nizamuddin Syed Habibullah Hussaini	5 74,051	6 42,211	7 156,413	8 272,675	9 -	10 -	11 192,675	12 192,675

Annexure 'I' as referred to in note 11.6 of the Bank's Consolidated Financial Statements

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
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 Rahmyarkhan	Abdul Hameed 31302-7561665-9	Muhammad Abdullah	1,047	-	-	1,047	1,047	-	-	1,047
7	Muhammad Yameen Near Masjid Bahar e Madina, Mohallah Rapputan Dhanate, Kehror Pacca, Lodhnan	Muhammad Yameen 36202-3640971-1	Muhammad Younus	579	-	-	579	579	-	-	579
8	Malik Alta Muhammad Basti Warna, P.O Kotla Musa Khan, Tehsil Ahmedpur East, District Bahawalpur	Malik Alta Muhammad 31201-2112288-3	Malik Ahmad Bukhsh	515	-	-	515	515	-	-	515
9	M/s Askari Corporation Mohalla Kot Warsi, Near Chungi No. 1, Suraj Miani Road, Multan	Syed Iftikhar Bokhari 36302-7855011-1	Syed Abdul Ghafer 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 Raaza Abad Colony, Multan	Nadeem Sarfraz 36302-6289423-1	Khusi Masih	600	-	-	600	600	-	-	600
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 Piratak Joint Road, Gymkhana, Quetta	Saleem Iqbal 64400-6004083-5	Iqbal	561	-	-	561	561	-	-	561
17	Late Naseer Ahmed Village Amb Panhwar P.O Makhdoom Blawan Bagban Taluka, Dadu	Late Naseer Ahmed 41201-2208306-7	Muhammad Rajib Panhwar	575	-	-	575	575	-	-	575
18	Late Azzullah Muhallah Gareebabad Naudero District Larkana	Late Azzullah 43203-3105732-3	Wahid Bux Abro	672	-	-	672	672	-	-	672
19	Late Bagan Village Durani Mahar Kandhot, District Kashmir	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

Annexure 'I' as referred to in note 11.6 of the Bank's Consolidated Financial Statements

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
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 Jhri, District Dadu	Late Ghulam Akbar 43301-6215736-9	Allardhno Rustamani	887	-	-	887	887	-	-	887
23	Late Muhammad Ibrahim Muhalla Ayob Colony, Tehsil Naushero Feroz, District Larkana	Late Muhammad Ibrahim 43205-1522586-1	Hamid Ali Janwar	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 Behar 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 Thuli, District Jacobabad	Late Muhammad Rafique 43105-646269-1	Hamal Khan Lashari	586	-	-	586	586	-	-	586
28	Late Muhammad Bachal Village Muhammad pur Ocho Taluka Garhi Khairo, District Jacobabad	Late Muhammad Bachal 43101-0166329-9	Mehboob Ali Jakthro	589	-	-	589	589	-	-	589
29	Late Ghulam Hyder Village Mured Khan Jabriani P.O Kamber, District Kamber Shandadkot	Late Ghulam Hyder 43202-3595432-1	Muhammad Ilyas Jagirani	686	-	-	686	686	-	-	686
30	Late Khadim Hussain Qazi Muhalla Taluka Jhri, District Dadu	Late Khadim Hussain 41202-3277364-3	Muhammad Salih Khoso	841	-	-	841	841	-	-	841
31	Late Muhammad Ilyas Goth Almani, Tatri, Tehsil Dokri, District Larkana	Late Muhammad Ilyas 43201-3581048-9	Abdul Rasool Jhatal	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 Mukhtyarkar Office Muhalla Jatt P.O Ghari Khairo, Tehsil Ghari Khairo, District Jacobabad	M. Zaman 43101-5192595-9	Ghulam Hyder Mirjat	518	-	-	518	518	-	-	518
34	Gazi Village Khair Muhammad Khali Taluka Kashmir, District Kandhkot	Gazi 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, Shandadkot	Fida Hussain 43202-8019330-7	Ali Hassan Khoso	510	-	-	510	510	-	-	510
37	Deedar Ali Village Kule P.O Gereho Tehsil Bakran, 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 Philri Taluka Sjawal Junejo, District Kamber Shandadkot	Muharam Ali 43204-6036571-9	Nihal Khan Tunio	640	-	-	640	640	-	-	640



Annexure 'I' as referred to in note 11.6 of the Bank's Consolidated Financial Statements

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				Principal	Interest/ mark-up	Others	Total				
1				5	6	7	8	9	10	11	12
40	Ahmed Ali Muhalla Kianchandabad, District Shikarpur	Ahmed Ali 43304-0582783-1	Kairam Bux Rind	537	-	-	537	537	-	-	537
41	Raham Ali Leghari Goth Allah Dino Khan Leghari, T apal Ghar, District Ghotki	Raham Ali Leghari 45102-4761638-5	Din Muhammad Leghari	885	-	-	885	885	-	-	885
42	Paryal Shah Village Chandio Sachayo, District Shikarpur	Paryal Shah 43304-6317237-9	Shaman Shah	909	-	-	909	909	-	-	909
43	Gurban Ali Channa Village Mirza Channa Taluka Johi, District Dadu	Gurban Ali Channa 41202-3422951-5	Muhammad Ali Channa	835	-	-	835	835	-	-	835
44	Rasool Bux Village Ibrahim Sand, P.O Kianpur, Taluka K.N Shah, District Dadu	Rasool Bux 41203-6618285-5	Jaro Khan Sand	519	-	-	519	519	-	-	519
45	Nisar Ahmed Village Borini Taluka Khatipur, Nathan Shah, District Dadu	Nisar Ahmed 41203-2237640-3	Muhammad Isha	550	-	-	550	550	-	-	550
46	Mukhtar Ali Village Ibrahim Samia Dya Mir DHO Jagir, District Shikarpur	Mukhtar Ali 43304-7798894-5	Noor Muhammad	963	-	-	963	963	-	-	963
47	Aashique Hussain Shah Patnan Village Shakh, Fojtaluka Bakrani, District Larkana	Aashique Hussain Shah 43201-6573972-7	Zamir Hussain Shah	1,151	-	-	1,151	1,151	-	-	1,151
48	Muhammad Arab Village Dhani Panyo P.O Makhdoom Bilawal Taluka, Dadu	Muhammad Arab 41201-773203-5	Muhammad Rajib Panthar	1,159	-	-	1,159	1,159	-	-	1,159
49	Shabir Ahmed Muhalla Scarp Colony, Larkana	Shabir Ahmed 43205-9266270-7	Inam Bux Mangarho	501	-	-	501	501	-	-	501
50	Waryam Valirs RO Village Doodoo Dero, PO Shan Panjo Sultan, Taluka Mehtar, Dadu	Waryam Valirs 41205-2282856-9	Muhammad Alam	628	-	-	628	628	-	-	628
51	Muhammad Phanwar Muhallah Mehtar, Taluka Mehtar, District Dadu	Muhammad 41205-9300916-9	Muhammad Ibrahim Bhangar	1,244	-	-	1,244	1,244	-	-	1,244
52	Ali Anwar Soomro Mohalla Soomra, Mehtar, 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 Boodar	515	-	-	515	515	-	-	515
54	Parvez Ali Village Chandio Ptafi, P.O Koreja Taluka Ratodero, District Larkana	Parvez Ali 43205-5022809-3	Muhammad Ali Ptafi	742	-	-	742	742	-	-	742
55	Late Muhammad Heshim Muhallah Ali Gohar Abad, Sameh Abad, Larkana	Late Muhammad Heshim 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.1738/68-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 Buchke Badday, District Nankana	Muhammad Saqib 35501-0161773-7	Ali Muhammad	2,973	405	3,777	7,155	-	-	541	541
59	Shakeel Ahmad Gillani Rakh Machine P.O., Khas, Tehsil & District Sheikhpura	Falk Sher 35402-9844569-3	Ali Muhammad	739	-	-	739	739	-	-	739
		Shakeel Ahmad Gillani 35404-4676627-7	Muhammad Afzal	739	-	-	739	739	-	-	739

Annexure 'I' as referred to in note 11.6 of the Bank's Consolidated Financial Statements

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	8				
1		2	3	4	5	6	7	8	9	10	11	12
60	Ishtiaq Ahmed Muhallah Chah, Badraywala, Sharakpur Sharif	Ishtiaq Ahmed 35401-1831896-5	Nezeer Ahmed	927	-	-	-	927	927	-	-	927
61	All Hassan Katto R-19, Sector-13, Scheme 33, Chhatta Gabadal Goth, Muslim Society, Karachi	All Hassan Katto 43102-8586571-7	Mithal Khan Katto	623	-	-	-	623	623	-	-	623
62	Yasir Abbas 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	Mosab Hussain Village Zaran Yousef Khel, P.O Parachinar, District Khurram	Mosab Hussain 21303-5004445-9	Mukhtar Hussain	507	-	-	-	507	507	-	-	507
64	Khan Muhammad Qureshi Dak Khana Pappal Bazar, Bozi Khali, 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 Tali Muhallah, Rwalbindi	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 Koli, Azad Kashmir	Mirza Waqar Baig 81202-6520238-3	Mirza Abdul Rashid Baig	687	-	-	-	687	687	-	-	687
68	M. Basharat Rahat P.O Meri 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, Piplanwala District, Jhang	Muhammad Zaigham Iqbal 33202-1206528-7	Iqbal Ahmed	598	-	-	-	598	598	-	-	598
70	Syed Ghulam Mustafa Shah Gillani Noorgan 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 Atzal Darra Batangi, P.O Muzaffarabad, Azad Kashmir	Sher Atzal 82203-8593578-5	Jumma Khan	788	-	-	-	788	788	-	-	788
72	Ch. Muhammad Arif s/o Ahmed Khan Dardar Kallan Bhamber, Azad Kashmir	Ch. Muhammad Arif 81102-9389332-9	Ahmed Khan	638	-	-	-	638	638	-	-	638
73	Abdul Majeed Dudhnai, Sheikh Bela, Tehsil Starada, District Neelum	Abdul Majeed 82201-4923321-9	Feroz Din	667	-	-	-	667	667	-	-	667
74	Choudhary Mansood Ahmed Mojl P.O Leepa, Tehsil Kamah, District Jhelum Valley	Choudhary Mansood Ahmed 82202-6888682-1	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 Chayyar Tehsil Khuwaza Khela, District Swat	Said Akbar 15602-0319735-9	Said Ghaffar	692	-	-	-	692	692	-	-	692
77	Rehmatuddin Hingeel Shagnore, District Chitral	Rehmatuddin 15201-0569753-3	Mir Ghazabz	566	-	-	-	566	566	-	-	566
78	Asif Hussain S/o Raza Hussain Village & P.O Bande Sahib Khan, District Abbottabad	Asif Hussain 13101-7442913-7	Raza Hussain	594	-	-	-	594	594	-	-	594
79	Zamanbap Trans Ltd H.256, F. 41, Svykova str., Kyrgyzstan	Erkebaeva Alim Bolushevna NIC AN 2707107	Anarbek	2,629	1,714	-	-	4,343	-	-	1,076	1,076
80	Indirova Gulshat Melisovna H.14, F.28, Umatalava str., Kyrgyzstan	Indirova Gulshat Melisovna NIC ID2289498	Melis	638	1,173	-	-	1,811	-	-	1,084	1,084
81	Tabaladev Ularbek Kichikovich H.209, f.9, Ayni str., Kyrgyzstan	Tabaladev Ularbek Kichikovich NIC AN 3149383	Kichik	993	1,028	-	-	2,021	-	-	852	852
82	Alisultanov Amurkhan Almaty Area, Karasay District, Kaskeken, Bolshak Street, #1A/1	Alisultanov Amurkhan 640411300780	Begovich	14,427	4,846	579	-	19,852	-	4,592	-	4,592
83	G.JSC Gulistan Dushanbe city, 21 Tehron Street	Saidov Hayrullozaydovich 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 year end December 31, 2022

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

Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Consolidated Financial Statements

1	Investments by segments:	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)-----									
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

2	Islamic financing and related assets	Note	2022	2021
			------(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						Book Value as at December 31, 2022
	Cost			Accumulated Depreciation			
	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)		

Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Consolidated Financial Statements

	2021						Book Value as at December 31, 2021
	Cost			Accumulated depreciation			
	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

	Note	2022	2021
		(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
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

Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Consolidated Financial Statements

	2022	2021
	------(Rupees in '000)-----	
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
Note	------(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
3.2	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).

Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Consolidated Financial Statements

	2022	2021
	----- (Rupees in '000) -----	
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		
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: Transferred / remitted to Head Office	(1,502,668)	(2,108,388)
Closing Balance	2,297,141	1,502,668
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

Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Consolidated Financial Statements

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

Annexure 'II' as referred to in notes 2.1 and 11.7 of the Bank's Consolidated Financial Statements

Avenues / sectors of economy / business where Mudaraba 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.

	31-Dec-22 (Rupees in '000)
Mudarib Share	
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%.

14th

AGM
ANNUAL GENERAL MEETING
LEADERSHIP
MARKET
AUDIT
BUSINESS
MEMBERSHIP
ACHIEVE
PROJECT
CONSTITUTION
REVIEW
ASSOCIATIONS
VISION
LAW
MEETING
CORPORATE
ANNUAL
GENERAL
COMPANY
ACHIEV
ASSO
LEADERSHIP
ACHIEV
ORGANIZATION
ACHIEVEMENT
BUSINESS
CONDUCT
COMPANY
TEAMWORK
STRATEGY

NOTICE FOR THE 74th ANNUAL GENERAL MEETING

Notice is hereby given that the 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:

- To confirm minutes of the 73rd Annual General Meeting (AGM) of Shareholders held on March 30, 2022.
- 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.
- To appoint auditors for the year ending December 31, 2023, and fix their remuneration. The Board of Directors has recommended reappointment 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:

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

- 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.
- 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.
- For attending the meeting through electronic means (Zoom), proxy form should be submitted along with proxy holder’s email address and mobile number.
- 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:

- 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:
 - The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers must be mentioned on the form.
 - Attested copy of CNIC or the Passport of the beneficial owner(s) and of the proxy shall be furnished with the proxy form.
- 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 the 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 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

- 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.
- Identity of the member intending to cast vote through e-voting shall be authenticated through electronic signature or authentication for login.
- 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.
- It is mandatory for all CDS account holders to update their records with their participants and physical shareholders with Bank's Share Registrar i.e., CDCSRL before book closure date.
- 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 the 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 61 st in the 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. <i>(increased from existing Rs. 15,000/-).</i>
c)	Mileage Allowance (In case of journey by road)	Rs. 50/- (Rupees Fifty only) per kilometer. <i>(increased from existing Rs. 30/- per kilometer).</i>
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. <i>(increased from existing Rs. 150,000/-).</i>

“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) for Board meetings/Official work	As per policy/package already approved by the 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. up to 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.

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:

Name: _____
Address: _____
CNIC No. _____

**Affix Revenue Stamp
of Five Rupees.**

Name: _____
Address: _____
CNIC No. _____

Signature _____
(Signature should agree with the
specimen signature registered
with the Bank)

NOTE

Attending Meeting through Proxies:

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

- 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:
 - The proxy form shall be witnessed by two persons whose names, addresses, and CNIC numbers shall be mentioned on the form.
 - An attested copy of CNIC or valid Passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- 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 آئیڈینٹیفیشن نمبر _____
سی ڈی سی اکاؤنٹ نمبر _____
میں / ہم _____
جن کا تعلق _____
سے ہے نیشنل بینک آف پاکستان ہولڈنگ شیئر ہولڈر _____ کا / کے رکن ہوتے ہوئے بذریعہ پنا _____ کے _____ کو
جو کہ نیشنل بینک آف پاکستان (فولیو نمبر _____) کارکن بھی ہے یا _____ کے _____ کی ناکامی کی صورت میں جو کہ نیشنل بینک
آف پاکستان (فولیو نمبر _____) کارکن بھی ہے کو میرے / ہمارے نمائندے کے طور پر نامزد کرتا ہوں / کرتے ہیں تاکہ 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 موڈرن پک ہوٹل، کلب روڈ، کراچی اور الیکٹرانک ذرائع
سے اور اس کے کسی بھی التواء پر مشفق ہوگا۔
پراکسی کی ای میل ایڈرس (الیکٹرانک ذرائع سے شرکت کے لئے) _____ اور موبائل نمبر _____
اسے مارچ 2023 کی _____ تاریخ کو دیکھنا چاہئے:

پانچ روپے کے
ریونیو اسٹمپ

گواہان:

نام _____

پتہ _____

شناختی کارڈ نمبر _____

نام _____

پتہ _____

شناختی کارڈ نمبر _____

نوٹ

پراکسی کے ذریعے اجلاس میں شرکت

- تمام نمبران، 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، تاکہ 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۔
- پراکسی کی جزئیات بر لحاظ سے مکمل ہونا چاہئے اور موثر ہونے کے لئے رجسٹرار کے دفتر یا سیکریٹری بورڈ کے دفتر، دوسری منزل، این بی پی ہیڈ آفس، آئی آئی چنڈریگر روڈ، کراچی میں میٹنگ کے انعقاد کے وقت سے 48 گھنٹے پہلے جمع کروانا ہوگا۔
- الیکٹرانک ذرائع (Zoom) 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۔
- 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 ختم قرار دیا جائے گا۔

حصص یافتگان 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 ایذا دہ شخص جس کی سیکورٹیز گروپ اکاؤنٹ میں ہیں اور ان کی رجسٹریشن کی تفصیلات شواہد 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 بینیٹیشنل مالکان اور پراکسی کے پاسپورٹ کی کاپی پراکسی فارم کے ساتھ پیش کی جائے گی۔

II حکومت پاکستان / اسٹیٹ بینک آف پاکستان / کارپوریت ادارے کی صورت میں نامزد شخص کے دیکھنے کے نمونے کے ساتھ اصل یا باضابطہ تصدیق شدہ بورڈ آف ڈائریکٹرز کی قرارداد یا پورا آف انارنی میسرز سی ڈی سی شیئر رجسٹرار سرورسز لمیٹڈ یا سیکریٹری بورڈ کے دفتر، دوسری منزل، این بی پی ہیڈ آفس، آئی آئی چنڈریگر روڈ، کراچی۔ کو پراکسی فارم کے ساتھ جمع کروانا ہوگا۔