



Cash n Gold



Choice Account



Global Vision



Goal

65 Years  
of Customer Services...  
and still counting.



Growth



Kissan Dost

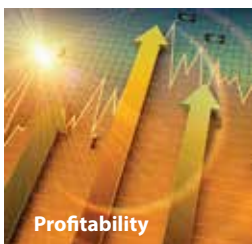
Rated  
**AAA/A1+**  
by JCR-VIS



Remittance



Islamic Banking



Profitability

ANNUAL REPORT 2014



Online Banking



ATM Points



SMS Alert



e-Payment



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## VISION

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

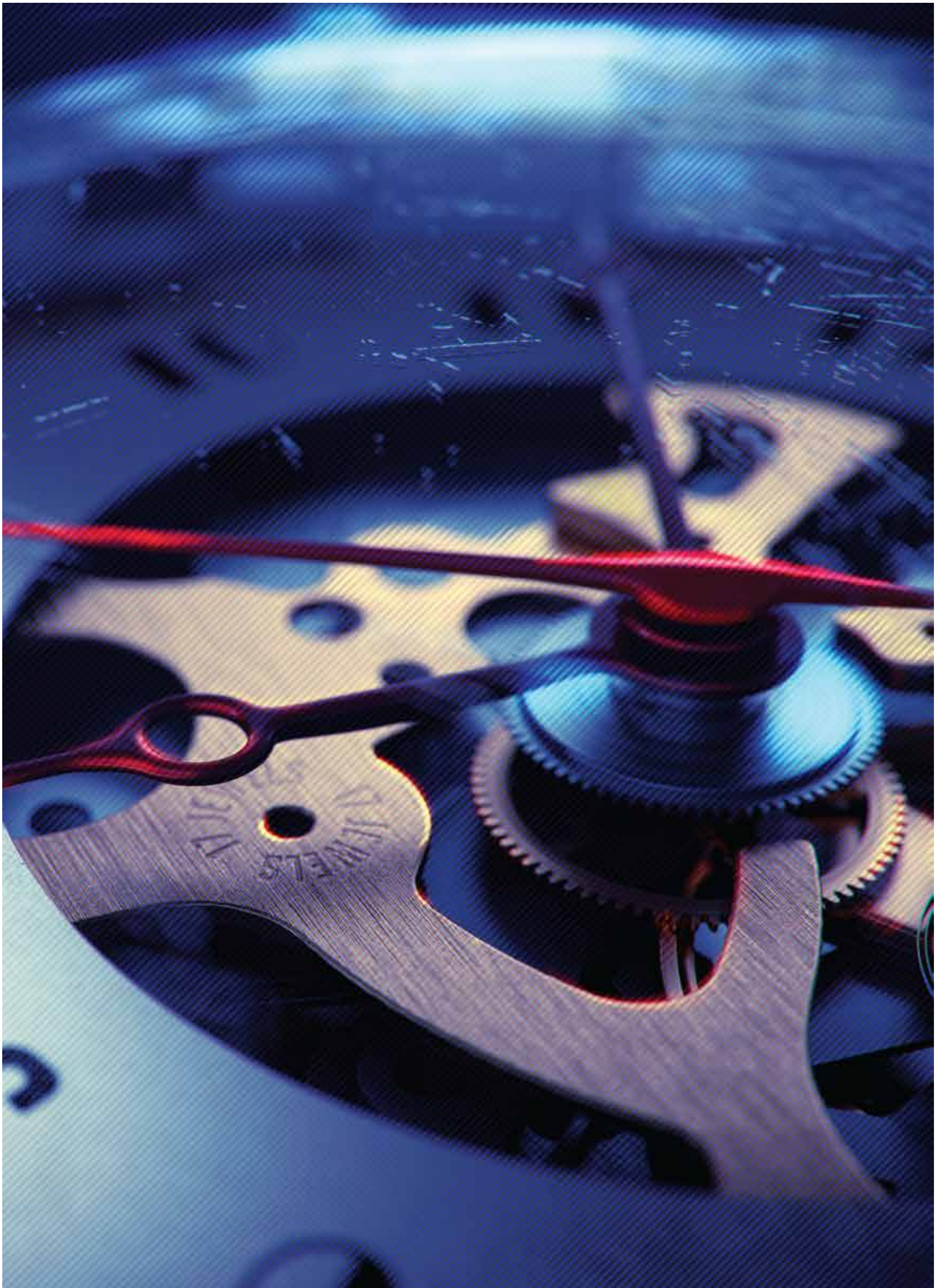


## MISSION

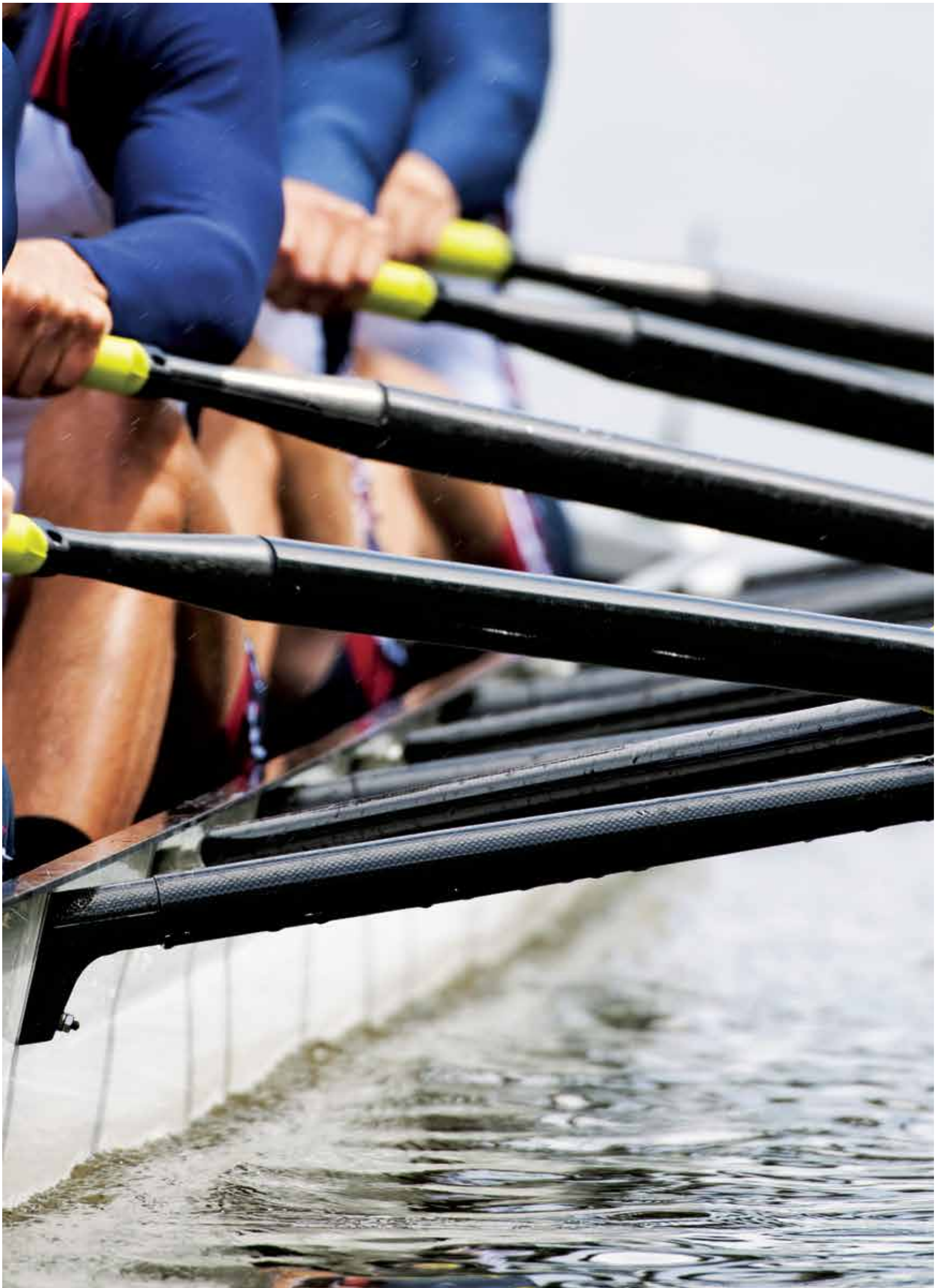
NBP will aspire to the values that make NBP truly the Nation's Bank, by:

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











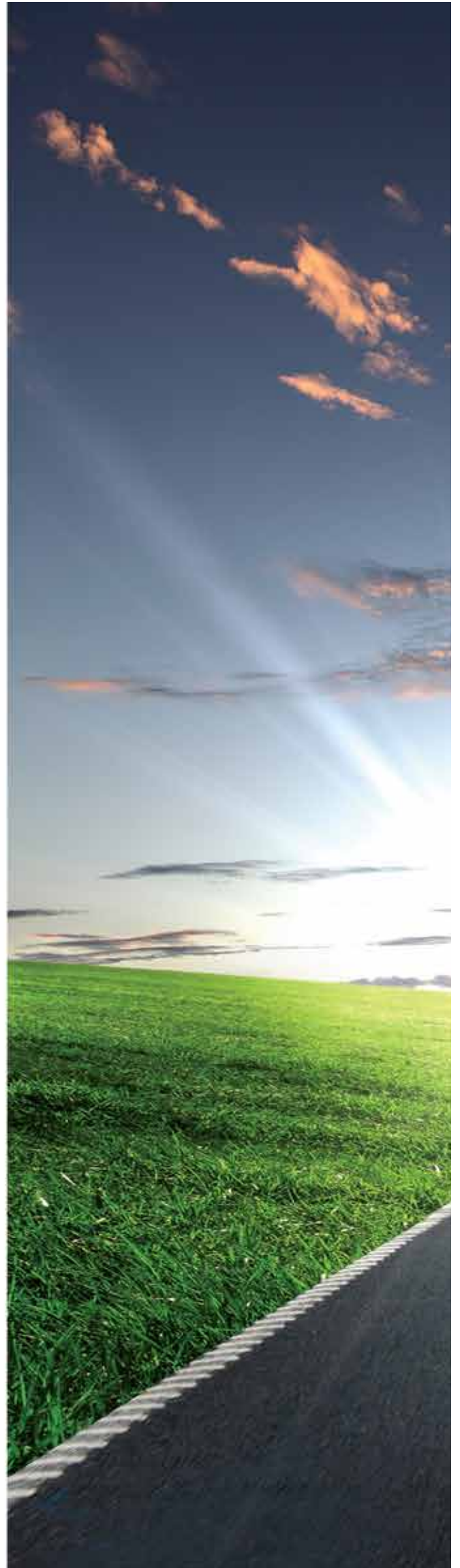
## CORE VALES

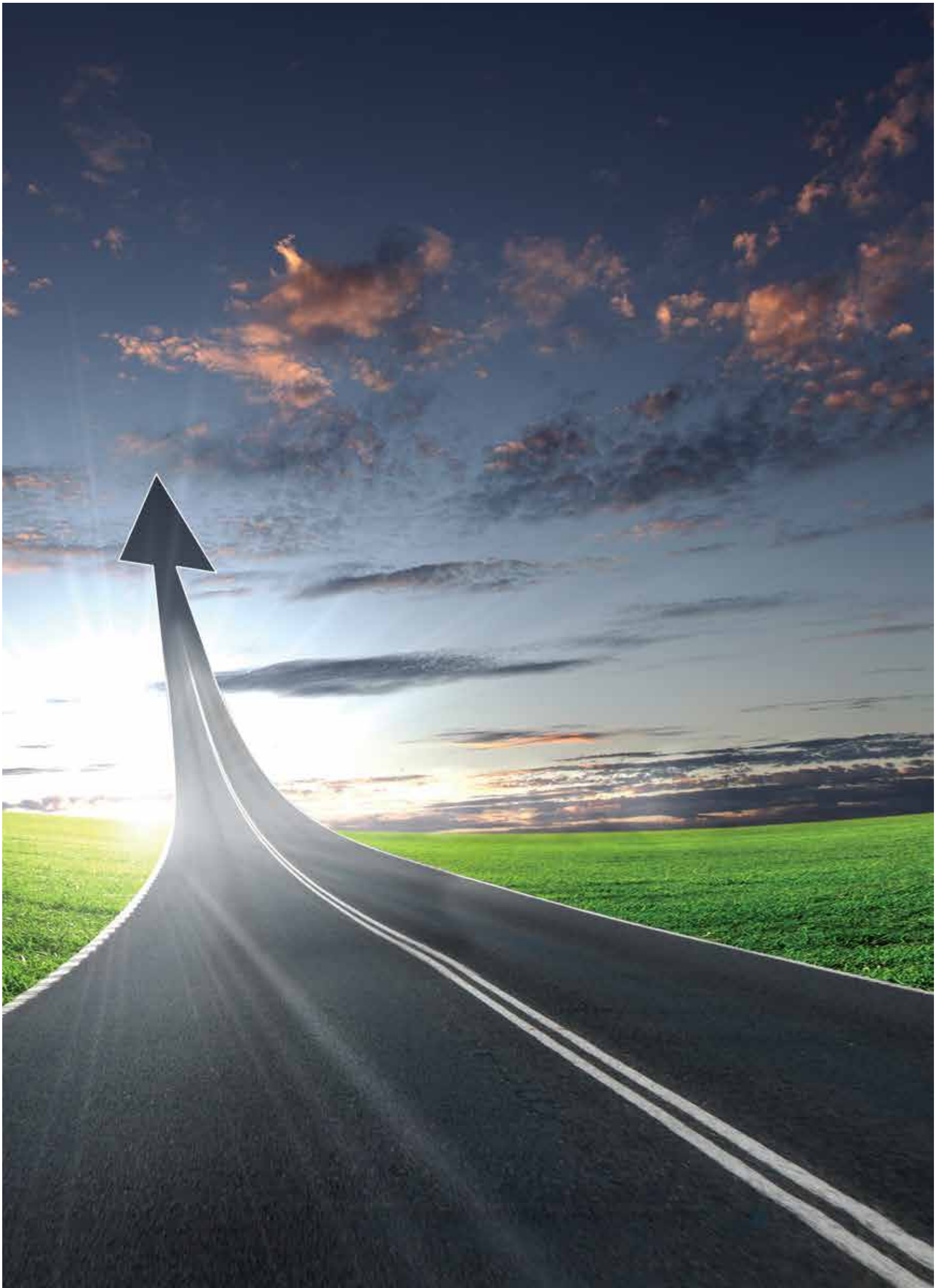
- Highest standards of Integrity
- Institutionalising a teamwork and performance culture
- Excellence in services
- Advancement of skills for tomorrow's challenges
- Awareness of social and community responsibility
- Value creation for all stakeholders



## GOAL

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









The background of the page is a blurred photograph of a modern office interior. In the foreground, a pair of black-rimmed glasses is resting on a surface, slightly out of focus. In the background, three people in business attire are standing and talking, their figures also blurred. The lighting is soft and professional, with a mix of cool and warm tones.

## CORPORATE INFORMATION



## Corporate Information

(As on 31st December, 2014)

### BOARD OF DIRECTORS

**Muneer Kamal**  
*Chairman*

---

**Tariq Kirmani**  
*Director*

**Shahid Aziz Siddiqi**  
*Director*

**Farrakh Qayyum**  
*Director*

**Rana Assad Amin**  
*Director*

**Muhammad Naeem**  
*Director*

**Iftikhar A. Allawala**  
*Director*

---

**Syed Ahmed Iqbal Ashraf**  
*President*

### AUDIT COMMITTEE

**Farrakh Qayyum**  
*Chairman*

---

**Muneer Kamal**  
*Member*

**Tariq Kirmani**  
*Member*

**Rana Assad Amin**  
*Member*

**Muhammad Naeem**  
*Member*

## **AUDITORS**

Ernst & Young Ford Rhodes Sidat Hyder  
Chartered Accountants

KPMG Taseer Hadi & Co.  
Chartered Accountants

## **LEGAL ADVISOR**

Mandviwala & Zafar  
Advocates & Legal Consultants

## **REGISTERED & HEAD OFFICE**

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

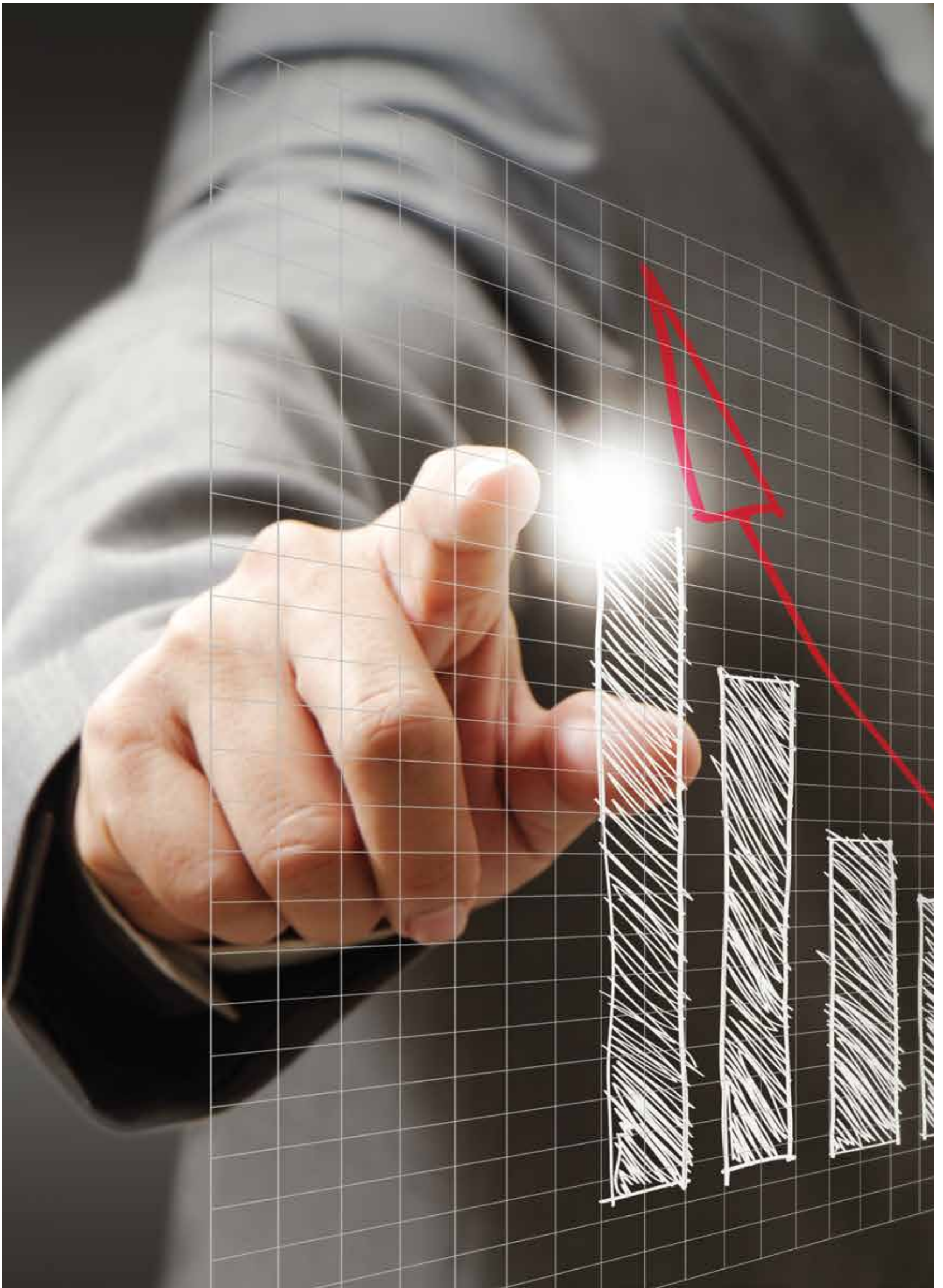
## **REGISTRAR & SHARE REGISTRATION OFFICE**

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

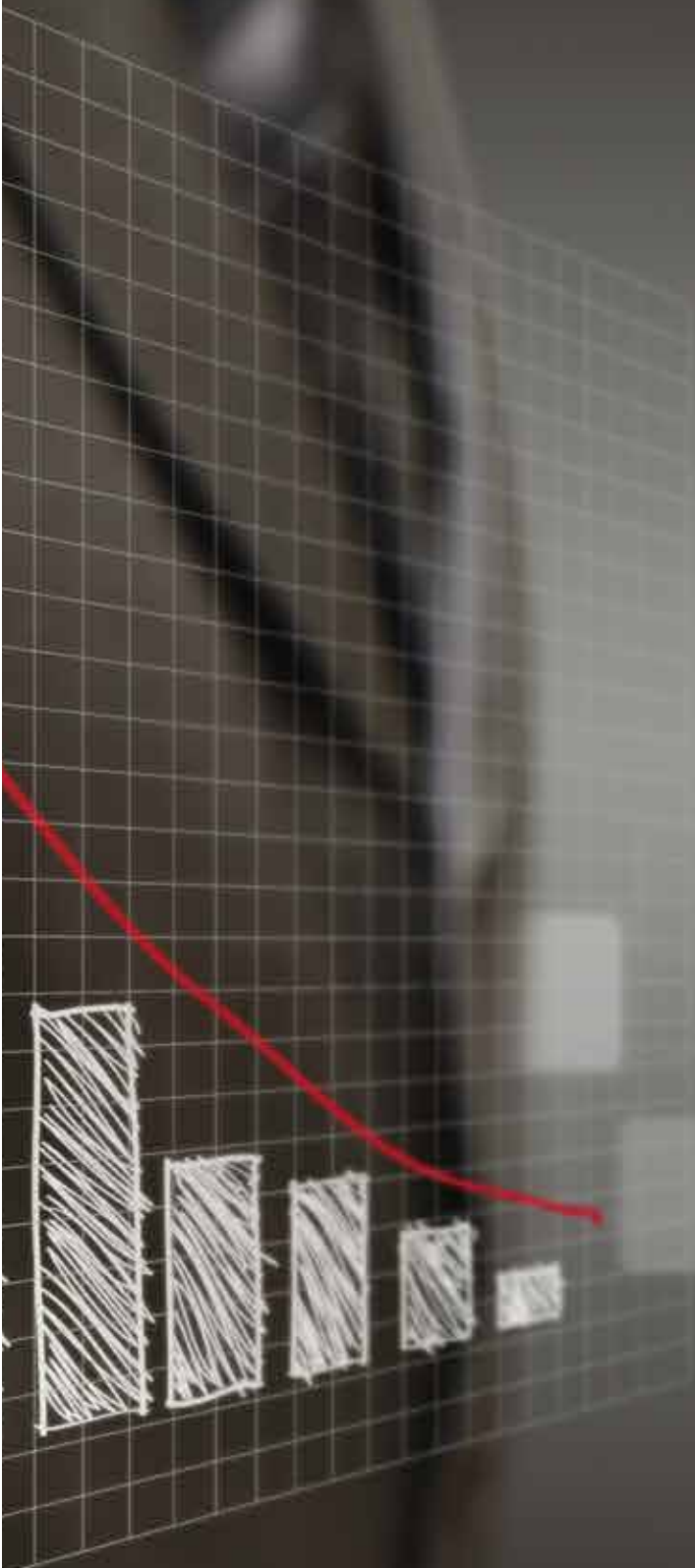
## **WEBSITE**

[www.nbp.com.pk](http://www.nbp.com.pk)





# FINANCIAL HIGHLIGHTS



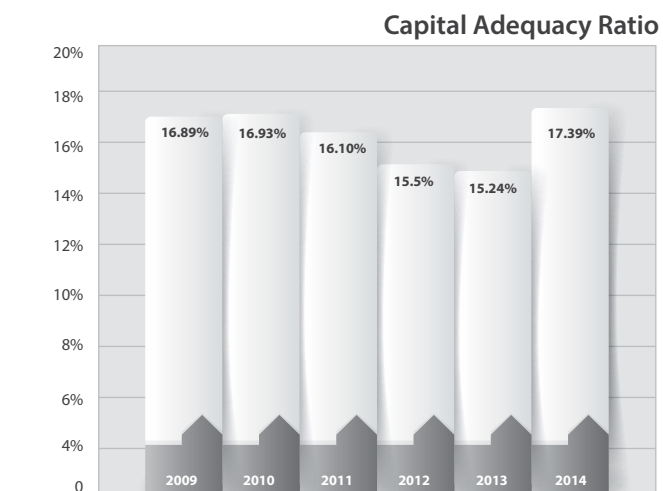
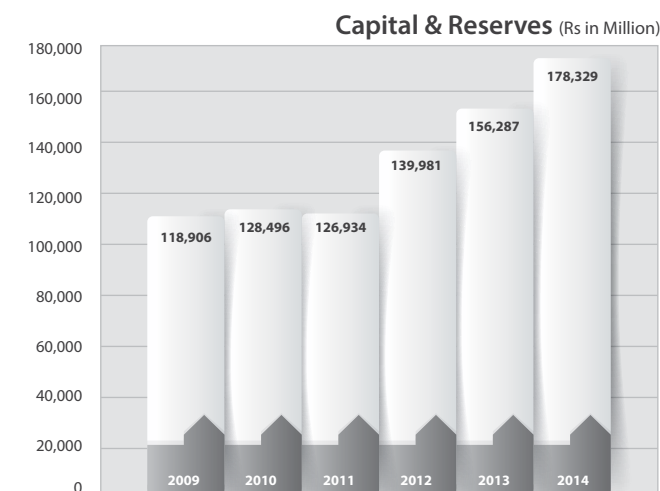
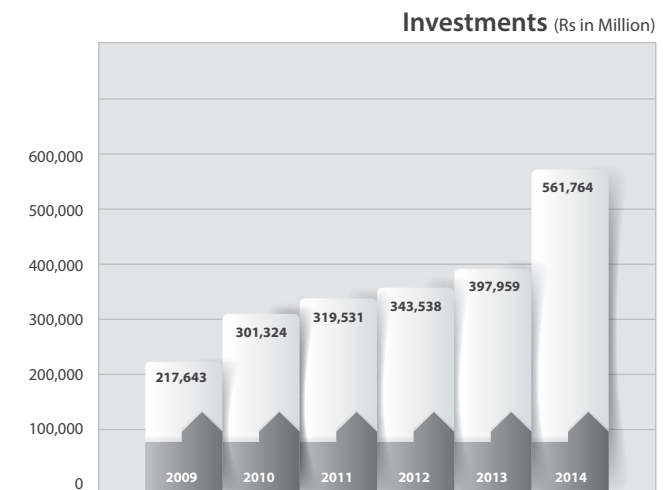
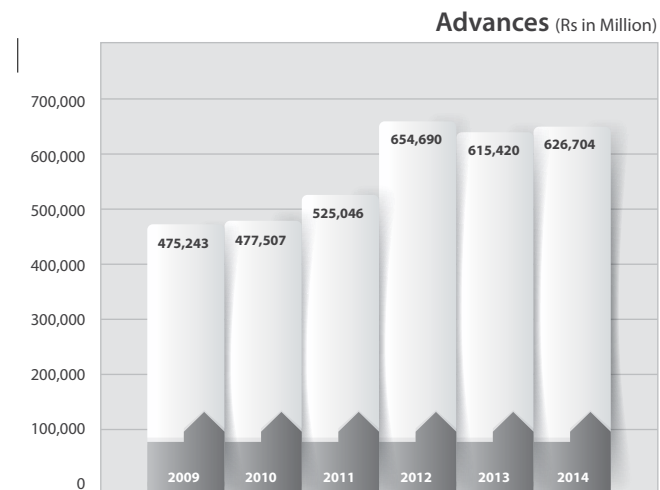
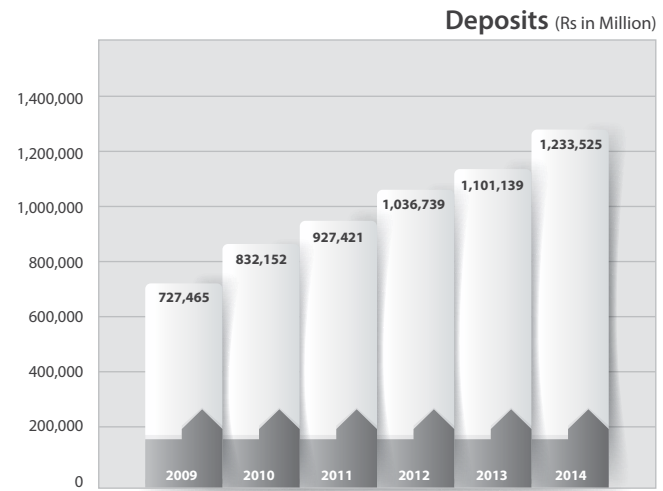
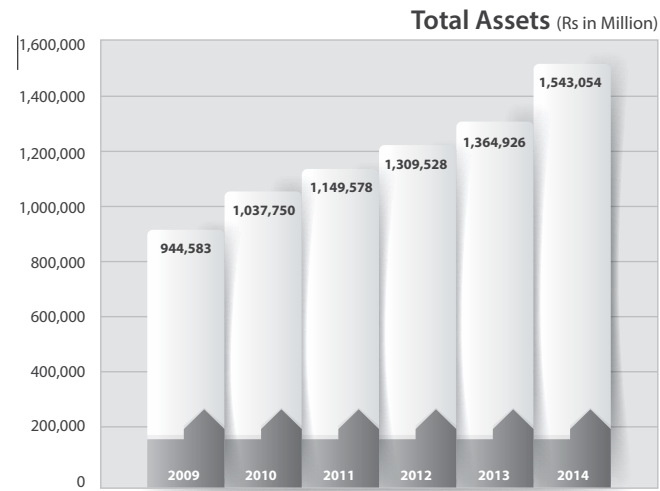


## Financial Highlights

(Rupees in million)

	2014	2013	2012	2011	2010	2009
Total Assets	1,543,054	1,364,926	1,309,528	1,149,578	1,037,750	944,583
Deposits	1,233,525	1,101,139	1,036,739	927,421	832,152	727,465
Advances	626,704	615,420	654,690	525,046	477,507	475,243
Investments	561,764	397,959	343,538	319,531	301,324	217,643
Capital & Reserves	178,329	156,287	139,981	126,934	128,496	118,906
Capital Adequacy Ratio	17.39%	15.24%	15.50%	16.10%	16.93%	16.89%
Pre-Tax Profit	22,001	7,078	21,378	26,011	24,415	21,300
After-Tax Profit	15,028	5,500	14,941	17,605	17,563	17,562
Earnings Per Share (Rs.)	7.06	2.59	7.02	8.27	8.25	8.25
Break up Value Per Share (Rs.)	56	60	62	66	73	84
Number of Branches	1,377	1,365	1,306	1,300	1,289	1,287
Number of Employees	16,190	16,619	16,921	16,924	16,457	16,248

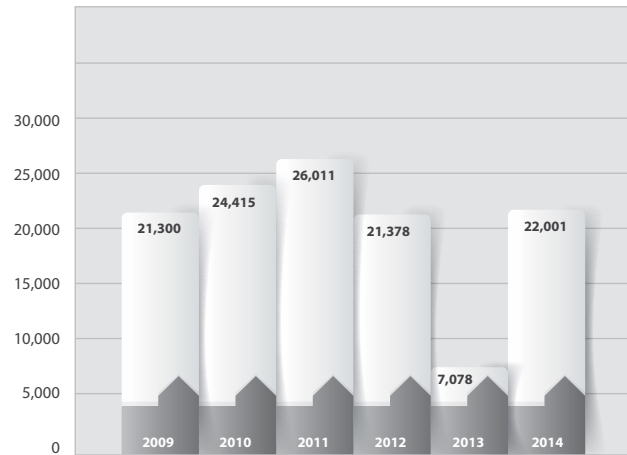
## 6 Years Financial Highlights



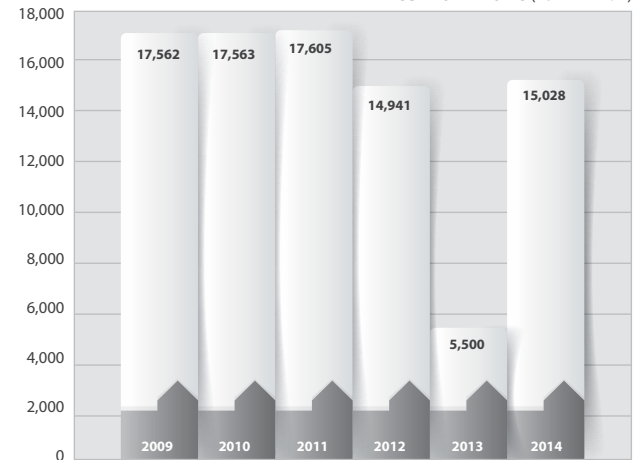


## 6 Years Financial Highlights

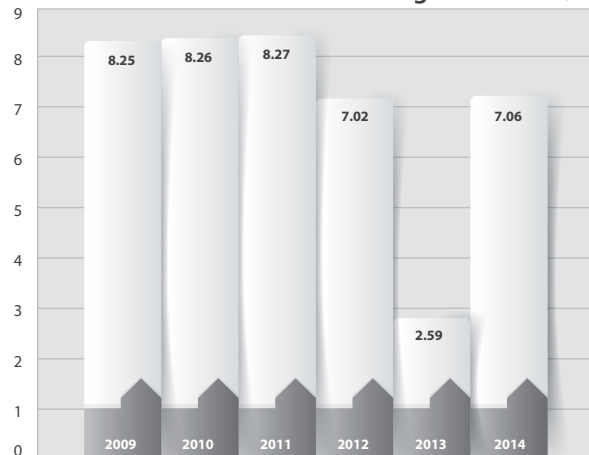
**Pre-Tax Profit** (Rs in Million)



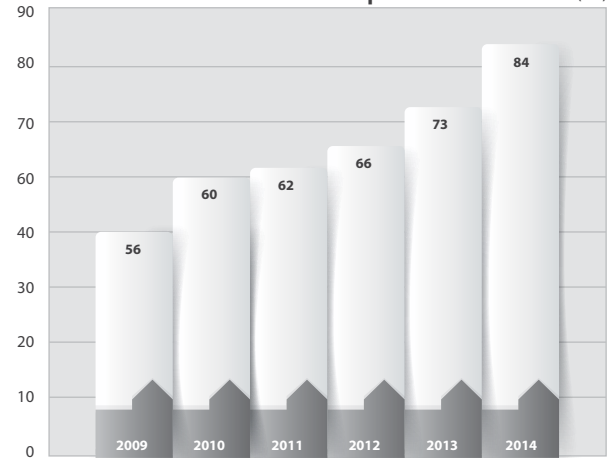
**After-Tax Profit** (Rs in Million)



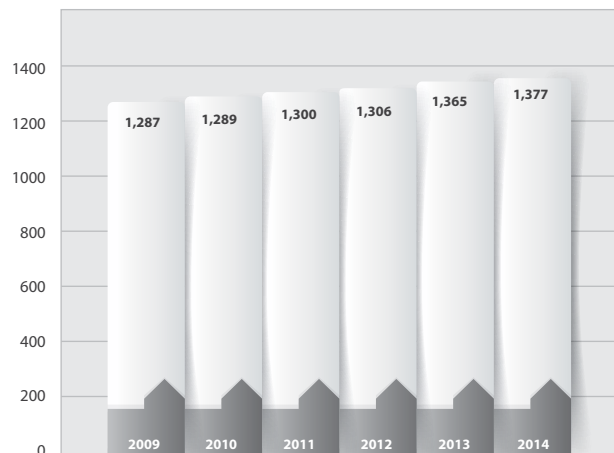
**Earnings Per Share** (Rs.)



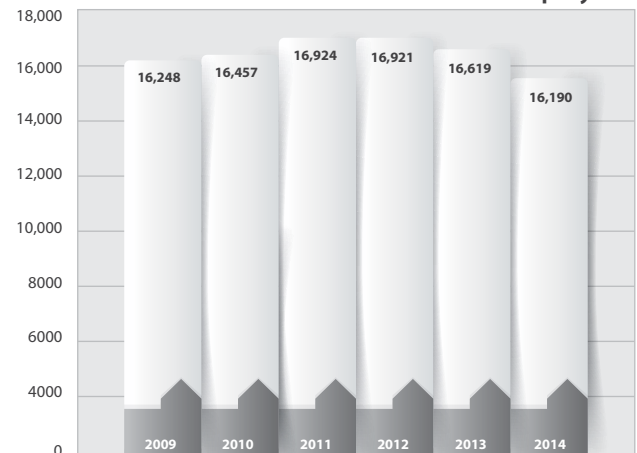
**Break up Value Per Share** (Rs.)



**Number of Branches**



**Number of Employees**



## Key Performance Indicators

	Rs. In Million		%
	2014	2013	Growth
<b>Balance Sheet</b>			
Total Assets	1,543,054	1,364,926	13%
Investment – Gross	579,282	413,375	40%
Advances – Gross	728,064	708,015	3%
Deposits	1,233,525	1,101,139	12%
Capital & Reserves	178,329	156,287	14%
<b>Profit &amp; Loss</b>			
Net Interest Income	44,166	38,205	16%
Non Interest Income	31,472	25,570	23%
Operating Expenses	41,161	36,295	(13%)
Profit before Provisions	34,478	27,480	25%
Provisions	12,478	20,401	39%
Profit before Taxation	22,001	7,078	211%
Profit after Taxation	15,028	5,500	173%
<b>Non Financial</b>			
No. of branches	1,332	1,324	
No. of Islamic branches	22	18	
No. of Overseas branches (excluding subsidiaries)	23	23	
No. of employees	16,190	16,619	
<b>Key Financial Ratios</b>			
Earnings Per Share (Rs.)	7.06	2.59	
Book Value per Share (Rs.)	84	73	
Share Price (Rs.)	69.46	58.06	
Market Capitalization (Rs. In Million)	147,777	123,523	
Return on Equity - After Tax	14.2%	5.4%	
Return on Assets - After Tax	1.1%	0.4%	
Capital Adequacy Ratio	17.39%	15.24%	
Dividend per Share (Rs.)	5.50	2.00	
CASA Ratio	72%	69%	



# Vertical Analysis

	2009		2010		2011		2012		2013		2014	
ASSETS	Rs in million	%	Rs in million	%	Rs in million	%	Rs in million	%	Rs in million	%	Rs in million	%
Cash and balances with treasury and other banks	115,828	12%	115,442	11%	131,676	11%	158,333	10%	157,930	12%	97,972	6%
Balances with other banks	28,406	3%	30,390	3%	27,582	2%	30,222	2%	17,458	1%	12,108	1%
Lending to financial institutions	19,587	2%	23,025	2%	44,380	4%	8,273	3%	51,939	4%	111,789	7%
Investments - net	217,643	23%	301,324	29%	319,531	28%	343,538	24%	397,959	29%	561,764	36%
Advances - net	475,243	50%	477,507	46%	525,046	46%	654,690	40%	615,420	45%	626,704	41%
Operating Fixed assets	25,147	3%	26,888	3%	27,454	2%	27,950	2%	32,702	2%	31,796	2%
Deferred tax assets - net	3,062	0%	6,953	1%	7,935	1%	9,848	1%	10,955	1%	9,878	1%
Other assets	59,666	6%	56,222	5%	65,973	6%	76,675	5%	80,564	6%	91,045	6%
<b>Total assets</b>	<b>944,583</b>	<b>100%</b>	<b>1,037,750</b>	<b>100%</b>	<b>1,149,578</b>	<b>100%</b>	<b>1,309,528</b>	<b>88%</b>	<b>1,364,926</b>	<b>100%</b>	<b>1,543,054</b>	<b>100%</b>
LIABILITIES												
Bills payable	10,621	1%	8,007	1%	9,105	1%	14,368	1%	13,895	1%	11,012	1%
Borrowings	45,278	5%	20,104	2%	26,372	2%	51,297	2%	22,239	2%	37,541	2%
Deposits and other accounts	727,465	77%	832,152	80%	927,421	81%	1,036,739	71%	1,101,139	81%	1,233,525	80%
Sub-ordinated loans	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Liabilities against assets subject to Finance Lease	43	0%	107	0%	76	0%	30	0%	24	0%	13	0%
Deferred tax liabilities	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Other liabilities	42,270	4%	48,886	5%	53,952	5%	67,115	4%	71,343	5%	82,634	5%
<b>Total Liabilities</b>	<b>825,676</b>	<b>87%</b>	<b>909,254</b>	<b>88%</b>	<b>1,016,926</b>	<b>88%</b>	<b>1,169,548</b>	<b>78%</b>	<b>1,208,639</b>	<b>89%</b>	<b>1,364,725</b>	<b>88%</b>
NET ASSETS	118,906	13%	128,496	12%	132,651	12%	139,981	10%	156,287	11%	178,329	12%
Share capital	10,764	1%	13,455	1%	16,818	1%	18,500	1%	21,275	2%	21,275	1%
Reserves	22,682	2%	24,450	2%	25,343	2%	28,819	2%	31,539	2%	32,074	2%
Unappropriated profit	60,697	6%	65,857	6%	68,359	6%	57,419	5%	48,046	4%	57,007	4%
Equity	94,142	10%	103,762	10%	110,520	10%	104,737	8%	100,860	7%	110,356	7%
Surplus on revaluation of assets	24,764	3%	24,734	2%	22,131	2%	35,243	2%	55,427	4%	67,973	4%
	118,906	13%	128,496	12%	132,651	12%	139,981	10%	156,287	11%	178,329	12%
PROFITABILITY												
Markup / Return / Interest earned	77,948	100%	88,472	100%	95,325	100%	100,092	95%	99,028	100%	114,174	100%
Markup / Return / Interest expensed	40,490	52%	45,250	51%	48,516	51%	56,418	48%	60,823	61%	70,007	61%
Net Markup / Interest income	37,458	48%	43,222	49%	46,810	49%	43,674	47%	38,205	39%	44,166	39%
Fee, Commission, Brokerage and Exchange income	8,930	11%	9,632	11%	9,588	10%	10,707	10%	11,598	12%	12,135	11%
Capital gain & Dividen income	6,512	8%	3,612	4%	4,096	4%	6,844	4%	6,908	7%	11,103	10%
Other income	3,583	5%	4,389	5%	5,653	6%	6,298	6%	7,064	7%	8,234	7%
Non interest income	19,025	24%	17,633	20%	19,337	20%	23,849	19%	25,570	26%	31,472	28%
Gross income	56,483	72%	60,854	69%	66,147	69%	67,524	66%	63,774	64%	75,639	66%
Operating Expenses (Non Mark-Up/Interest Expense)	22,893	29%	26,321	30%	30,255	32%	35,085	30%	36,295	37%	41,161	36%
Profit before provisions	33,590	43%	34,533	39%	35,891	38%	32,438	36%	27,480	28%	34,478	30%
Provisions	12,290	16%	10,118	11%	9,880	10%	11,060	10%	20,401	21%	12,478	11%
Profit before taxation	21,300	27%	24,415	28%	26,011	27%	21,378	26%	7,078	7%	22,001	19%
Taxation	3,738	5%	6,852	8%	8,406	9%	6,437	8%	1,578	2%	6,973	6%
Profit after taxation	17,562	23%	17,563	20%	17,605	18%	14,941	18%	5,500	6%	15,028	13%

# Horizontal Analysis

	2009	09 Vs 08	2010	10 Vs 09	2011	11 Vs 10	2012	12 Vs 11	2013	13 Vs 12	2014	14 Vs 13
<b>ASSETS</b>	Rs in million	%	Rs in million	%	Rs in million	%	Rs in million	%	Rs in million	%	Rs in million	%
Cash and balances with treasury and other banks	115,828	9%	115,442	0%	131,676	14%	158,333	20%	157,930	0%	97,972	-38%
Balances with other banks	28,406	-26%	30,390	7%	27,582	-9%	30,222	10%	17,458	-42%	12,108	-31%
Lending to financial institutions	19,587	14%	23,025	18%	44,380	93%	8,273	-81%	51,939	528%	111,789	115%
Investments - net	217,643	27%	301,324	38%	319,531	6%	343,538	8%	397,959	16%	561,764	41%
Advances - net	475,243	15%	477,507	0%	525,046	10%	654,690	25%	615,420	-6%	626,704	2%
Operating Fixed assets	25,147	4%	26,888	7%	27,454	2%	27,950	2%	32,702	17%	31,796	-3%
Deferred tax assets - net	3,062	-4%	6,953	127%	7,935	14%	9,848	24%	10,955	11%	9,878	-10%
Other assets	59,666	34%	56,222	-6%	65,973	17%	76,675	16%	80,564	5%	91,045	13%
<b>Total assets</b>	<b>944,583</b>	<b>16%</b>	<b>1,037,750</b>	<b>10%</b>	<b>1,149,578</b>	<b>11%</b>	<b>1,309,528</b>	<b>14%</b>	<b>1,364,926</b>	<b>4%</b>	<b>1,543,054</b>	<b>13%</b>
<b>LIABILITIES</b>												
Bills payable	10,621	4%	8,007	-25%	9,105	14%	14,368	58%	13,895	-3%	11,012	-21%
Borrowings	45,278	12%	20,104	-56%	26,372	31%	51,297	95%	22,239	-57%	37,541	69%
Deposits and other accounts	727,465	16%	832,152	14%	927,421	11%	1,036,739	12%	1,101,139	6%	1,233,525	12%
Sub-ordinated loans	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Liabilities against assets subject to Finance Lease	43	69%	107	150%	76	-28%	30	-61%	24	-19%	13	-47%
Deferred tax liabilities	-	0%	-	0%	-	0%	-	0%	-	0%	-	0%
Other liabilities	42,270	7%	48,886	16%	53,952	10%	67,115	24%	71,343	6%	82,634	16%
<b>Total Liabilities</b>	<b>825,676</b>	<b>15%</b>	<b>909,254</b>	<b>10%</b>	<b>1,016,926</b>	<b>12%</b>	<b>1,169,548</b>	<b>15%</b>	<b>1,208,639</b>	<b>3%</b>	<b>1,364,725</b>	<b>13%</b>
<b>NET ASSETS</b>	<b>118,906</b>	<b>16%</b>	<b>128,496</b>	<b>8%</b>	<b>132,651</b>	<b>3%</b>	<b>139,981</b>	<b>6%</b>	<b>156,287</b>	<b>12%</b>	<b>178,329</b>	<b>14%</b>
<b>Share capital</b>	<b>10,764</b>	<b>20%</b>	<b>13,455</b>	<b>25%</b>	<b>16,818</b>	<b>25%</b>	<b>18,500</b>	<b>10%</b>	<b>21,275</b>	<b>15%</b>	<b>21,275</b>	<b>0%</b>
<b>Reserves</b>	<b>22,682</b>	<b>14%</b>	<b>24,450</b>	<b>8%</b>	<b>25,343</b>	<b>4%</b>	<b>28,819</b>	<b>14%</b>	<b>31,539</b>	<b>9%</b>	<b>32,074</b>	<b>2%</b>
<b>Unappropriated profit</b>	<b>60,697</b>	<b>16%</b>	<b>65,857</b>	<b>9%</b>	<b>68,359</b>	<b>4%</b>	<b>57,419</b>	<b>-16%</b>	<b>48,046</b>	<b>-16%</b>	<b>57,007</b>	<b>19%</b>
<b>Equity</b>	<b>94,142</b>	<b>16%</b>	<b>103,762</b>	<b>10%</b>	<b>110,520</b>	<b>7%</b>	<b>104,737</b>	<b>-5%</b>	<b>100,860</b>	<b>-4%</b>	<b>110,356</b>	<b>9%</b>
<b>Surplus on revaluation of assets</b>	<b>24,764</b>	<b>17%</b>	<b>24,734</b>	<b>0%</b>	<b>22,131</b>	<b>-11%</b>	<b>35,243</b>	<b>59%</b>	<b>55,427</b>	<b>57%</b>	<b>67,973</b>	<b>23%</b>
	<b>118,906</b>	<b>16%</b>	<b>128,496</b>	<b>8%</b>	<b>132,651</b>	<b>3%</b>	<b>139,981</b>	<b>6%</b>	<b>156,287</b>	<b>12%</b>	<b>178,329</b>	<b>14%</b>
<b>PROFITABILITY</b>												
Markup / Return / Interest earned	77,948	28%	88,472	14%	95,325	8%	100,092	5%	99,028	-1%	114,174	15%
Markup / Return / Interest expensed	40,490	70%	45,250	12%	48,516	7%	56,418	16%	60,823	8%	70,007	15%
Net Markup / Interest income	37,458	1%	43,222	15%	46,810	8%	43,674	-7%	38,205	-13%	44,166	16%
Fee, Commission, Brokerage and Exchange income	8,930	13%	9,632	8%	9,588	0%	10,707	12%	11,598	8%	12,135	5%
Capital gain & Dividen income	6,512	99%	3,612	-45%	4,096	13%	6,844	67%	6,908	1%	11,103	61%
Other income	3,583	-31%	4,389	23%	5,653	29%	6,298	11%	7,064	12%	8,234	17%
Non interest income	19,025	16%	17,633	-7%	19,337	10%	23,849	23%	25,570	7%	31,472	23%
<b>Gross income</b>	<b>56,483</b>	<b>6%</b>	<b>60,854</b>	<b>8%</b>	<b>66,147</b>	<b>9%</b>	<b>67,524</b>	<b>2%</b>	<b>63,774</b>	<b>-6%</b>	<b>75,639</b>	<b>19%</b>
<b>Operating Expenses (Non Mark-Up/Interest Expense)</b>	<b>22,893</b>	<b>22%</b>	<b>26,321</b>	<b>15%</b>	<b>30,255</b>	<b>15%</b>	<b>35,085</b>	<b>16%</b>	<b>36,295</b>	<b>3%</b>	<b>41,161</b>	<b>13%</b>
Profit before provisions	33,590	-3%	34,533	3%	35,891	4%	32,438	-10%	27,480	-15%	34,478	25%
Provisions	12,290	5%	10,118	-18%	9,880	-2%	11,060	12%	20,401	84%	12,478	-39%
<b>Profit before taxation</b>	<b>21,300</b>	<b>-7%</b>	<b>24,415</b>	<b>15%</b>	<b>26,011</b>	<b>7%</b>	<b>21,378</b>	<b>-18%</b>	<b>7,078</b>	<b>-67%</b>	<b>22,001</b>	<b>211%</b>
Taxation	3,738	-50%	6,852	83%	8,406	23%	6,437	-23%	1,578	-75%	6,973	342%
<b>Profit after taxation</b>	<b>17,562</b>	<b>14%</b>	<b>17,563</b>	<b>0%</b>	<b>17,605</b>	<b>0%</b>	<b>14,941</b>	<b>-15%</b>	<b>5,500</b>	<b>-63%</b>	<b>15,028</b>	<b>173%</b>



**Mr. Tariq Kirmani**  
*Director*

**Mr. Muhammad Naeem**  
*Director*

**Mr. Shahid Aziz Siddiqi**  
*Director*

**Syed Ahmed Iqbal Ashraf**  
*President*



A photograph of four men in dark suits standing in a modern office lobby. The man on the far left is Mr. Muneer Kamal, the Chairman. Next to him is Mr. Farrakh Qayyum, a Director. The third man is Mr. Rana Assad Amin, also a Director. On the far right is Mr. Iftikhar A. Allawala, a Director. They are all standing with their hands clasped in front of them. The background shows a bright, modern office interior with large windows and a glass partition.

## BOARD OF DIRECTORS

**Mr. Muneer Kamal**  
*Chairman*

**Mr. Farrakh Qayyum**  
*Director*

**Mr. Rana Assad Amin**  
*Director*

**Mr. Iftikhar A. Allawala**  
*Director*





## PROFILE OF THE DIRECTORS

### MR. MUNEEB KAMAL

**CHAIRMAN** National Bank of Pakistan and Chairman of Karachi Stock Exchange has over 33 years of extensive experience in banking and financial sector. His career started with Citibank where, between November 1979 and July 1994, he served locally and internationally on various senior positions including his term as Associate Director Singapore Training Centre. During this association, he also attended a number of training courses / programs in Far East, Middle East and Africa.

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

Mr. Kamal also held position of President/CEO, and then as Vice Chairman of the Union Bank Limited, where he had been instrumental in various acquisitions done by Union Bank Limited i.e. Bank of America, American Express Credit Cards, Emirates Bank International and Mashreq Bank, Sri Lanka. As a result, Union Bank emerged as a success story and was ably acquired by Standard Chartered Bank. After his stint with Union Bank, Mr. Kamal, an MBA from University of Karachi, began his association with KASB Group - as President/CEO of KASB Bank Limited from November 2005 to August 2010.

Besides holding the position of Chairman of the Karachi Stock Exchange (KSE) Board, Mr. Muneer Kamal is also the Chairman of Human Resources & Remuneration Committee and Nomination Committee of KSE and is member of Voluntary De-listing Committee of KSE's Board.

#### Other Directorships & Offices:

- Chairman, Karachi Stock Exchange
- Director, Government Holdings (Private) Limited







## PROFILE OF THE DIRECTORS

### SYED AHMED IQBAL ASHRAF

**PRESIDENT** Syed Ahmed Iqbal Ashraf has rich experience of over 34 years in domestic and international banking. Mr. Ashraf is a Fellow of Association of Chartered Certified Accountants (FACCA) from UK; from where he not only acquired his education but also started his career. His work experience spans three continents and he worked in the UK, USA and UAE for 19 years before he decided to return to Pakistan.

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



### **Mr. Farrakh Qayyum**

*Director*

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

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

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

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

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



## PROFILE OF THE DIRECTORS

### **Mr. Rana Assad Amin**

*Director*

Rana Assad Amin has been appointed as Director of National Bank of Pakistan by the Government of Pakistan with effect from 9th September, 2013. Rana Assad Amin has a vast experience gathered over a span of more than thirty five years in public service at key Government of Pakistan posts. He holds Master's degree in Project Management from Malardalens University, Sweden and MBA from Bradford University, United Kingdom. In addition, he also possesses degrees in LLB (Law) and M.A. Political Science from Punjab University. He brings with him a rich professional and academic experience and represented Pakistan at various national and international forums including Corporate Governance, Anti-Money Laundering and Countering Terrorist Financing etc. He has also been on boards of various Public Sector Organizations.

At present, he is Advisor to the Finance Division, Ministry of Finance, Government of Pakistan.





### **Mr. Tariq Kirmani**

*Director*

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

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

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

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

## PROFILE OF THE DIRECTORS

### **Mr. Shahid Aziz Siddiqi**

*Director*

Mr. Siddiqi holds a Master Degree from the Karachi University and a Post Graduate Diploma in Development Studies from the University of Cambridge UK. Mr. Siddiqi topped the Civil Services examination of 1968. He is a Certified Board Director of Pakistan Institute of Corporate Governance (PICG) and has attended certificate course on Risk Management (PICG).

He has formerly held the positions of Chairman, State Life Insurance Corporation of Pakistan, Managing Director Rice Export Corporation of Pakistan, Chairman National Highways Authority, Director General Ports and Shippings, Director General, Haj Embassy of Pakistan, KSA and Director Labour, Sindh.

He has also been the Commissioner Karachi Division and Deputy Commissioner of the Districts of Thatta, Sanghar and Larkana. In addition he has held the position of Director Excise & Taxation, Sindh and many other assignments in the Federal and Provincial Governments.







**Mr. Iftikhar A. Allawala**

*Director*

Mr. Iftikhar A. Allawala has over 40 years Experience in Management & Finance.

After qualifying for MBA (Master of Business Administration) from IBA Karachi, he joined Citibank Pakistan. During almost three years association, he moved forward to become Citibank's Country Manager (Operations).

Later he joined, as Director, Speciality Printers Pvt. Ltd. Karachi. (Manufacturers of Specialized Flexible Packaging Materials)

Mr. Allawala, has served as Non-Executive Director on Boards of Directors/Governors including:

Director, United Bank Ltd. Karachi.  
Chairman, Audit Committee, UBL Karachi.  
Member, Board of Governors, IBA, Karachi.  
Member, Audit & Finance Committee, IBA.  
Chairman, Pak Sri Lanka Business Council.  
Director, State Bank of Pakistan (SBP)  
Member, Monetary Policy Committee SBP

## PROFILE OF THE DIRECTORS

### **Mr. Muhammad Naeem**

*Director*

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

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

He has been executive committee member and President of Lahore Tax Bar Association.

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

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

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





**Muhammed Nusrat Vohra**

SEVP & Group Chief  
Treasury Management Group

**Kausar Iqbal Malik**

SEVP & Group Chief  
Compliance Group

**Nausherwan Adil**

SEVP & Group Chief  
Operations Group

**Asif Hassan**

SEVP & Group Chief  
Audit & Inspection Group

**Aamir Sattar**

EVP & Financial Controller  
Financial Control Division

**Saleem Ahmed**

SVP & Head (A)  
Risk Management Group

**Khawaja M Amin-ul-Azam**

EVP & Head (A)  
Islamic Banking Group

**S.M. Ali Zamin**

EVP, Secretary Board of Directors

**Raza Mohsin Qizilbash**

EVP & Divisional Head  
Legal Division

**Wajahat A.Baqai**

EVP & Head  
Credit Management Group

**Masood Karim Shaikh**

SEVP & Group Chief  
Overseas Banking Group

Sitting from left to right | Standing from left to right



# SENIOR MANAGEMENT

**Khalid Bin Shaheen**

SEVP & Group Chief  
Global Home Remittance Management Group

**Mudassir H. Khan**

SEVP & Group Chief  
Commercial & Retail Banking Group

**Tariq Jamali**

SEVP & Group Chief  
Logistics Support, Security & Engineering Group

**Akbar Hasan Khan**

EVP & Group Head  
Corporate & Investment Banking Group

**Qamar Hussain**

EVP & Head  
Human Resources Management &  
Administration Group

**Sahibzada Rafat Raoof  
Ali Khan**

EVP/Group Chief (A) Asset Recovery Group

**Mufti Ehsan Waquar Ahmad**

Shariah Advisor

**Mirza Babur Baig**

SVP & PSO to the President  
President's Secretariat

**Mahmood Siddique**

EVP, Divisional Head & CIO  
IT Division

Sitting from left to right | Standing from left to right









**NBP CASH-N-GOLD**



## Notice of 66<sup>th</sup> Annual General Meeting

Notice is hereby given that the **66th Annual General Meeting ("AGM")** of National Bank of Pakistan (the "**Bank**") will be held on **Monday the 30th March, 2015 at 9:00 A.M. (PST)**, at **Grand Ball Room, Pearl Continental Hotel, Karachi**.

The following business will be transacted in the meeting:

### Ordinary Business:

1. To confirm minutes of the Extraordinary General Meeting of Shareholders held on 06th February, 2015, at Karachi.
2. To receive, consider and adopt the Annual Audited Financial Statements of National Bank of Pakistan and Consolidated Accounts of National Bank of Pakistan and its Subsidiaries for the year ended 31st December, 2014, together with the Directors' & Auditors' Reports thereon.
3. To appoint auditors for the year ending 31st December, 2015 and fix their remuneration. The Board of Directors has recommended appointment of Messrs KPMG Taseer Hadi & Company, Chartered Accountants and Messrs Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants to be the auditors of the Bank for the year ending 31st December, 2015 at 10% increase in fee as paid to the retiring auditors.
4. To consider and approve cash dividend at Rs.5.50 per share, i.e.55% as recommended by the Board of Directors for the year ended 31st December, 2014 (subject to Government of Pakistan's approval).

### Special Business:

5. To consider and approve End Service Benefits (Gratuity and Provident Fund) of Mr. S. Ali Raza, former President, NBP.
6. To ratify payment of 5½ months' Salary to Mr. S. Ali Raza, former President, NBP for the remaining period of his service.
7. To approve Non-Executive Directors / Chairman's fee and other expenses package.
8. To approve Performance Bonus of the President for the year-2014.
9. To transact any other business with the permission of the Chairman.

Karachi  
Dated: March 09, 2015

By Order of the Board

Sd/=   
President

## Notice of 66<sup>th</sup> Annual General Meeting

### Notes:

- i) The Share Transfer Books of the Bank shall remain closed from 20-03-2015 to 30-03-2015 (both days inclusive). Transfers received at Messrs Central Depository Company of Pakistan Limited, CDC House 99-B, Block "B", SMCHS, Main Shahra-e-Faisal, Karachi – 74400, the Bank's Registrar and Share Transfer Agent, at the close of the business on 19-03-2015 will be treated in time for purpose of attending the meeting and entitlement of any Cash Dividend.
- ii) A member eligible to attend and vote at the AGM is entitled to appoint another member as a proxy to attend and vote on his / her behalf. The Government of Pakistan, State Bank of Pakistan and any Corporation(s), being a member of the Bank, may nominate any person as its representative to attend the AGM under authority of a Power of Attorney or a Board of Directors' Resolution. Proxies or nominations, in order to be effective and valid, must be received at the office of the Bank's Registrar / Share Transfer Agent, Messrs Central Depository Company of Pakistan Limited, CDC House 99-B, Block "B", SMCHS, Main Shahra-e-Faisal, Karachi – 74400, not later than 48 hours before the time of holding the AGM.
- iii) CDC Account Holders will further have to follow the under mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan:
  - a. For Attending the Meeting:
    - In case of Individuals, the account holder or sub-account holder shall authenticate his / her identity by showing his Original Computerized National Identity Card ("**CNIC**") or original Passport at the time of attending the meeting,
    - In case of corporate entity, the Original or duly authenticated Board of Directors' resolution/ power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.
  - b. For Appointing Proxies:
    - In case of individuals, the account holder or sub-account holder shall submit the proxy form as per the above requirement.
    - The Proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be furnished with the proxy form.
    - The proxy shall produce his /her original CNIC or original passport at the time of the Meeting.
    - In case of corporate entity, the Original or duly authenticated Board of Directors' resolution/ power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) along with proxy form to Messrs Central Depository Company of Pakistan Limited.
- iv) CDC Account Holders and Sub-account Holders, whose Registration details are available in Share Book Detail Report shall have to produce respective Original Computerized National Identity Cards (CNICs) or Original Passports for the purpose of identification to participate in the Annual General Meeting. Such Account Holders and Sub Account Holders should know the CNIC Numbers and CDC Account Number of the respective partner and should bring the same along with them. In case of Proxy, the person should positively attach the attested copy of the CNIC or Passport. In case of corporate member's representative, usual documents should be accompanied for the same purpose.
- v) Members are requested to immediately notify any change in their addresses to the Bank's Registrar and Share Transfer Agent, Messrs Central Depository Company of Pakistan Limited.

# Notice of 66<sup>th</sup> Annual General Meeting

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

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

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

Please note that under Section 150 of the Income Tax Ordinance, 2001 and pursuant to Finance Act 2014 withholding tax on dividend income will be deducted for 'Filer' and 'Non-Filer' shareholders @ 10% and 15% respectively. According to clarification received from Federal Board of Revenue (FBR) withholding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as Joint Holder(s) based on their shareholding proportions, in case of joint accounts

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

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

The required information must be reached to our Share Registrar by 23-03-2015, otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint Holder(s).

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

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

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

## **ix) TRANSMISSION OF ANNUAL FINANCIAL STATEMENTS THROUGH EMAIL:**

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



## Notice of 66<sup>th</sup> Annual General Meeting

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

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

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

Detailed information / formats are available at NBP's website [www.nbp.com.pk](http://www.nbp.com.pk)

# Notice of 66<sup>th</sup> Annual General Meeting

## **“STATEMENT OF MATERIAL FACTS”:**

This statement sets out the material facts concerning the Special Business given in agenda items No. 5, 6, 7 and 8 of the Notice, to be transacted at the AGM of National Bank of Pakistan's shareholders.

### **Item No. 5:**

The shareholders in the 63rd AGM held on 30-03-2012 approved / ratified end of service benefits of Mr. S. Ali Raza former President-NBP in accordance with the terms and conditions approved earlier in the 52nd AGM. Accordingly, the Board of Directors has recommended to the Shareholders for approval; payment of the following end of service benefits of Mr. S. Ali Raza former President-NBP.

### **TO CONSIDER AND APPROVE END OF SERVICE BENEFITS (I.E. GRATUITY AND PROVIDENT FUND) OF MR. S. ALI RAZA, FORMER PRESIDENT, NBP.**

**“RESOLVED THAT** the payment of Gratuity to Mr. S. Ali Raza, former President, NBP on the basis of last drawn half gross salary for each year of service for 11 years amounting to PKR. 13,915,000/- along-with the interest thereon at best rate applicable to the ordinary customer with effect from 15-01-2011 to 30-03-2015 (date of AGM) amounting to PKR. 6,906,030/- as recommended by the Board of Directors in its 233rd meeting held on 03-03-2014 and 235th meeting held on 12-05-2014 after deduction of admissible tax on profit (payments subject to external audit), be and is hereby approved.”

**“FURTHER RESOLVED** that the payment of Provident Fund to Mr. S. Ali Raza, former President, NBP at Employees' Provident Fund rate on his own contribution and best rate on Bank's contribution upto 14-01-2011 (the date of separation from Bank's service) total amounting to PKR. 37,262,765/-, along-with interest thereon at best rate with effect from 15-01-2011 to 30-03-2015 (date of AGM) amounting to PKR. 11,269,512/- after adjustment of an amount PKR. 20,387,619/- (being his Contribution already refunded on 12-12-2011), as recommended by the Board of Directors in its 233rd meeting held on 03-03-2014 and 235th meeting held on 12-05-2014 after deduction of admissible tax on profit (applicable w.e.f. 15-01-2011 to 30-03-2015) (payments subject to external audit), be and is hereby approved.”

### **Item No. 6:**

### **TO RATIFY PAYMENT OF 5½ MONTHS' SALARY TO MR. S. ALI RAZA, FORMER PRESIDENT, NBP FOR THE REMAINING PERIOD OF HIS SERVICE.**

In view of the premature termination of contract of Mr. S. Ali Raza, former President-NBP, the Board of Directors has approved the payment of 5½ months' Salary to Mr. S. Ali Raza, former President, NBP for the remaining period of his service from 15-01-2011 to 30-06-2011 alongwith interest at the best rate applicable to an ordinary customer upto the date of payment as per legal opinion. The shareholders are requested to pass the following resolution for ratification of the Board's decision.

**“RESOLVED THAT** the decision taken by the Board of Directors in its 242nd meeting held on 29th & 30th December, 2014 regarding payment of Salary & Allowances (last drawn Basic pay, House Rent Allowance, Senior Post Allowance & Vacation Allowance aggregating to Rs. 2,530,000/- per month) alongwith the Utilities (reimbursements taken on average of preceding six months) of Mr. S. Ali Raza, former President, NBP for the 5½ months of remaining service period w.e.f. 15-01-2011 to 30-06-2011 amounting to Rs.16,027,743/- alongwith the interest at the best rate applicable to an ordinary customer upto the date of payment (i.e. 30-12-2014) amounting to Rs.5,110,357/-, after deductions of all applicable taxes, as per legal opinion already obtained, be and is hereby ratified.”

### **Item No. 7:**

### **TO APPROVE FEE OF NON-EXECUTIVE DIRECTOR / CHAIRMAN'S FEE AND OTHER EXPENSES PACKAGE**

The shareholders in their 61st Annual General Meeting held on March 31, 2010 approved Non-Executive Directors' fee / expenses package (w.e.f. 01-01-2010). During the last five years, the fee of Directors has not been enhanced. NBP Board is comprised of members with diversified experience who are devoting their significant time on oversight of Bank's functions and formulation of its Policies / Strategies and shoulder enormous responsibility under the Corporate Governance Rules and SBP's Prudential Regulations. Nationally / internationally Non-Executive Directors especially in the banking sector were commanding significant compensation packages and in order to attract and retain competent senior professionals, on the Board, NBP would have to start compensating them adequately keeping in mind their greater time commitment and legal exposure. In view thereof, there is a need to consider an upward revision in fee expenses package of NBP Non-Executive Directors for attending Board / Committee meetings to bring it at par with other banks and to fairly compensate the non-executive Board Members for sparing their valuable time and assuming responsibilities under various statutes / Prudential Regulations.

## Notice of 66<sup>th</sup> Annual General Meeting

The Government has appointed Mr. Muneer Kamal as Chairman (Non-Executive) of the NBP Board of Directors vide Notification No. F.10 (31) Bkg-III / 2010/ 1376 dated 9th September, 2013, for a term of three years, with immediate effect, on such terms & conditions as may be fixed by General Meeting of the Bank.

The Board of Directors of the Bank in its 242nd meeting held on December 29 & 30, 2014 recommended the following fee / expenses package for the Bank's Non-Executive Directors and Chairman with effect from, January 01, 2015.

In terms of Section 11 (3) (a) of The Banks' (Nationalization) Act, 1974 and the State Bank of Pakistan, BPRD Circular No.03 dated April 23, 2007, the Shareholders are requested to approve the fee / expenses package for the Bank's Non-Executive Directors and Chairman with effect from, January 01, 2015, duly recommended by the Board in its 242nd meeting held on December 29 & 30, 2014.

In this respect, the following Ordinary Resolution is proposed to be passed:

"RESOLVED THAT, the following Package of Non-Executive Directors / Chairman's Fee & other expenses, for attending meeting (s) of the Board / Committee(s) of the Board, as recommended by the Board of Directors in its 242nd meeting held on December 29 & 30, 2014, be and is hereby approved w.e.f January 01, 2015:

<b>a)</b>	<b>Travel</b> (In case meeting is held at stations other than that of Directors and Chairman's residence)	One return club class airfare.  <b>(As per existing package)</b>
<b>b)</b>	<b>Accommodation/Daily Allowance</b> (In case meeting is held at stations other than that of Directors and Chairman's residence)	Actual hotel bill or daily allowance @ Rs.25,000/- per diem, in lieu of hotel accommodation and other expenses, for meeting day(s) plus two days for travel.
<b>c)</b>	<b>Mileage Allowance</b> (In case of journey by Road)	@ Rs.40/- (Rupees forty only) per kilometer.
<b>d)</b>	Fee Per meeting for attending Board / Committee of the Board meeting :	Non -Executive Director: Rs. 150,000/- Non-Executive Chairman: Rs. 150,000/-"

The Directors / Chairman (Except President) are interested to the extent of their fee.

### Item No. 8:

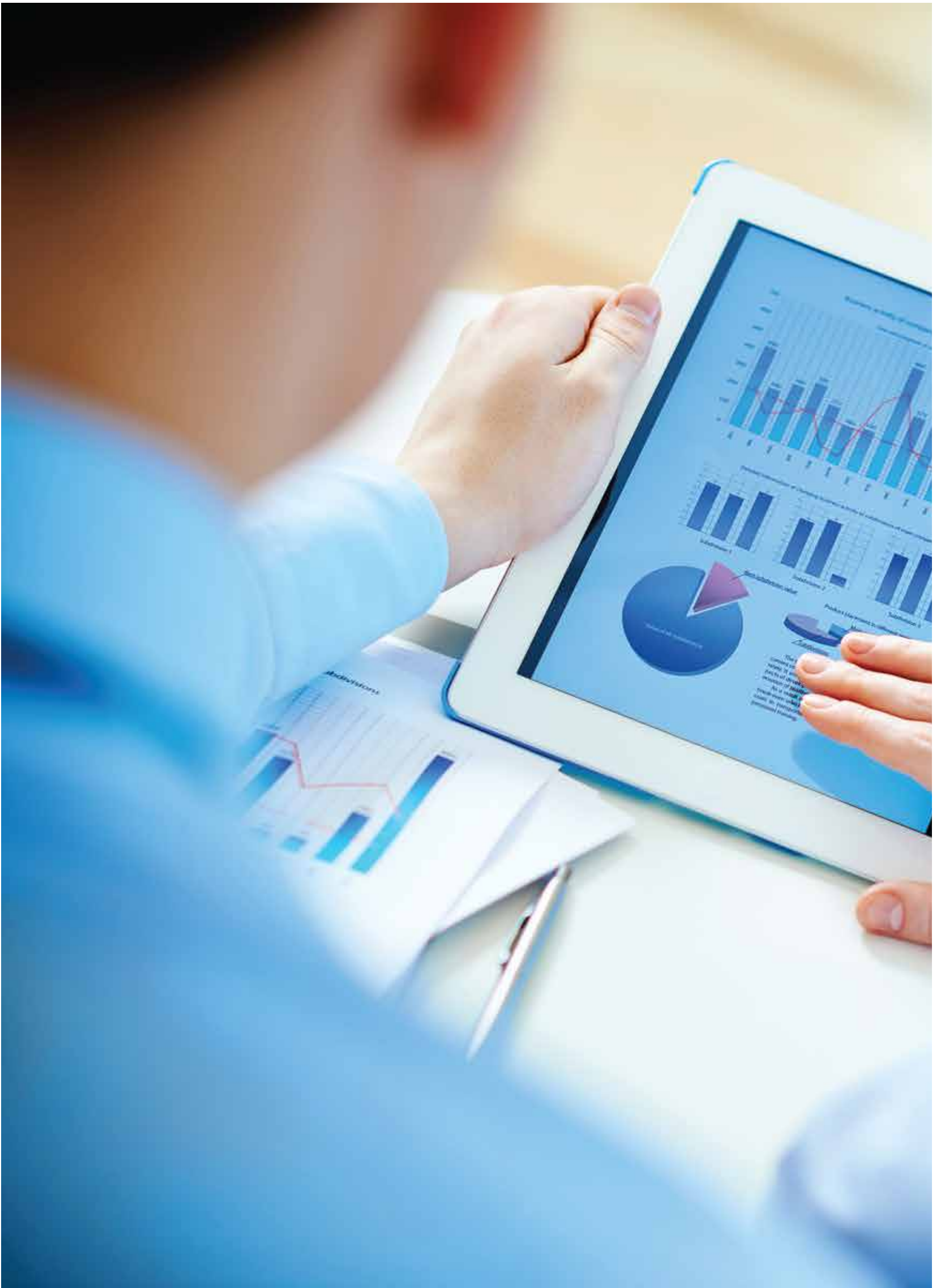
#### **TO APPROVE PERFORMANCE BONUS OF PRESIDENT FOR THE YEAR-2014.**

The shareholders in the EOGM held on 06-02-2015 have approved the compensation package of Syed Ahmed Iqbal Ashraf, President, NBP. It was decided that the variable salary/performance bonus will be recommended by the Board and approved by the shareholders in the general meeting, based on performance against agreed performance indicators and in comparison to the Presidents of the peer Banks. Accordingly, the Board has recommended the following resolution to the shareholders for approval:

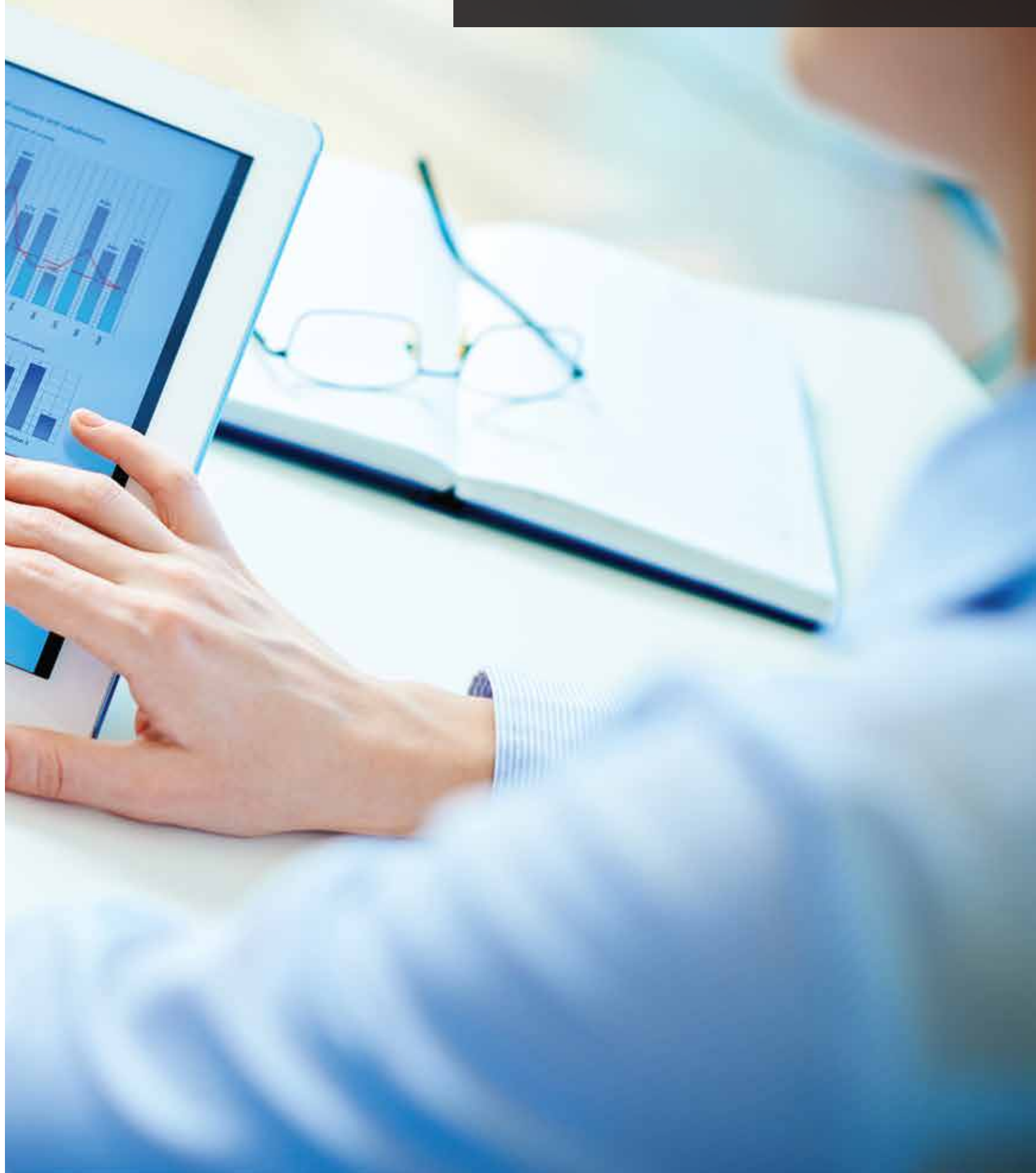
"RESOLVED THAT an amount of Rs. 21,000,000/- (Rupees Twenty one Million Only) as recommended by the Board of Directors on the basis of the performance indicators and in comparison to the Presidents of the peer banks in accordance with the compensation package approved by the shareholders in EOGM held on 06-02-2015 be and is hereby approved as the performance bonus of the President of the Bank for the year 2014 in terms of Section 11(3)(a) of the Banks (Nationalization) Act, 1974."

No Directors except the President is interested in this resolution.





## **DIRECTORS' REPORT TO THE SHAREHOLDERS**



## Chairman's Review



The Pakistan economy and banking sector have faced significant challenges in recent years. The economic activity and the external position continue to improve driven by prudent monetary and fiscal policies. The strong capital inflows and the Sukuk placement, have allowed further strengthening of the foreign exchange reserve buffers. During the year Government strived for clearance of stock of circular debt resulting addition of considerable MW of electricity to the national grid and easing load shedding in the country that would facilitate in improving business conditions in the country. Return to the international bond market after a long period showed positive response from international investors to Pakistan's first Sovereign Bond issuance that was oversubscribed and the country raised \$2.0 billion. The auction of 3G/4G spectrum has opened new avenues of socio economic development in the country as this new technology is expected to generate thousands of new job opportunities in the next four years along with other direct and indirect benefits to the economy.

At NBP, we endeavored to address the issues of non-performing loans, pressure on profitability and other operating issues and it feels proud to report that our efforts in some of the areas have started yielding positive results. The earnings were improved despite an environment marked by pressure on interest rates, low growth and market volatility. The bank adopted a balanced approach to growth, profitability and risk management and has strengthened its position with continued Improvements in key financial parameters, a strong deposit franchise, a large and expanding distribution network and a healthy capital position; thereby creating a platform for robust growth.

The bank achieved its objective of accelerating the momentum in low risk retail lending, which translated into an overall year-on-year portfolio growth of 6%. Your bank continued to strengthen funding profile, mobilizing Rs. 122 billion of CASA deposits in year under review. The year-on-year growth in CASA deposits was 16% and the CASA ratio improved from 69% at year - end 2013 to 72% at December 31, 2014. The profit before tax increased by 211% in 2014 and stood at Rs. 22



## Chairman's Review

billion. Profit after tax increased by 173% from Rs. 5.5 billion in year 2013 to Rs. 15 billion in year 2014. This profit after tax represents a return on assets (RoA) of 1.1%, compared to the RoA of 0.4% in 2013.

The bank improved net interest income by around 16% in the year under review. The non-interest/ mark-up income grew by 23 % in 2014 despite downward revision in agency commission, impact of which was offset through higher volumes. The bank is focusing on improving efficiency and productivity.

Asset quality challenges for the banking sector still remain therefore, the bank focused growth in low risk retail lending, enhancing monitoring of the portfolio to take proactive action and focused on improving core operating parameters. Provisioning coverage improved to 81.2% from 77.6% of last year due to which net NPL ratio improved to 3.6% at December 31, 2014 as against 4.2% of last year.

The bank believes in leveraging technology to create new paradigms in financial services in the country. Your bank is aiming to launch a number of initiatives in the coming years which includes investing in internet and mobile banking platforms to improve the customer experience, and leverage technology to provide banking solutions to the bank's customers. The bank remains committed towards nation building and contributing to society by focusing on the areas of basic education, healthcare, skill development and financial inclusion initiatives. At December 31, 2014 the bank had 663 branches in rural areas, largest for any bank in the country.

In conclusion, 2014 was a year in which the bank focused on further strengthening businesses, network, technological capabilities and operating and financial parameters. Your bank's strong and diversified franchise, large distribution network, healthy capital position and sustained improvements in balance sheet & profitability profile, give the ability to leverage opportunities for profitable growth. I look forward to shareholders' continued support in taking the bank forward on this journey of sustainable and profitable growth. The bank continues to focus on increasing stakeholder value in a responsible and conscientious manner, capitalizing on opportunities while calibrating growth to developments in the environment. This approach, I believe, will continue to drive strong performance for the organization in the years ahead.

**Muneer Kamal**

Chairman Board of Directors

February 26, 2015

## Directors' Report to the Shareholders



Dear shareholders,

It gives me great pleasure to present on behalf of the Board of Directors the annual report of your bank for the year ended December 31, 2014.

The Board have proposed final cash dividend of Rs. 5.5 per share (55%) for the year ended December 31, 2014. This will be presented for approval in the forthcoming Annual General Meeting of the bank by the shareholders. This translates into 86% dividend payout of the bank's distributable profit for the year 2014 (after statutory reserve allocation) and is the highest in the banking industry. This high payout shows bank's strong capital position with continuous focus on increasing stakeholder value by capitalising on opportunities to drive strong performance for the organisation and even higher payouts to the shareholders in the years ahead.

During year 2014, the bank focused on balancing growth, profitability and risk management. Profit before tax increased by 15 billion from Rs. 7 billion in 2013 to Rs. 22 billion in 2014. The increase in profit before tax was mainly due to 16% increase in net interest income and 23% increase in non-interest income offset, in part, by 13% increase in non-interest expenses and around 40% reduction in provisions. Profit after tax increased by 173% from Rs.5.5 billion for the year ended December 31, 2013 to Rs. 15 billion in December 31, 2014. Earnings per share was Rs. 7.06 in year 2014 as against Rs. 2.59 of last year.

Net interest income increased from Rs. 38.2 billion in 2013 to Rs. 44.1 billion in 2014 reflecting an increase of 16%. The bank is giving greater focus on getting low cost deposits and consequently improving cost of fund. In order to bolster net interest income, your bank is expanding into high yielding advance salary, agriculture financing and gold loans. During the year, the investment portfolio was reprofiled by making investment in comparatively high return Pakistan Investment Bonds. The Bank's balance sheet increased by 13% during the year under review. Due to the above-factors the bank was able to increase interest income by 16%. Non-performing GoP guaranteed loans remain a big drag on profitability and have impacted the interest income considerably.

The non-interest income increased by 23% from Rs. 25.6 billion in 2013 to Rs.31.4 billion in 2014. The increase in non-interest income was primarily due to higher capital gains. After an impressive 2013, your bank again recorded substantial gains in money and capital markets with booking of capital gains in excess of Rs. 8.9 billion in government securities and equity market in the year 2014 which are higher by 129% from last year. Furthermore, the bank also recorded significant foreign exchange income in year 2014 which increased by 22% over last year. Dividend income was lower by Rs. 837 million due to reduction in portfolio size and lower pay outs by some of the companies. Fee income increased by 5% from Rs.11.5 billion in 2013 to Rs. 12.1 billion in 2014 despite downward revision in agency commission, impact of which was offset through higher volumes. The increase in fee income was driven by focusing on increasing fee income streams from retail, commercial and corporate banking.

## Directors' Report to the Shareholders

Non-interest expenses increased by 13% from Rs. 36.3 billion in 2013 to Rs. 41.1 billion in 2014. Staff cost increased was on lower side at 6% due to net retirements during the year. Other administrative expenses increased by 15% due to change in accounting estimate for depreciation in respect of certain categories of fixed assets and commencement of amortization for core banking software. Excluding the above, net increase is 9% which is in line with inflation, greater technology related expenses and higher business volumes. Your bank is focusing on further strengthening compliance function to minimise the risk of regulatory non-compliance and avoid regulatory penalties.

Provisions were lower by 39% from Rs. 20.4 billion in 2013 to Rs.12.4 billion in 2014 due to last year base impact. This year some good recoveries were realized from non-performing loans. However, some large accretions to non-performing loans (NPLs) diluted the reversals impact.

Total assets increased by 13% from Rs.1, 365 billion at December, 2013 to Rs.1,543 billion at December 31, 2014. Total deposits increased by 12% from Rs. 1,101 billion at December 31, 2013 to Rs.1, 234 billion at December 31, 2014. Savings deposits increased by 11% from Rs.314 billion at December 31, 2013 to Rs.348 billion at December 31, 2014. Current deposits including remunerative deposits increased by 20% from Rs. 447 billion at December 31, 2013 to Rs.535 billion at December 31, 2014. Term deposits marginally decreased from Rs. 291 billion at December 31, 2013 to Rs.289 billion at December 31, 2014. The current and savings account (CASA) ratio was 72% at December, 2014 compared to 69% at December 31, 2013 which helped in reducing the cost of funds and in improving profitability of the bank. Total advances marginally increased by 3% from Rs.708 billion at December 31, 2013 to Rs.728 billion at December 31, 2014 primarily due to increase in retail advances. Net NPL ratio decreased from 4.2% at December 31, 2013 to 3.6% at December 31, 2014.provision coverage improved to 81.2% as on December 31, 2014 from 77.6% of last year.

The bank continued to expand its branch network in Pakistan which increased from 1,342 branches at December 31, 2013 to 1,354 branches at December 31, 2014.

The Bank is subject to capital adequacy guidelines stipulated by State Bank of Pakistan. The total capital adequacy ratio of the Bank at December 31, 2014 was 17.4% with Tier-1 capital adequacy ratio of 11.8%.

During 2014, the main focus was on increasing CASA deposits and in CASA major emphasis was on increasing current accounts. The bank launched two current accounts products by the name "NBP Choice" and has planned saving account products which will be launched during the first quarter of 2015.

"NBP Advance Salary" continued to perform exceptionally well and has been a major contributor in the bank's advances and profitability. The product has performed in all areas of growth, profitability and quality lending. SME financing is an important product and has great potential for economic growth. Your bank believes that SME sector plays vital role in the country's growth. Recognizing the importance of this area, despite current law and order situation, power shortages, high real inflation and interest rates, the bank continued to extend financing in this area, resultantly the bank's SME portfolio grew by 8%.

NBP being the largest public sector bank and the biggest lending institution has always led the way in product innovation and penetrating into neglected market segments. During the year the bank spearheaded the roll out of Prime Minister's Youth Business Loan (PMYBL) Scheme. Ever since the announcement of PMYBL program under the aegis of the State Bank of Pakistan and the Ministry of Finance, NBP has made significant progress in successfully implementing this scheme. NBP is confident that this program will not only be beneficial for the bank, but will also facilitate the SMEs in leading a positive multiplier effect, thereby yielding sustainable economic growth through greater financial inclusion.

Pakistan is primarily an agrarian economy. Keeping in view the importance of financing for Agriculture sector, your bank always gives special emphasis on this segment. Consequently, the bank has the largest agriculture portfolio in the commercial banking industry in Pakistan.

The banking market in Pakistan is swiftly moving towards branchless/mobile banking to provide prompt and better customer service. Since the bank has the highest number of accounts amongst all banks in the country, it need to keep pace with the technological advancements taking place in the industry. The bank has commenced setting up of a dedicated



## Directors' Report to the Shareholders

Alternate Delivery Channels (ADC)/ payments function. This area will assist the bank in offering branchless/mobile banking solutions to its existing and future customers, while working closely with the telecommunication operators in the country. Similarly the bank has also ventured into offering payment solutions through plastic cards and have already firmed up the required agreements with VISA International and China Union Pay. Your bank plans to initially launch prepaid / debit cards during the first quarter of 2015.

The Islamic banking plans to convert 150 National Bank conventional branches to Islamic banking by June 2017. As part of this plan, one (1) conventional branch was successfully converted to Islamic Banking Branch (IBB) in 2014 and have plan to convert 64 more branches to Islamic banking branches in 2015.

Your bank has a separate Assets Recovery Group to monitor and settle non-performing loans (NPLs) portfolio. Despite energy crises, deteriorating social conditions and poor economic growth, the bank managed to record reversal of provision of over Rs.4 billion during the year resulting in positive impact on the bank's profitability. The bank took a number of steps for reduction in NPLs inter alia merging of Assets Rehabilitation Wing (ARW) of Corporate & Investment Banking Group under Assets Recovery Group for coordinated recovery efforts, focusing settlements through legal course as well as out of court negotiations.

The bank has a dedicated Global Home Remittances Management Group which since its inception in 2009, has been playing a significant role in helping the growth of home remittances to Pakistan through its fast, reliable, convenient and secure services.

In line with the regulatory framework and bank's own business strategy, the bank has developed credit policy document which is regularly updated to bring further refinement in credit rules & procedures with the changing requirements. The bank aims at quality credit decisions through comprehensive evaluation, identification & mitigation of credit risks. Credit monitoring function has also been further specialized by formulation of separate functions dedicated to monitoring of overseas credit, domestic credit and project financing.

Your bank has been constantly striving to improve risk management standards. Considering the complexity of operations and needs of the local macro-economic and banking landscape, the bank has taken steps to further strengthen its risk management design and inculcate a culture of prudent risk management across its activities. During the year implementation of CAD plan was started throughout the country with approval of CAD Policy & Procedures Manual. This plan is now being rolled out in domestic regions, overseas and Islamic branches.

The bank has hired the services of a top consultant to undertake a comprehensive BPR and COSO exercise aimed at overall business process improvement, advanced risk management and strengthening of the overall control environment including internal controls over financial reporting (ICFR).

The Core Banking Application (CBA) was implemented in additional 254 NBP branches in 2014 (taking the branches to 273 which were on CBA as on December 31, 2014) enabling the bank to provide better customer services as well as ensuring efficiency across its attributed business functions. CBA rollout in remaining 1100 plus NBP branches is under implementation in 2015 to utilize maximum benefit of automation and facilitating NBP customers with enhanced services.

Your bank has planned to add 1000 ATMs to its network by 2015, out of which 250 ATM project is under implementation and remaining 750 ATMs are planned to be installed by the end of 2015. During 2014, over 400 branches infrastructure was equipped with connectivity and equipment to facilitate customers with faster processing. NBP is one of the first banks to implement latest technology by procuring top end IBM Power8 machine that is expected to result in better customer services.

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

## Directors' Report to the Shareholders

### Statement under Code of Corporate Governance

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

- The financial statements, prepared by the management of the Bank, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the bank have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed in the Annual Accounts.
- The system of internal control is sound in design and has been effectively Implemented and monitored.
- There are no significant doubts upon the Bank's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance.
- Performance highlights for the last six year are attached.
- Value of investments of Employees' Pension Fund and Employees' Provident Fund as at December 31, 2014 (un audited) were Rs 35,521 million and Rs 13,124 million respectively.
- Pattern of Shareholding, complying with the requirements prescribed by the code is included in the Annual Report.
- Statement of Compliance with Code of Corporate Governance is included in the Annual Report.
- We have criteria for nomination of Bank's executives on the Boards of other companies where NBP is an investor company.
- The committees of Board of Directors along with their terms of reference / charter, meetings held during the year and attendance by each director have been separately disclosed in the Annual Report.

The number of board meeting held during the year was 10 and attended by the directors as follows:

S.No	Name of Director	Designation	Total Meeting Attended
1	Mr. Muneer Kamal	Chairman	10
2	Syed Ahmed Iqbal Ashraf	President	8
3	Mr. Shahid Aziz Siddiqi	Director	10
4	Mr. Farrakh Qayyum	Director	10
5	Mr. Rana Assad Amin	Director	9
6	Mr. Iftikhar A. Allahwala	Director	8
7	Mr. Muhammad Naeem	Director	9
8	Mr. Tariq Kirmani	Director	10
9	Mr. Zahid Hussain upto (6-3-2014)	Director	1
10	Mr. Wasiq Mahmood upto (3-3-2014)	Director	1
11	Dr. Shujat Ali (upto 3-3-2014)	Director	1

### Statement of Internal Controls

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

### Corporate Social Responsibility

The Board is pleased to endorse the Corporate Social Responsibility initiatives taken by your bank, included in the Annual Report.

# Directors' Report to the Shareholders

## Risk Management Framework

Effective Risk Management is fundamental to the success of a Bank, and is recognized as one of the Bank's strategic priorities. NBP has a strong, disciplined risk management culture where risk management is a responsibility shared by all of the Bank's employees, management and BoD members. The primary goals of Risk Management are to ensure that the outcomes of risk-taking activities are consistent with the Bank's strategies and risk appetite, and that there is an appropriate balance between risk and reward.

Risk Management Group at NBP is staffed with young professionals having the requisite technical skills. The Bank executed Basel-II project under the guidance of external professional consultants, to significantly enhance risk management capacity across the full spectrum of the institution. Similarly BPR & COSO project is in process of execution under the consultancy of external professional consultants to review and enhance the existing processes and controls mechanism at NBP. This has enabled Risk Management Group to play a more effective role in the achievement of its objectives and assisting the Board and senior management to fulfill their responsibilities of risk oversight. Risk management is viewed in an integrated manner, including Credit Risk, Market Risk, Liquidity Risk and Operational Risk.

NBP's Board of Directors and Senior Management are fully committed to strengthening the risk management practices in NBP and an enabling risk structure, comprising:

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

In view of above, several initiatives were undertaken and achieved, some of which are listed below:

- Implementation of Risk Tolerance / Concentration Policy
- Development of Internal Risk Rating Models - NBP Saibaan Scorecard, NBP Advance Salary Scorecard, NBP Agriculture Scorecard
- Development of Transaction-wise Capital Charge Calculation Model
- Development of VaR & Back-testing Framework
- Development of various frameworks for management of risks i.e. MRM Framework and ALM Framework, etc
- Development of Risk Management Framework for Overseas Branches
- Review of various Product Manuals, Policies, Procedures & Frameworks
- Implementing / strengthening mechanism for collection of on-going Operational Risk incidents directly from the field functionaries
- Development of ORM database based on Audit's Major Control Lapses Reports
- Monitoring of bank-wide Operational Risk Tolerance limits as defined in the Operational Risk Strategy Document
- Initiation of Key Risk Indicators (KRIs) reporting on defined formats from relevant stakeholders
- Development of Business Line Mapping (BLM) Excel Based Model & Policy
- Establishment of PMO for BPR & COSO Implementation Project with in RMG & completion of two phases of BPR & COSO Implementation Project, Third Phase is underway
- Development of Web Based Application for Enhanced Data Collection of F-256 & SCA
- Approval of CAD Remediation Plan by CC & BoD
- Implementation of CAD Plan in 11 regions including Corporate Branch, Karachi



## Directors' Report to the Shareholders

### Events after the Balance Sheet date

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

### Change in the Board of Directors

We are pleased to welcome Mr. Muhammed Naeem and Iftikhar Allahwala on the Board of National Bank of Pakistan and are confident that the bank will benefit immensely from their rich experience and enlightened leadership. We also would like to express our sincere gratitude to Dr. Shujat Ali, Mr. Zahid Husain and Mr. Wasiq Mehmood, outgoing directors of the bank. Their contribution and support towards the bank's progress is duly recognized.

### Awards & Recognitions

In June 2014 M/s JCR-VIS Credit Rating Company again re-affirmed the entity rating of the bank at "AAA/A1+", one of the highest by the company for any bank in Pakistan.

### Profit & Loss Appropriation

The profit for the year 2014 after carryover of accumulated profit of 2013 is proposed to be appropriated as follows:-

	Rs in millions
Profit Before Tax	22,001
Taxation	
- Current	9,481
- Prior year (s)	-
- Deferred	(2,508)
	<u>6,973</u>
After Tax Profit	<u>15,028</u>
Un-appropriated profit brought forward	48,046
Other comprehensive income - net of tax	(436)
Transfer from surplus on revaluation of fixed assets	<u>126</u>
Profit available for appropriations	<u>62,764</u>
Transfer to Statutory Reserve (10% of after tax profit)	(1,503)
Cash dividend paid	<u>(4,255)</u>
Un-appropriated profit carried forward	<u><u>57,007</u></u>

## Directors' Report to the Shareholders

### Future Outlook

Year 2015 will be a year of new opportunities and challenges for NBP as well as the banking industry. The bank is focusing on consolidation and recoveries to bring down the non-performing loans. New products will be offered to generate additional streams of revenue and efforts will be made to reach new markets and customers for further growth in market share and retain market leadership position. Your bank is building a liability team to develop new deposit products which will enable the bank to increase average deposit per account. The branch network will be increased for both conventional and Islamic banking in urban and rural areas. Focus is on low risk retail products like Advance Salary, Agriculture and Gold Loans to customers.

The bank has undertaken a number of plans in the areas of information technology upgradation with major projects like CBA implementation (rollout of which across the domestic network is expected to be completed by year end 2015), expansion of ATM network (1,000 to be added by year end 2015), and branchless banking. Your bank intends to open new ATM facilitation centres for pensioners and utility bills collection through biometric verification. Trade finance and home remittances business will be increased through targeting new customers and products.

Your bank will continue to invest in HR capacity building through training. Efforts will be made to improve 'expense management' and achieve greater operational efficiency. Greater emphasis is being placed on improving internal controls and regulatory compliance.



## Directors' Report to the Shareholders

### Pattern of Shareholding

The pattern of shareholding as at December 31, 2014 is given in Annual Report.

### Earnings per share

The basic and diluted after tax earnings per share for the year 2014 is Rs. 7.06

### Appointment of Auditors

The Board of Directors on the recommendation of the Board Audit Committee, has recommended M/s. KPMG Taseer Hadi & Co., Chartered Accountants and M/s. Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants to be the external auditors of the bank for the year ending December 31, 2015 with 10% increase in their fee paid in 2014 subject to approval by the shareholders at the Annual General Meeting. Both the firms, eligible, have offered themselves for appointment.

### Acknowledgement

Lastly we are confident that our employees through their commitment and hard work will further strengthen the bank's leadership position. We would like to express our appreciation to the stakeholders, regulators and valued customers for their support and trust in NBP.

For and on behalf of the Board of Directors

**Syed Ahmed Iqbal Ashraf**

President

Karachi

Dated: February 26, 2015



## Group's Review



### Commercial & Retail Banking

Commercial & Retail Banking Group (C&RBG) is the largest contributor towards bank's profitability. The group manages both sides of the balance sheet via deposits and advances. The bank procures deposits under different schemes/products. On the asset side, the group offers various products which include commercial financing, SME financing, agriculture financing, consumer financing & commodity financing. In consumer financing the bank offers "NBP Advance Salary" a personal loan product, "NBP Saibaan" a mortgage product and "Cash & Gold"- financing against gold and liquid securities.

Financial year 2014 was another successful year for commercial and retail banking. During the year, the group was able to achieve all major milestones of deposits and advances. Despite challenging economic conditions, the group was also able to keep NPLs under acceptable limit. Moreover, as regards NPLs within consumer asset business, the bank's performance was far better than that of industry's performance.

During 2014, the main focus was on increasing CASA deposits and in CASA major emphasis was on increasing current accounts. The bank launched two current accounts products in the market by the name "Choice" and has planned saving account products which will be launched during the first quarter of 2015.

"NBP Advance Salary" continued to perform exceptionally well and has been a major contributor in the bank's advances and profitability and has performed in all areas be it growth, profitability and quality lending. SME financing is an important product and has great potential for economic growth. We believe that SME sector plays vital role in any country's growth. Recognizing the importance of this area, despite current law and order situation, power shortages, high real inflation and interest rates, the bank continued to extend financing in this area.

NBP being the largest public sector bank and the biggest lending institution has always led the way in product innovation and penetrating into neglected market segments. During the year the bank spearheaded the roll out of Prime Minister's Youth Business Loan (PMYBL) Scheme. Ever since the announcement of PMYBL program under the aegis of the State Bank of Pakistan and the Ministry of Finance, NBP has made significant progress in successfully implementing this scheme. NBP is confident that this program will not only be beneficial for the bank, but will also facilitate the SMEs in leading a positive multiplier effect, thereby yielding sustainable economic growth through greater financial inclusion.

Pakistan is primarily an agrarian economy. Keeping in view the importance of financing for agriculture sector, NBP has always given special emphasis on this segment. Consequently, NBP has the largest agriculture portfolio in the commercial banking industry of Pakistan.

The banking market in Pakistan is swiftly moving towards branchless/mobile banking to provide prompt and better customer service. Since NBP has the highest number of accounts amongst all banks in the country, we need to keep pace with the technological advancements taking place in the industry. In this regard, CRBG has commenced setting up of a dedicated Alternate Delivery Channels (ADC)/ payments function. This area will assist the bank in offering branchless/mobile banking solutions to its existing and future customers, while working closely with the telecommunication operators in the country. Similarly NBP has also ventured into offering payment solutions through plastic cards. In this regard, the bank has already firmed up the required agreements with VISA International and China Union Pay. We plan to initially launch prepaid / debit cards during the first quarter of 2015.

## Corporate & Investment Banking

Our Corporate and Investment Banking Group's core strategy has been to serve our corporate customers by providing comprehensive and tailored financial solutions for doing business in Pakistan. The group analyses business and financial requirements of clients and services them through a range of products ranging from working capital finance, export finance, trade and commercial banking products to rupee and foreign currency loans and structured finance products. Our Corporate Banking is the front-end relationship team which acts as a single point of contact for clients and services their requirements across businesses. The relationship team works closely with specific teams like commercial banking, loan syndication, project finance, structured finance and the markets to develop suitable products that fulfil specific needs of clients.



The Group offers comprehensive banking products and services to meet the trade, transaction banking and cash management needs of companies. The group works closely with other groups to diversify the revenue streams from corporate clients and enhance the granularity and stability of revenues for the bank.

Our investment banking is a leading player in the loan syndication market. It specialises in structuring and syndicating large loans. It acts as an arranger and underwriter for a variety of loans across corporate and project finance transactions. It is an active player in both the primary and secondary loan distribution market. The diversified pool of clients enables us to align the unique requirements of clients with the varying requirements of investors. It designs innovative and customised products to meet the complex needs of clientele in synergy with the Corporate Banking and other groups.

## Treasury Management & Capital Markets

Our Treasury Management Group is the hub which manages the bank's funding. The group optimally manages capital markets, money market and foreign exchange activities. After an impressive 2013, we again recorded substantial gains in excess of Rs. 8.9 billion in government securities and equity market in the year 2014 that transcends last year's gains by over 125%. Furthermore, the bank also recorded significant foreign exchange income in year 2014. The fact that we have been persistently rated amongst the top primary dealers in the country by State Bank of Pakistan bears testament to our class-leading expertise in managing and trading government securities. Our corporate treasury desk plays a crucial role in advising the bank's valued corporate clients on their wholesale banking needs. The desk also apprises clients on market trends, currency flows and expected interest rate movements through research. With the treasury system updation due to be completed next year, we intend to apply for the Authorized Derivative Dealer license.







## International Operations

The overseas operations of the bank comprises of 23 branches, two fully owned subsidiaries in Central Asian countries and four representative offices one each in Beijing, Chicago, Toronto and Tashkent. The bank has been operating in 19 countries catering banking needs of the locals as well of Pakistani nationals. The Overseas Banking Group is pushing its overseas operations to explore new avenues to ensure increase in deposit base and trade business to reflect improvement in its funded and non-funded Income. We are also in process of improving IT systems at overseas branches to ensure efficiency and improvement in financials through establishing effective controls.

## Global Home Remittances Management



Home remittances constitute one of the largest and constant sources of foreign exchange for a developing economy like Pakistan and have proven to be remarkably resilient in the event of global economic downturn. Since its inception in 2009, our Global Home Remittances Management Group has been playing a significant role in helping the growth of home remittances to Pakistan through its fast, reliable, convenient and secure services. NBP has encouraged the home remittance customers to use legal channels and has made alliances with world's leading banks/financial institutions/money service businesses such as Al-Rajhi Bank, Xpress Money, Western Union, Bank Al Bilad, Arab National Bank etc to facilitate expatriate Pakistanis across the globe. Moreover the bank recently expanded its reach through making arrangements with bank's/exchange companies like Bank Al Jazira, Hamdaan Exchange, Al Mouzaini Exchange and Doha Bank, Qatar.

With advanced technology, enhanced global coverage, widest domestic network of 1354 branches and improved service quality at branch level, NBP has become the bank of choice for receiving over the counter payments of home remittances. We offer "NBP Foree Cash" through which customers can get the money sent from their loved ones within minutes without the requirement of having a bank account and "NBP Foree Transfer" which allows remittances to credit directly into the customers' accounts. We recently introduced "NBP Foree Home Remittance Account" product for our home remittance customers. It's a new and advanced product and customers applying for this product will experience hassle free banking. Whenever remittance is sent in their account, they will get an SMS and can withdraw cash from any ATM across Pakistan.

In 2015 we are aiming to launch "NBP Foree Remittance Account" with value added services. Beside this we are enhancing NBP's overseas presence for collection of remittances through expansion of overseas correspondent base. NBP is poised to upgrade its technology setup to provide state of art remittance services to its valued clients.





## Islamic Banking

2014 was a year of effective and positive achievements that allowed us to efficiently manage our key priorities in terms of boosting Islamic banking business by expanding our branch network. Islamic banking plans to convert 150 conventional branches to Islamic banking by June 2017. As part of this plan, one (1) conventional branch was successfully converted to Islamic Banking Branch (IBB) in 2014. Our internal Islamic banking team made it possible for smooth transition while complying with SBP regulatory requirements. We plan to convert 64 more branches into Islamic banking branches in 2015. Successful run of newly converted branch has been made possible through relentless efforts of our teams.

We took various steps towards restructuring these branches to bolster our results. Our systems and pool management policies are certified by external auditors. We were successful in bringing stability to Islamic banking's administrative structures by appointing experienced and qualified individuals to manage and streamline our operations and comply with the guidelines defined by the regulatory authorities. Furthermore we have greater focus over training of existing staff particularly coming from conventional side through conversion process. We broadened our client reach by adding new branches and services.

Fully functional Islamic treasury and establishment of Shariah development/training department is another hallmark. We also made a number of strategic decisions including transformation and up gradation of our information technology platform through implementation of state of the art banking system. Our strategy and plans aim at achieving a quantum leap in 2015 in terms of quality of services, banking support and expanding our client reach.



## Assets Recovery



We have a separate group “Assets Recovery Group” who is primarily responsible for monitoring and settlement of non-performing loans (NPLs) portfolio. Despite energy crises, deteriorating social conditions and poor economic growth, the bank managed to record provision reversals of over Rs.4 billion during the year resulting in positive impact on bank’s profitability. The bank took a number of steps for reduction in NPLs inter alia merging of Assets Rehabilitation Wing (ARW) of Corporate and Investment Banking Group under Assets Recovery Group for coordinated recovery efforts under one dedicated group, focusing settlements through legal course as well as out of court negotiations. Going forward, the group will make major contribution towards the bank’s profitability through recoveries and reversal of provision as a result of declassification/rescheduling.

## Operations

National Bank of Pakistan undertakes agency business on behalf of State Bank of Pakistan. This includes government receipts & payments, taxes & duties collection. During the year various initiatives were taken to improve the service in this area. Payment of monthly pensions through automated system was introduced at end of year 2014. The said system allows advance payments as well as annual increases and will use biometric ATMs (as proof of life) for pension payments thereby reducing counter traffic. This is expected to be operational in next 1-2 years. Additionally we are starting payment of pension through Ubank (U Wallet) account by December 2015. These initiatives are expected to reduce payment time and frequency of pensioners' visit to branch from every month to once in 6 months.

In order to improve service for FBR & Non FBR collections, we have introduced the facility of tax payment through direct debit by tax payers from their offices/homes. After IBFT facility, account holders of other banks will also be able to deposit tax from their home and office.

A system has been developed for collection of utility bills through 1-link ATM network. . This is expected to become operational by June 2015. We have established 6 ATM points where multiple ATMs shall be installed for reducing counter traffic and improve quality of customer services.

The bank launched SMS alert service "NBP PEGHAAM" to NBP account holders. This is a service which updates the customer about account activity instantly. NBP now offers branchless banking products and services to its customers through agreement made with U Microfinance Bank (U Bank). NBP account holders having registered Ufone SIM can open Upaisa Mobile Wallet account which is linked with NBP account of the customer. Transactions can be made through mobile 24/7. This will enable customers to have features like balance enquiry transfer in, transfer out, utility bill payment, pre-paid /post pay bill payments, money transfer, donations (Linked to charity institutions), cash In/cash out through franchises.

Our future initiatives include launching of pension card for Employee Old age Benefit Institution (EOBI), Pakistan Railway and Government Pension.



## Information Technology

We implemented Core Banking Application (CBA) in additional 254 NBP branches in 2014, enabling the bank to provide better customer services as well as ensuring efficiency across its attributed business functions. CBA rollout in remaining 1100 plus NBP branches is under implementation in 2015 to utilize maximum benefit of automation and facilitating NBP customers with enhanced services.

NBP has planned to add 1000 ATMs to its network by 2015, out of which 250 ATM project is under implementation and remaining 750 ATMs are planned to be installed by the end of 2015.

ATM PIN generation through IVR was another milestone achieved by the bank in 2014. It has enabled our ATM cardholders to generate their PIN securely over the phone through NBP Call Center. It has eliminated the need for costly PIN mailers, issues regarding non-receipt and risk of fraud/incorrect delivery of the PIN using different mailing channels. Further, the customer can generate/regenerate PIN any time through ATM or by calling at NBP Call Center which ensures continued use of ATM card by NBP customers and improves usage, activation/retention of the customers.

NBP Call Center was also expanded and equipped with strong infrastructure in 2014. Currently, more than hundred customer service representatives (CSRs) are providing services 24 x 7 x365. Further, toll free number of 0800-11627 is also acquired to make NBP Call Center more accessible and cost free to dial for our customers.

During 2014, 400 plus branches infrastructure was equipped with connectivity and equipment to facilitate customers with fast processing. NBP is one of the first banks to implement latest technology by procuring top end IBM Power 8 machine that has resulted in better customer services.

### Some of the major IT projects planned for the next year are:

- Implementation of home remittance system with enhanced capabilities and features to provide remittance collection/processing/ distribution and management platform.
- Launch of Visa/Master/China UnionPay Cards for our customers.
- Public launch of NBP mobile banking facility.
- Launch of branchless banking facility.
- Launch of utility bill payment services through alternative banking channels (other than over-the-counter) like ATMs, internet banking and call center for customer facilitation.
- Launch of Interbank Fund Transfer facility through ATMs, Internet Banking and Call Center for customer facilitation.
- Launch of internet banking for corporates to facilitate NBP corporate clients and meet their needs for internet banking services.





## Credit Management

In line with the regulatory framework and NBP's own business strategy, the bank has developed a comprehensive credit policy document which is regularly updated to bring further refinement in credit rules & procedures with the changing requirements. Industry Analysis & Economic Research department through its periodic bulletins focuses on developments pertaining to a whole host of areas that include economic updates, relative performance of banks, fiscal budget reviews, monetary policy measures, agriculture (crop estimates/updates), IMF program & implications, external sector (exports-imports), and key economic indicators. On the industry side research focuses on 35 core sectors that form the bulk of the bank's balance sheet while providing comparative assessments of industries - from a broad lending perspective - to comparatively rate and assess the sectors in terms of their relative attractiveness as well as relative industry credit risk for the bank. This comprehensive research now feeds directly into the bank's strategic thought process and the bank's lending strategy.

The bank aims at quality credit decisions through comprehensive evaluation, identification & mitigation of credit risks. Credit monitoring function has also been further specialized by formulation of separate departments dedicated to monitoring of overseas credit, domestic credit and project financing.



## Risk Management

NBP has been constantly striving to improve risk management standards. Considering the complexity of our operations and needs of the local macro-economic and banking landscape, the bank took steps to further strengthen its risk management design and inculcate a culture of prudent risk management across its activities. In order to improve operational risk, risk tolerance limit was set which is being monitored. We have also implemented VaR model and its back-testing framework. During the year treasury counterparties evaluation criteria was developed which along with enhancement / updation through new treasury system (Kondor +) is expected to improve market risk monitoring. We are pursuing implementation of risk management MIS framework for overseas portfolio with emphasis on data collection mechanism. During the year we started implementation of CAD plan throughout the country with approval of CAD Policy & Procedures Manual. This plan is now being rolled out in domestic regions, overseas and Islamic branches.

The bank has hired the services of a top consultant to undertake a comprehensive BPR and COSO exercise aimed at overall business process improvement, advanced risk management and strengthening of the overall control environment including Internal Controls over Financial Reporting (ICFR).

With a view to further improve credit risk mitigation environment and to introduce proactive measures to combat risk, our risk management function ensures that there is a framework in place for effective assessment/ measurement, mitigation and reporting of credit risks both on counterparty as well as portfolio level. They conduct independent review of the portfolio. The Market Liquidity and Risk Management Wing ensures that the market and liquidity risks are identified, measured, mitigated and controlled with the support and involvement of respective departments and in accordance with the regulatory requirements and internal policies.



## Human Resource Management

Implementation of SAP-HCM is in advanced stages with deployment of most of the modules. In order to properly motivate the staff a comprehensive promotion policy was implemented. Additionally, we revised and implemented pay ranges in the light of various salary surveys. A marked based pay package for staff was also announced during the year.

To streamline the human resource functions, various policies were developed/ updated that included areas like travel, staff loans, employees antecedents verification, overseas posting, deputation, CSR, sportsman hiring etc. In order to recognize the staff for their contribution towards the institution, we introduced "NBP Star Performers Scheme" and implemented performance appraisal system for the bank's executives & officers.

Major projects in pipeline are revision of certain rules, review of job descriptions & Job specifications for key positions, effective manpower and succession planning and consolidation of all HR related policies.







National Bank of Pakistan has always been at forefront in discharging its obligation as a responsible corporate entity. NBP has over the years taken various initiatives that clearly show its commitment towards corporate social responsibility.

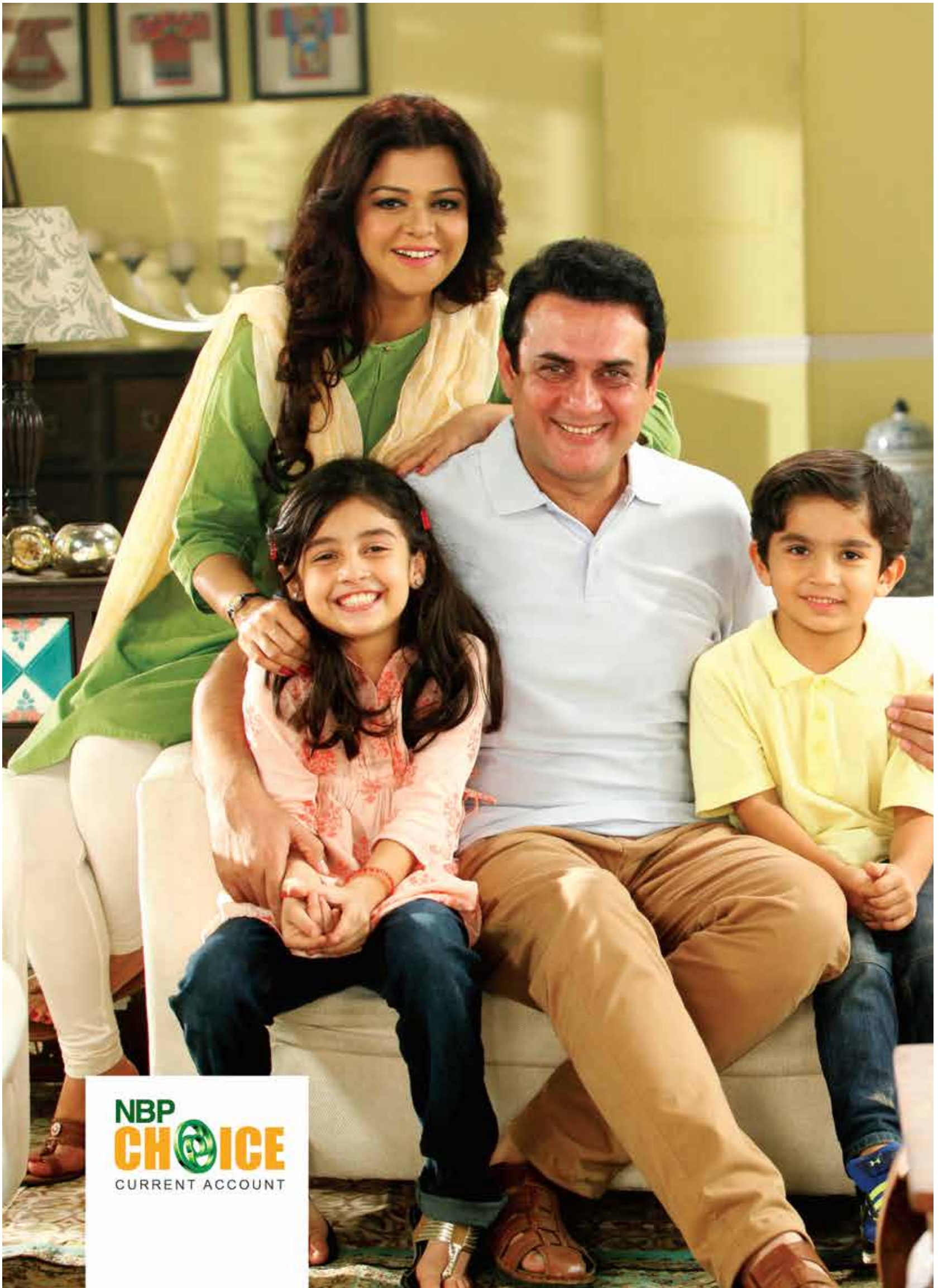
The bank has developed strategic areas of focus for accomplishment of its corporate-social goals. The bank is running a full-fledged CSR program to benefit the community at large mainly by investing in projects related to development of critical socio-economic sectors.

## Compliance

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







**NBP**  
**CH@ICE**  
CURRENT ACCOUNT



## NBP CHOICE CURRENT ACCOUNT



# Statement of Internal Control

## Reporting of Internal Control System

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

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

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

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

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

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

## Evaluation of Internal Control

The Bank has an independent Internal Audit & Inspection function in the name of Audit & Inspection Group with three Regional Audit & Inspection Offices that conduct audit of branches, Regions, Subsidiaries, Staff Colleges and Groups at Head Office on an on-going basis to evaluate the efficiency and effectiveness of Internal Control System. In addition to that Compliance set up is also in place with 145 independent branch compliance officers in category III Branches and 29 Regional Compliance officers with supporting staff to take care of Compliance related issues to strengthen the control environment.

For the year 2014 the Bank has made its best efforts to ensure that an effective internal control system continues to perform in letter and spirit. The observations made by the external / internal auditors and regulators in their respective audits / inspections are promptly reviewed and measures are taken by the Board, Board Audit Committee and management for rectification of such observations to safeguard the Bank's interest.

We assess that the internal control environment is showing signs of improvement as compared to previous years. Based upon the results through ongoing testing of financial reporting controls and internal audits carried out during the year, the management considers that the Bank's existing Internal controls system is adequate and has been effectively implemented and monitored. However, the management would continuously be evaluating to enhance and further strengthen the internal control system of the Bank.

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

**Aamir Sattar**  
Financial Controller

**Asif Hassan**  
Chief of Audit & Inspection Group

**Kausar Iqbal Malik**  
Chief of Compliance Group

## Statement of Compliance with Code of Corporate Governance

For the year ended December 31, 2014

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

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

1. The Board of Directors of the Bank is appointed as per the provisions of the Bank's (Nationalization) Act, 1974. All the Directors (Except President /CEO) are non-executive Directors, including one independent Director representing minority shareholders as required by the Code. As at the year ended December 31, 2014 the Board includes :-

Category	Names												
Appointed by Federal Government under section 11(3)(a) of The Banks (Nationalization) Act, 1974.	<table> <tr> <td>Mr. Muneer Kamal</td><td><b>Chairman</b></td></tr> <tr> <td>Mr. Farrakh Qayyum</td><td>Director</td></tr> <tr> <td>Mr. Rana Assad Amin</td><td>do</td></tr> <tr> <td>Mr. Shahid Aziz Siddiqi</td><td>do</td></tr> <tr> <td>Mr. Muhammad Naeem</td><td>do</td></tr> <tr> <td>Mr. Iftikhar A. Allawala</td><td>do</td></tr> </table>	Mr. Muneer Kamal	<b>Chairman</b>	Mr. Farrakh Qayyum	Director	Mr. Rana Assad Amin	do	Mr. Shahid Aziz Siddiqi	do	Mr. Muhammad Naeem	do	Mr. Iftikhar A. Allawala	do
Mr. Muneer Kamal	<b>Chairman</b>												
Mr. Farrakh Qayyum	Director												
Mr. Rana Assad Amin	do												
Mr. Shahid Aziz Siddiqi	do												
Mr. Muhammad Naeem	do												
Mr. Iftikhar A. Allawala	do												
Director representing Private Shareholders and Minority Interest Elected in terms of 11(b) of The Banks (Nationalization) Act, 1974.	<table> <tr> <td>Mr. Tariq Kirmani</td><td>Director</td></tr> </table>	Mr. Tariq Kirmani	Director										
Mr. Tariq Kirmani	Director												
President	Syed Ahmed Iqbal Ashraf												

2. The Federal Government in terms of Section 11 (3)(a) of The Banks (Nationalization) Act, 1974 appointed Syed Ahmed Iqbal Ashraf as President vide GoP, Finance Division, Notification No. F-3(14) Bkg-III-2013 dated 21-1-2014 who assumed the charge on 22-1-2014. Mr. Asif Hassan relinquished charge as President (Acting) NBP on 22-1-2014.
3. The Federal Government appointed Mr. Iftikhar A. Allawala in place of Rana Assad Amin on 27-2-2014 as Director on the Board of National Bank of Pakistan vide GOP, Finance Division, Notification No.F.10(31)Bkg-III/2010-433 dated 27-2-2014.
4. The Federal Government appointed Mr. Muhammad Naeem in place of Mr. Farrakh Qayyum on 27-2-2014 as Director on the Board of National Bank of Pakistan vide GOP, Finance Division, Notification No.F.10(31)Bkg-III/2010-434 dated 27-2-2014.
5. The Federal Government appointed Finance Secretary in place of Dr. Shujat Ali on 27-2-2014 as Director on the Board of National Bank of Pakistan vide GOP, Finance Division, Notification No.F.10(31)Bkg-III/2010-431 dated 27-2-2014.
6. The Federal Government appointed Mr. Saud Majeed in place of Mr. Wasiq Mahmood on 27-2-2014 as Director on the Board of National Bank of Pakistan vide GOP, Finance Division, Notification No.F.10(31)Bkg-III/2010-432 dated 27-2-2014, however, he did not provide required FPT documents for submission to SBP.
7. Subsequently, Rana Assad Amin and Mr. Farrakh Qayyum have been re-appointed by GOP, Finance Division, Notification No.F.10(31)Bkg-III/2010-491 dated 6-3-2014 and Notification No.F.10(31)Bkg-III/2010-492 dated 6-3-2014 as Director on the Board of National Bank of Pakistan in place of Finance Secretary and Mr. Zahid Hussain, respectively.



## Statement of Compliance with Code of Corporate Governance

8. No casual vacancy occurred during 2014.
9. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Bank (excluding the listed subsidiaries)
10. All directors of the Bank are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI, or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
11. The Bank has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures.
12. The Directors have confirmed that neither they nor their spouses are engaged in the Business of Stock Brokerage.
13. The Bank has prepared "Statement of Ethics and Business Practice" which is already approved by the Board of Directors.
14. The Board has approved the Vision, Mission, Core Values, Objectives and NBP Strategic Plan.
15. The Bank has comprehensive framework of written policies and procedures on all major areas of Operations such as Credit, Treasury Operations, Finance, Risk, Internal Audit and Compliance etc. Many of these policies have been approved by the Board and are being constantly reviewed.
16. There exists in the Bank a framework defining the limit of the authority of various Management levels. All the powers were exercised by the relevant authorities within the materiality thresholds.
17. All the Powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board.
18. The meetings of the Board of Directors were presided over by the Chairman. The Board met Ten (10) times during the year. Written notices including agenda of the Board meetings were sent 7 days before the meeting except for emergent meetings.
19. The CFO and the Company Secretary attended all meetings of the Board of Directors.
20. The appointment of Financial Controller, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment are duly approved by the Board. According to the Bank's organization chart, the Financial Controller is the top position in the finance department and therefore he performs the functions of Chief Financial Officer. The Head of Internal Audit appointed during the year is a seasoned banker and has been allowed to continue as Head of Internal Audit by State Bank of Pakistan. An exemption from the Securities and Exchange Commission of Pakistan would be sought from the requirements of relevant experience in audit or finance or compliance functions and the relevant qualification for the Head of Internal Audit.
21. The Director's Report for the year has been prepared in compliance with the Code of Corporate Governance and fully describes the salient matters required to be disclosed.
22. The Financial Statements of the Bank were duly endorsed by CEO and Financial Controller before approval of the Board.
23. Majority of the board members have the prescribed education and experience required for exemption from training programs of Directors pursuant to clause xi of CCG and one of its director attended Four days Directors Certificate Program in 2014 from EDC University of Lahore.
24. The Directors, CEO and Executives do not hold any interest in the shares of the bank other than that disclosed in the pattern of shareholding.

## Statement of Compliance with Code of Corporate Governance

25. The Bank has complied with all the Corporate and Financial Reporting requirements of the Code. In accordance with the requirement of 35 (x) of the listing regulations, all related party transactions have been reviewed and approved by the Board of Directors.
26. The 'closed period' prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
27. Material /price sensitive information has been disseminated among all market participants at once through stock exchanges(s).
28. The board has formed an Audit Committee. It comprises of 5 non executive directors.
29. An effective Internal Audit Group is in place to ensure independence of the Group from the Bank operations. The Head of Internal Audit reports functionally to the Board Audit Committee and administratively to the President.
30. The Board Audit Committee held seven (07) meetings as well as held meetings prior to the approval of Interim and Final Results as required by the Code. The minutes of each meeting were confirmed in the next meeting prior to circulation of the same to all members, directors, Head of Internal Audit and the CFO. The Charter of the Board Audit Committee has been duly approved by the Board of Directors and has been advised to the Committee for compliance.
31. The Board has setup an effective Internal Audit Function. All the Internal Audit Reports are accessible to the Board Audit Committee and important points arising out of audit are reviewed by the Board Audit Committee and important points requiring Board's attention are brought into their notice.
32. The Board has also constituted a Board HR Committee comprising of three Non-Executive Directors and one Executive Director (President / CEO). The Chairman of the committee is a Non-Executive Director. The Board HR Committee met ten (10) times during the year.
33. The Statutory Auditors of the Bank have confirmed that they have been given a satisfactory rating under the Quality Control Review Program (QCRP) of the Institute of Chartered Accountants of Pakistan, that they or any partners of the firms, their spouses and minor children do not hold shares of the Bank and that the firms and all of their partners are in compliance with International Federation of Accountants ( IFAC) on Code of Ethics as adopted by the Institute of Chartered Accountants of Pakistan.
34. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the Auditors have confirmed that they observed IFAC guidelines in this regard.
35. We confirm that all other material principles contained in the code have been complied with except the mechanism for annual evaluation of Board's own performance, for which reasonable progress has been made by the bank to ensure compliance.

For and on the behalf of the Board of Directors

**Syed Ahmed Iqbal Ashraf**  
President

Karachi  
Dated: February 26, 2015

## Overview of the Board of Directors' Committees

Board of Directors has constituted the following committees to help in discharging its regulatory responsibilities in an effective manner.

- Board Audit Committee
- Board Risk Committee
- Board Information Technology Committee
- Board Human Resource Committee

A brief of various sub committees of the Board is as follows:

### Board Audit Committee (BAC)

Total number of meetings held during the year 2014: 07

Members	1. Mr. Farrakh Qayyum- Chairman	
	2. Mr. Tariq Kirmani	3. Mr. Muneer Kamal
	4. Mr. Rana Assad Amin	5. Mr. Muhammad Naeem

The Board Audit Committee is an advisory and assurance committee which assists the Board in fulfilling its oversight responsibilities. In performing its duties, the Board Audit Committee has maintained effective working relationship with the Board, the bank's management and the internal and external auditors. The Board Audit Committee ensured existence of a permanent, dedicated and independent internal audit function in the bank.

The Board Audit Committee during the year 2014 held 07 meetings towards fulfillment of its oversight responsibilities entrusted by the Board. The Committee followed / complied calendar of responsibilities for the year 2014 and has adopted a robust self-assessment methodology since 2009 which is developed on the basis of extensive research of the top international firms and through consultation with the external auditors.

Major groups provided orientation about their operations, products & services, areas of risk, quality of controls and financial reporting system to members of BAC. The committee discussed their issues raised by internal audit & regulators and directed them future course of actions.

The BAC reviewed and approved audit plans along with financial budget of A&IG and regularly monitored performance there against.

The BAC reviewed major issues including cases of frauds and forgeries reported on regular basis and this report is also presented before the BoD. The committee in order to reduce fraud & forgeries was instrumental in effectively implementing and revising the Employee Disciplinary Policy (EDP).

The BAC strengthened the role of compliance group to ensure compliance of audit observations by the management. The Committee also reviewed the progress of significant litigation cases and regulatory proceedings related to the bank. The BAC reviewed status of recoveries of NPL on quarterly basis resulting in enhanced coordinated efforts to reduce the quantum of NPLs.

The BAC ascertains the adequacy and effectiveness of the accounting systems and controls that could significantly affect the bank's financial statements. In this connection, the committee reviewed the scope of review of internal audit and external auditors over financial reporting, their significant observations and the management's responses thereto and reports to shareholders, any announcement of financial results prior to submission and approval of the Board. The committee also reviewed the development and implementation of bank's policies relating to internal controls and compliance with Corporate Governance regulations.

The BAC reviewed that the accounting policies are in accordance with financial reporting framework and applied consistently, assessed changes therein if any and examined with the management and the external auditors, the annual and interim financial statements, annexed notes, significant financial reporting issues and judgments, major judgmental areas such as provisioning against bad and/or doubtful assets, classification of investments, valuation of assets, taxation and other contingencies, any significant legal matters, compliance with financial reporting standards, listing regulations and other statutory requirements, obtaining explanations from the management, internal auditor and the external auditors, changes in financial ratios and relationships, adequate and appropriate disclosures.

The committee recommended the appointment / retention of the external auditors of the bank to the Board and also considered any questions regarding their removal and audit fees taking into account the applicable regulatory requirements and also ensured coordination between internal and external auditors.



## Overview of the Board of Directors' Committees

In addition to above, BAC strengthened control over implementation of its directives by the management.

### Board Risk Committee (BRC)

Total number of meetings held during the year 2014: 04

Members	1. Mr. Rana Assad Amin- Chairman	2. Mr. Muneer Kamal
	3. Mr. Farrakh Qayyum	4. Mr. Iftikhar A. Allahwala
	5. Mr. Muhammad Naeem	6. Syed Ahmed Iqbal Ashraf

BRC facilitates Board of Directors in ensuring that the bank follows and complies with guidelines issued by State Bank of Pakistan in areas of risk management. The committee played a vital role in improving the risk environment in the bank through active reviews of Basel II implementation, portfolio review, risk management frameworks and other risk management models. BRC is primarily focusing on creation of sound risk culture across the bank. The Committee met 04 times during the year 2014, and reviewed the progress of implementation of overall risk management policy, development / review of internal risk rating models, development / approval of risk tolerance & concentration policy, BPR & COSO project and implementation of remediation plans of the Basel II project.

### Board Information Technology Committee (ITBC)

Total number of meetings held during the year 2014: 06

Members	1. Mr. Tariq Kirmani - Chairman	2. Mr. Muneer Kamal
	3. Syed Ahmed Iqbal Ashraf	4. Mr. Iftikhar A. Allahwala

ITBC is responsible for taking IT related strategic decisions and overseeing their execution in the bank. The focus is to develop better priority setting, improved alignment with business objectives and bringing benefits to the bank like business focus, priority, transparency and accountability.

The committee is the governance body for reviewing, monitoring and prioritizing major IT projects from a cross functional perspective for the bank. Top three activities of committee are:

- IT projects prioritization
- Overseeing projects implementation and execution of projects and
- Recommending the projects for approval of Board of Directors.


During the year under review the committee supervised the implementation of CBA and branch rollout process. Beside this, ITBC also monitored rollout process of pension automation system which will facilitate the pensioners. It was actively involved in the implementation of generation of computerized receipts for tax payments.

### Board Human Resource Committee

Total number of meetings held during the year 2014: 10

Members	1. Mr. Tariq Kirmani - Chairman	
	2. Mr. Farrakh Qayyum	3. Mr. Muneer Kamal
	4. Mr. Shahid Aziz Siddiqui	5. Syed Ahmed Iqbal Ashraf

The committee is primarily responsible for human resource (HR) related issues in the bank. Various decisions were taken for improvement in the areas of HR policies and planning, compensation & pension, institutional discipline, overseas and other HR areas.

A person wearing a dark blue or black suit jacket over a light blue dress shirt. Their hands are clasped together in front of them, holding a silver pen. The background is a plain, light-colored wall. Overlaid on the image is the text 'Corporate Social Responsibility' in a white, handwritten-style font. The first letter of each word is highlighted in red.

Corporate  
Social  
Responsibility



**CORPORATE SOCIAL RESPONSIBIITY**

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## Report on Corporate Social Responsibility (CSR) Initiatives-2014

### Overview

CSR is an integral part of NBP's corporate policy. The bank has institutionalized CSR by creating a separate Division and is running a full-fledged CSR program to bring positive changes and improve quality of life of underprivileged members of our society. The prime area of focus for CSR initiatives are education, health, woman, child welfare, special persons, culture, sports and relief for affectees of natural disasters.

It is a matter of pride that Prime Minister of Pakistan has conferred gold medal to NBP for its contributions towards Corporate Social Responsibility (CSR). The bank has contributed whole heartedly in the '**Health**' sector by supporting Marie Adelaide Leprosy Centre, Sindh Institute of Urology and Transplantation, Noor Memorial Hospital Chakwal for construction of Lab & X-Ray facilities. NBP provided Equipment support to Ghulab Devi, Lady Willington, Ganga Ram & Bolan Medical Hospitals. The bank also organized medical & eye camps countrywide for free treatment of underprivileged patients.

In '**Education**' sector, NBP has played a vital role by providing financial support to upgrade infrastructure of "The HUB", "KSBL", "IBA", Taaleem Foundation's school at Kila Saifullah & Bagh Baluchistan, The Citizen Foundation School at Nawabshah and Children Care Foundation Lahore. The bank under its "**Scholarship Program**" also provided financial assistance to 40 trainees of Hunar Foundation Tando Allahyar, 15 trainees of IBA Sukkur, 10 trainees of PAF Sargodhian Sprit Trust and 35 trainees of Academy INFAQ Foundation. NBP in association with Family Educational Service Foundation, conducted Motivational Volunteer Empowerment program (**MOVE**) to build network of young volunteers of Peshawar, Quetta, Sukkur and Lahore.

NBP sponsored cultural events, like All Pakistan Folk singing Mela at Faisalabad and **Aalmi Mushaira** at Arts Council Karachi. It also pay special attentions to "**special persons**", and distributed more than 500 wheel chairs, white cans in all provinces of Pakistan. The bank also provides opportunity to special persons to participate in sports activities by organizing events at national level.

To empower women, NBP & Kaus-e-Kazah(NGO) collaborated in "**Empowered Women and Empowered Pakistan**" project by providing them vocational training especially women of rural backgrounds. Successful completion of Phase-I , empowered 250 direct and 20,000 indirect beneficiaries. This is the first step toward poverty alleviation through women empowerment.

## Donation & Equipment Support

S.No	Hospitals & NGOs
1.	MALC – Marie Adelaide Leprosy Centre, Karachi
2.	Afzal Memorial Thalassemia Centre, Karachi
3.	Sundas Foundation, Lahore
4.	SIUT- Sindh Institute of Urology & Transplantation, Karachi
5.	Noor Memorial Hospital, Bin Qutub Foundation, Chakwal
6.	Fatimid Foundation Kidney Centre, Quetta
7.	Medical Aid Foundation (Cancer Center), Karachi
8.	CHEAF, Karachi
9.	Paigham Welfare Association.(Burnt Injuries), Karachi
10.	Patient Kidney & Dialysis Centre, Karachi
11.	Karwan e Hayat (Mental Hospital), Karachi
12.	Poor Patients Aid Society, Karachi
13.	HASWA, Karachi
14.	Gulab Devi Chest Hospital, Lahore
15.	Sir Ganga Ram Hospital, Lahore
16.	Mukhtaran Rafiq Welfare Hospital, Lahore
17.	Bolan Medical Hospital, Quetta
18.	Subh-e-Nau, Islamabad
19.	Make a wish Foundation, Karachi
20.	Physiotherapy Centre Disable Person, Mirpurkhas
21.	Help Internation Foundation, Karachi
22.	Deaf Children School, Abbotabad
23.	Kids Blood Diseases Organisation, Peshawar



MALC –Marie Adelaide Leprosy Centre



Bin Qutub Foundation, Chakwal



Sundas Foundation, Lahore



## Donation & Equipment Support

### Medical & Eye Camps

- 13 medical and eye camps
- 3500-4000 patients visited and examined by the Doctors
- 300 cataract surgery performed free of cost
- 1300 eye sight glasses distributed without any cost
- About 30 fistula surgeries performed in interior Sindh
- 2000 patients given free medicine

### List of Medical Camps

1. Ranikey - Gujranwala
2. Flood affected areas of AJK
3. Umer kot Tharparkar, Sindh
4. Kila Abdullah, Baluchistan
5. Camp for IDP's of North Waziristan
6. Mithi Tharparkar
7. Tehsil Mekhtar Distt Loralai, Baluchistan
8. Derra Syedan -Village Harsa -Tehsil Chunian
9. Bholi Chak-Shahkot Distt Nankana Sahib
10. Khanspur Abbottabad, KPK
11. Village Kilay Hosri, Distt Loralai
12. Naran Distt Mansehra KPK
13. District Rahim Yar Khan





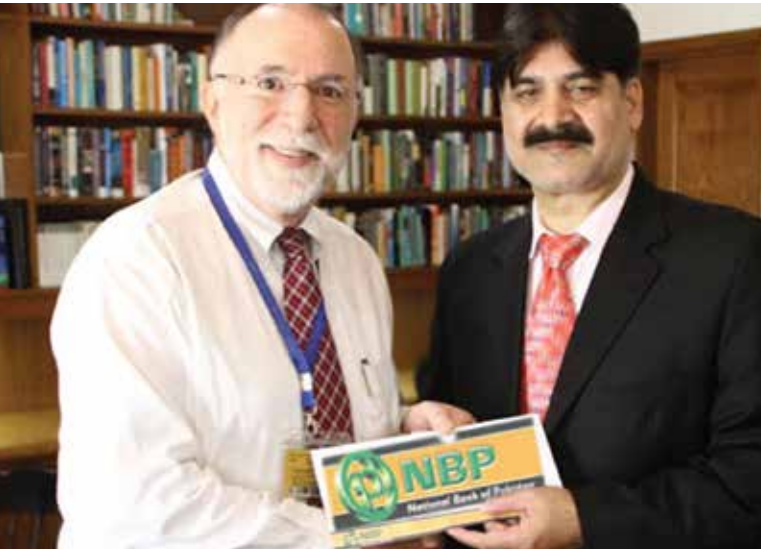
# Report on Corporate Social Responsibility (CSR) Initiatives-2014 Education

## Donation - Up-gradation of Infrastructure

1.	TCF School	Nawabshah
2.	Formal School of Bunyad-e-Fatima	Lahore
3.	Taaleem Foundation-Kila Saifullah & Bagh	Baluchistan
4.	FC-College	Lahore
5.	Educators	Islamabad
6.	Ravian Educational Trust	Karachi
7.	Sun Academy	Karachi



IBA Sukkur



Donation to Foreman Christian College



TCF School Nawabshah

Report on Corporate Social Responsibility (CSR) Initiatives-2014 Education

Equipment Support to Schools

1.	10-Computers to Shaikh Zayed University	Karachi
2.	10-Computers -Don Bosco Home	Karachi
3.	20-Computers-Makran University of Technology	Turbat
4.	Furniture(Desks & Chairs)Govt. School	Chunian
5.	Furniture(Desks & Chairs)Girls School	Lahore



Shaikh Zayed University



Makran University of Technology



## Report on Corporate Social Responsibility (CSR) Initiatives-2014 Education

### NBP Scholarships

Scholarships	Institution	City
80	Hunar Foundation	Tando-Allahyar
15	IBA Sukkur Program	Sukkur
35	Academy-INFAQ Foundation	Karachi.
10	Sargodhian Sprits Trust	Tando Allahyar
30	Jinnah Foundation	Karachi
80	Roshni School	Gujranwala
300	CCF "Sponsor A School"	Lahore



Sargodhian Sprits Trust



IBA Sukkur



## Report on Corporate Social Responsibility (CSR) Initiatives-2014 Education

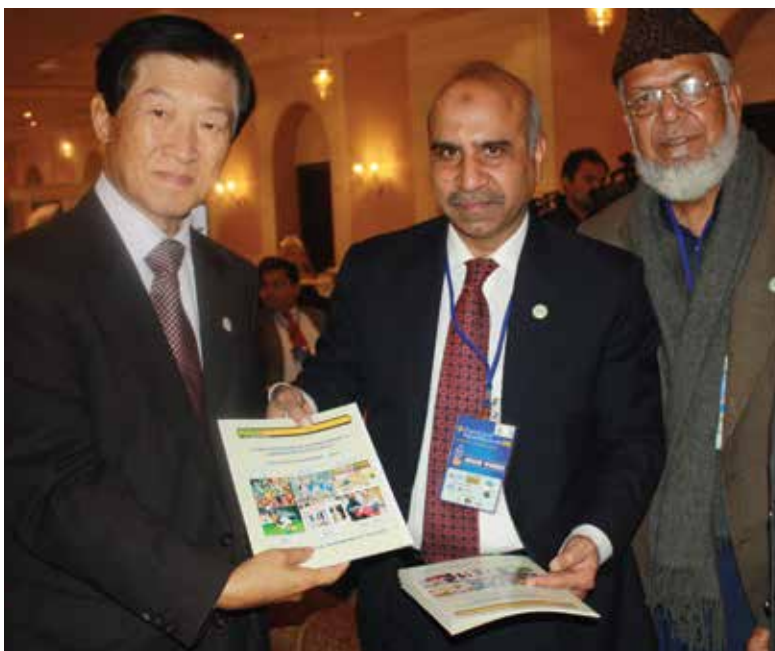
### Educational Events

Motivational Volunteer Empowerment (MOVE) Program  
7th CSR Summit Award Ceremony.  
1st NBP Karachi Inter School T-20 Cricket  
Inter School Cricket Media Cricket Club  
Graduation Ceremony - Educational Center

LHR, Sukkur, Hyd  
Quetta, Pindi, Isb  
Islamabad  
Karachi.  
Quetta.  
Karachi.



1st NBP Karachi Inter School T-20 Cricket



Korean Ambassador Received CSR Book with Iftikhar Ahmed (NBP GM HR Isb), & NBP CSR Coordinator Ghulam Muhammad Khan



Graduation Ceremony - Educational Center



Chief Guest Federal Minister of Commerce Engr. Khurram Dastagir handed over 7th CSR Award to NBP CSR Coordinator Ghulam Muhammad Khan

## Report on Corporate Social Responsibility (CSR) Initiatives-2014 Women & Child

### Women Technical Education

#### Vocational Training Program

NBP in collaboration with Kause-e-Kaza & NHSD Islamabad (Public private partnership) launched project for Economic Empowerment of Women through vocational training. NBP distributed 250 sewing machine to each participant.

- Haripur, Abbottabad, Skardu - Khyber Pakhtunkhwa & Gilgit Baltistan
- Kashmore, Mirpurkhas - Sindh
- Rawalpindi, Multan - Punjab
- Quetta - Baluchistan



### Women Sports

#### Donations & Sponsorship

- SoS Children Village
- National Women Hockey Championship
- Diya Club Women Football Championship U-16
- Sweet Homes Bait-ul-Mal Sports Festival
- Inter collegiate Girls Sports Tournament Karachi



## NBP Sports Team's Achievements

<b>Hockey</b>	<ul style="list-style-type: none"> <li>• Hockey Jr. Team winner National Jr Championship</li> <li>• Hockey Sr. Team won Sona Cup</li> <li>• Bank Hockey Team also won NBP Gold Cup</li> </ul>
<b>Cricket</b>	<ul style="list-style-type: none"> <li>• Cricket Team played final of PCB Quaid-e-Azam Trophy (first Class) was at 2nd position.</li> <li>• Cricket Team played final of One Day Cup and was runners-up.</li> </ul>
<b>Snooker</b>	<ul style="list-style-type: none"> <li>• M. Sajjad won NBP Snooker Ranking Championship</li> <li>• M. Sajjad was the runner's up of IBSF World Snooker Championship at Singapore.</li> </ul>
<b>Football</b>	<ul style="list-style-type: none"> <li>• NBP football team Played Pakistan Premier Football League and secured 30 points</li> </ul>

## Sponsorship-Sports

<b>Province</b>	<b>No of Events</b>
<b>Punjab</b>	<b>13</b>
<b>Sindh</b>	<b>15</b>
<b>Khyber Pakhtunkhwa</b>	<b>09</b>
<b>Baluchistan</b>	<b>19</b>
<b>Azad Kashmir</b>	<b>04</b>
<b>Total</b>	<b>60</b>





IBSF Snooker Championship Runner-up



NBP Jr. Hockey Team Won National Jr. Hockey Championship-2014



NBP Cricket Team Quaid-e-Azam Trophy One Day Tournament at Karachi



NBP Ranking Snooker Championship Karachi

## Report on Corporate Social Responsibility (CSR) Initiatives-2014 Special Person

### Donation & Equipment Support

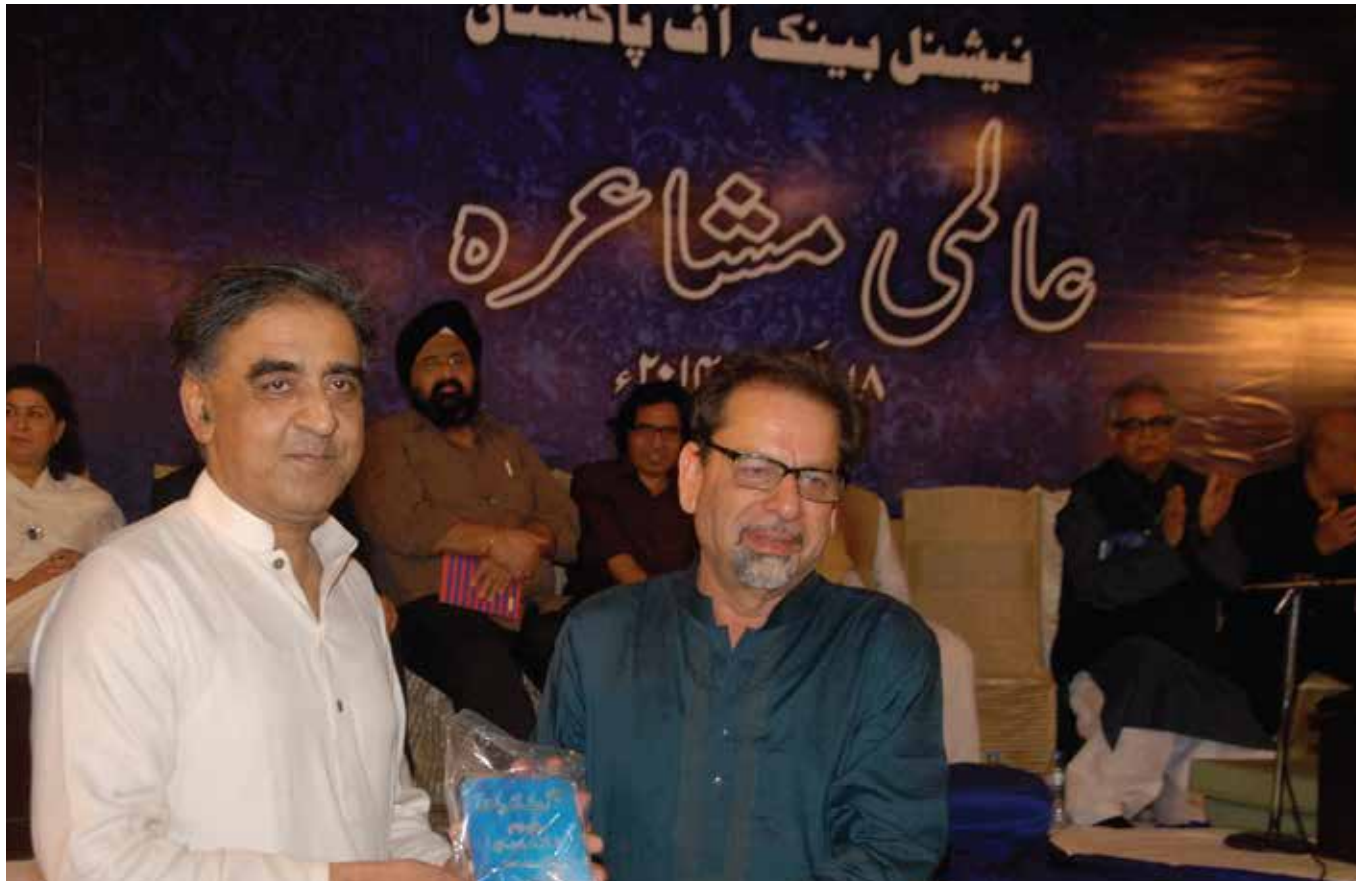
20 Wheel Chair	Muzaffarabad Physical Center (MPRC)
20 Tri Cycle	Mirpurkhas (Gulistan Mazooreen)
20 Artificial Limbs	HASWA, Karachi
10 Wheel Chair	Special Education Center - Mian Channu
10 Wheel Chair	Dar-ul-Sukun, Karachi
20 Wheel Chair	Disabled Welfare Association Karachi
Donation	Tharparkar Disable Association
20 Tri cycle Chair	D.W.A,Society - Multan
20 Wheel Chairs	D.W.A,Society - Mianwali
60 Wheel Chairs	Kays-e-Kazah - AJK & Haripur.
Donation	Hassan Academy Special Education - Karachi

### Sporting events for Special Person

Blind Cricket Tournament	Venue Abbottabad & Islamabad 8 Blind Teams from all over Pakistan took part in the competition and Islamabad won the Trophy.
Disable Cricket Tournament	Venue Multan 4 Provincial & One from Federal Area Team participated. Punjab won the Championship.
Wheel Chair Cricket	Venue Islamabad Baluchistan, KPK, AJK, Karachi, Multan & Lahore Wheel Chair team participated.





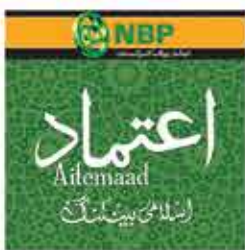
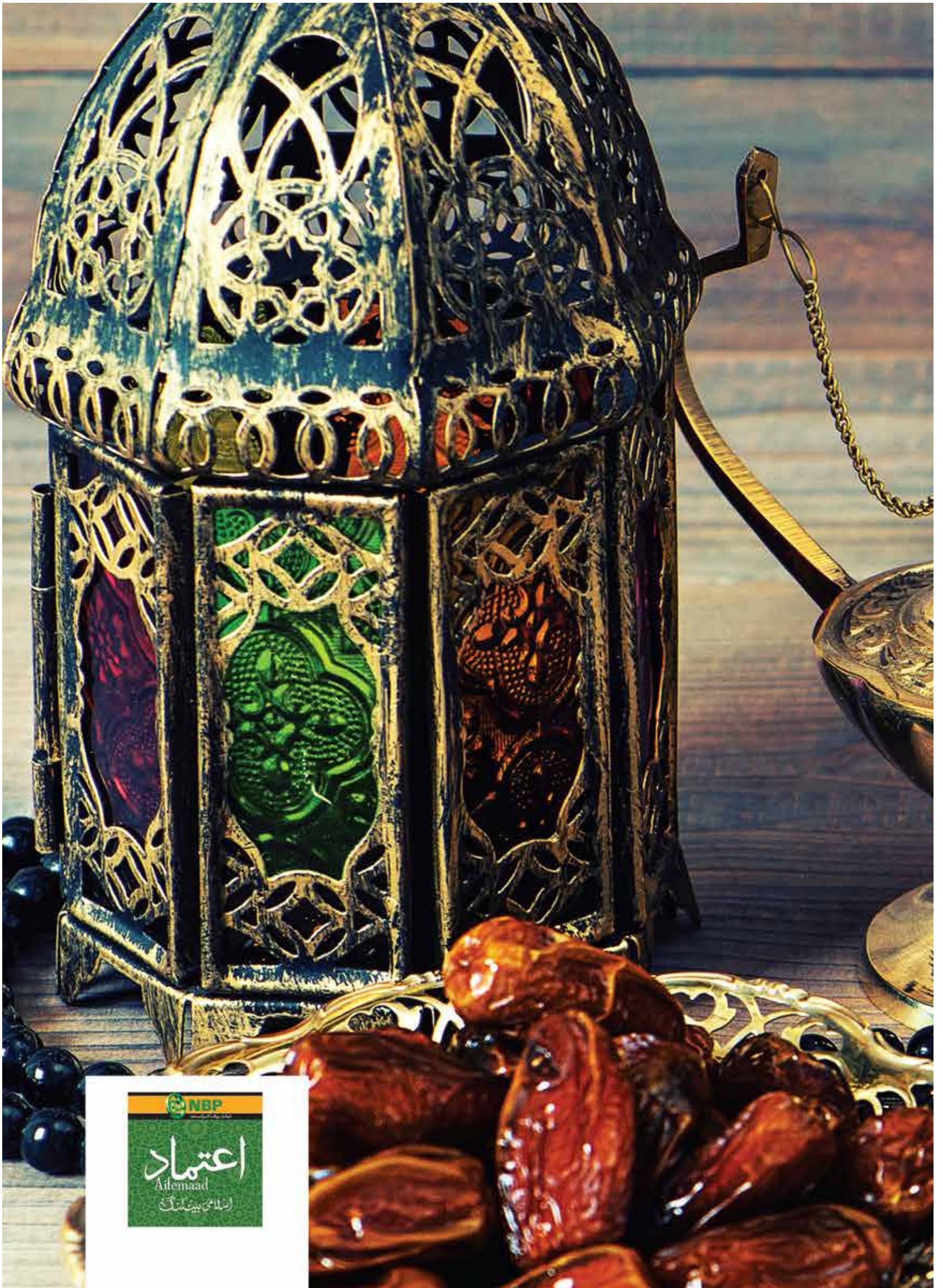


"Aalmi" Mushaira at Arts Council, Karachi



Lok Mela at Faisalabad







# NBP ISLAMIC BANKING



# Shariah Advisor's Report

As of December 31, 2014

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الحمد لله رب العالمين والصلاة والسلام على سيد الانبياء والمرسلين و على آله و صحبه اجمعين اما بعد

The Directors of NBP have entrusted the Shariah Advisor with the task to assess the overall Shariah compliance level and environment within the institution.

The objective of the report is to present a view about the overall Shariah compliance level and environment within the Bank. In the Capacity of Shariah Advisor, I have reviewed the overall Shariah compliance level and environment within the Bank as of December 31, 2014.

## Shariah Advisor pinion:

I have conducted the review in accordance with the regulatory requirement of State Bank of Pakistan for Islamic Banks and Islamic Banking Branches. This requires that a Shariah Advisor shall write a report for the term of service that shall be made a part of the Annual Report.

While confirming that the responsibility for compliance with the Shariah principles in the overall operation rests mainly with the Management of the Bank who should create a conducive environment within the bank in order to comply with SBP Islamic Banking regulation and Shariah Advisor's pronouncement, I declare that the products and the bank's activities by and large are in conformity with the principles of Shariah.

I make this declaration based upon the review conducted on test check basis, each class of transaction, the relevant documentation and procedures adopted by IBI, the cases and justification presented to me, the information received from the management and the related research and observations made in this regard.

## Review & Development:

**Asset Review:** Islamic Bank's assets have declined by 39% to PKR 3.818 billion as compared to PKR 6.257 billion of previous year. This decline is mainly contributed by the maturity of Sukuk Bonds amounting to PKR 2.429 billion that itself declined by 50% from PKR 4.819 billion. However still investments contributes 64% in the Asset Side that is followed by the Asset Financing amounting PKR 0.978 billion (26% of the Total Asset). Murabahah contributes 58%, Ijarah 26% and Diminishing Musharakah 16% of the advances.

Other placements include Balances with treasury and other assets that contributes 11% to the total asset amounting to PKR 0.406 billion

**Liability Review:** The total deposits of the Bank have declined by 51% to PKR. 2.490 as on 31.12.2014 as compared to PKR 5.038 billion last year. The decrease in deposit from financial institutions from PKR 2.261 billion to PKR 0.348 billion plays the major role in reduction of total deposit size. Further, a decrease in current account deposit size by 49% to PKR 0.769 billion has also contributed in the total deposit decline. On the positive side, the Saving Account deposit has increased by 83% from PKR 0.571 billion to PKR 1.048 billion that has cushioned the impact of negative decline in financial institution deposit and current account.

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

The Pool Management System as incorporated in the "iBanker" has been reviewed for being Shariah compliant profit distribution and pool management operation. This has also been certified and informed to the SBP.



# Shariah Advisor's Report

As of December 31, 2014

**Charity:** During the year, Alhamdulillah no income was generated from sources prohibited by Shariah rules and principles. However an amount of PKR 1400.00 was found excess in cash that has been parked in other liabilities account and an advice has been sought from the SBP. As in NBP-Conventional, such amount is taken as income after a specific time period, NBP- Aitemaad operating according to the Islamic principles cannot take any such amount as its income.

**Branch Network Expansion:** This year the management has refocused its strategy for branch expansion from opening fresh branches to conversion of ISO existing conventional branches into Islamic Banking Branches. The process has taken off with the conversion of one pilot branch. This has caused conversion of just 1 branch making total number of Aitemaad branches to 22.

**Management Review:** NBP Aitemaad has revised the strategic plan aiming to address the future outlook with an objective to be among the top 3 Islamic Banking Window in terms of deposit through a branch network of converting ISO branches by 2017 aiming to be recognized as a prominent player within the Islamic banking industry. The management has initiated with the establishment of Treasury Front Office.

**Information Technology:** The management has decided to upgrade the information technology through a banking system that will cater the Islamic banking operations also. NBP Aitemaad has also introduce a Shariah Portal on its website that includes important and mandatory information for the visitors including Shariah Advisor's profile, Fatwa, FAQs, SOC and online service to address customer queries related to Islamic banking through a dedicated email facility "askshariah@nbp.com.pk". The objective is to facilitate the customer directly through the Shariah Department in the shortest possible turnaround time.

**Product Development:** Alhamdulillah, all existing Products and its Policies have been reviewed internally and have been sent to the internal stakeholders for approval. Parallel to the review activity, NBP in order to cater customer need is also working to enhance its product offerings.

**Staff Training:** Training on Islamic banking is vital for Shariah Compliance that is the key to success in Islamic Banking. This has been endorsed by SBP vide its Shariah Governance Framework issued in April 2014 that has emphasized on training the Islamic banking Staff. It is pertinent to mention that during the BOD meeting, the directors have stressed on extensive trainings to the staff. Alhamdulillah, NBP has managed to impart multiple Islamic Banking & Finance training to all its Staff during the year. The management ensured that participation of critical staff was made mandatory. More training programs will improve Islamic Banking Quality at NBP Aitemaad.

**Shariah Compliance:** Alhamdulillah, NBP Aitemaad has drafted a Shariah compliance manual and have sent to the internal stakeholder for approval. Special mechanism has been designed for mystery shopping to ensure Shariah compliance by the branch staff at all levels and situations. The results of such mystery shopping would be critically analyzed in order to identify weak areas to place relevant controls and to assess the staff training needs where applicable.

Alhamdulillah, the BOD has approved the implementation of Shariah Governance Framework issued by SBP. Further, as a compliance review function, I have visited selected branches for Shariah review with focus on the following:

a) Staff understanding of Islamic Banking and Finance:

I have interviewed branch managers to analyze if they have the minimal required understanding of Islamic Banking to tackle the existing and prospective clientele. This has helped identify their training needs that has been imparted to them within a month.

b) Display of required information in the branch:

Notice boards have been reviewed and it is ensured that required information is being displayed. Other display requirement including fatwa, FAQs and as Shariah portal is ensured to be displayed on the right places.

- c) Profit Distribution among depositors

The profit distribution has been checked and found to be correct.

- d) Financing in compliance of Shariah

It has been ensured that process flow being followed is as per approved by the Shariah Advisor.

- e) General Environment are ensured to be Shariah compliant.

**Shariah Audit:** Training on Internal Shariah Audit to Audit personnel have been imparted in three regions in order to conduct internal Shariah audit as a part within the internal audit department. A dedicated team for Shariah Audit in coordination with the Shariah Advisor has drafted a comprehensive Audit Manual. This arrangement shall help developing better control and identifying gaps within the system as NBP Islamic Banking Branches is aimed increase in the future.

**Risk Management:** An exclusive risk management policy in line with the guidelines issued by the SBP for Islamic Banking operation is under development and review process and shall soon be floated for approval and implementation.

والله سبحانه وتعالى اعلم

ربنا لا تؤاخذنا ان نسينا او اخطانا ربنا ولا تحمل علينا اسرا كف حملته على الذين من قبلنا ربنا ولا تجعلنا مالا يهتكنا به فاجعلنا  
واحدنا من "م" وتفضلنا "م" وارحمنا "م" انك مولنا فانصرونا على القوم الكافرين

May Allah bless us with best Tawfeeq to accomplish his cherished tasks, make us successful in this world and in the Hereafter, and forgive our slip-ups.

**Mufti Ehsan Waquar Ahmad**

Shariah Advisor

Dated: February 26, 2015

# Review Report to the Members on the Statement of Compliance with the Code of Corporate Governance

**Ernst & Young Ford Rhodes Sidat Hyder**

Chartered Accountants  
Progressive Plaza,  
Beaumont Road  
Karachi 75530, Pakistan

**KPMG Taseer Hadi & Co.**

Chartered Accountants  
Sheikh Sultan Trust Building No.2  
Beaumont Road  
Karachi 75530, Pakistan

## Review Report to the Members on the Statement of Compliance with the Code of Corporate Governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of National Bank of Pakistan ("the Bank") for the year ended December 31, 2014 to comply with the requirements of Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges where the Bank is listed.

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

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material aspects, with the best practices contained in the Code as applicable to the Bank for the year ended December 31 2014.

Further, we highlight the following:

- Paragraph 20 which states that the Bank would sought exemption from Securities and Exchange Commission of Pakistan relating to relevant experience and qualification requirements for Head of Internal Audit;
- Paragraph 35 relating to mechanism for annual evaluation of Board's own performance.

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**Ernst & Young Ford Rhodes SidatHyder**

Chartered Accountants

**Engagement Partner:**

Arslan Khalid

Karachi

Date: 26 February 2015

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**KPMG Taseer Hadi & Co.**

Chartered Accountants

**Engagement Partner:**

Syed Iftikhar Anjum



## Auditors' Report to the Members

### **Ernst & Young Ford Rhodes Sidat Hyder**

Chartered Accountants  
Progressive Plaza,  
Beaumont Road  
Karachi 75530, Pakistan

### **KPMG Taseer Hadi & Co.**

Chartered Accountants  
Sheikh Sultan Trust Building No.2  
Beaumont Road  
Karachi 75530, Pakistan

### **Auditors' Report to the Members**

We have audited the annexed unconsolidated statement of financial position of National Bank of Pakistan ("the Bank") as at December 31, 2014 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the 'financial statements') for the year ended December 31, 2014, in which are incorporated the unaudited certified returns from the branches except for 80 branches which have been audited by us and 20 branches audited by the auditor abroad and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Bank as required by the Companies Ordinance, 1984 (XLVII of 1984), and the returns referred to above received from the branches have been found adequate for the purposes of our audit;
- b) in our opinion:
  - i) the statement of financial position and the related profit and loss account together with the notes thereon have been drawn up in conformity with the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), and are in agreement with the books of account and are further in accordance with the accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the Bank's business; and

## Auditors' Report to the Members

- iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Bank and the transactions of the Bank which have come to our notice have been within the powers of the Bank;
- c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 (LVII of 1962), and the Companies Ordinance, 1984 (XLVII of 1984), in the manner so required and give a true and fair view of the state of the Bank's affairs as at December 31, 2014 and its true balance of profit, its cash flows and its changes in equity for the year then ended; and
- d) in our opinion Zakat deductible at source, under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Bank and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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**Ernst & Young Ford Rhodes SidatHyder**  
Chartered Accountants

**Engagement Partner:**  
Arslan Khalid

Karachi  
Date: 26 February 2015

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**KPMG Taseer Hadi & Co.**  
Chartered Accountants

**Engagement Partner:**  
Syed Iftikhar Anjum