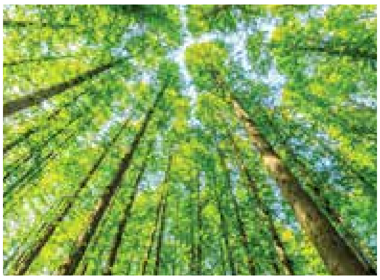
Annual Report 2021

Inclusive Development

The Nation's Leading Bank

Sustainable Growth



Strong Performance

Aitemaad
ISLAMIC BANKING
اسلامک بینکنگ

Where the Nation Banks

National Bank of Pakistan
نیشنل بینک آف پاکستان

Chairman's Review

Dear Shareholders,

The tenure of your current Board, inclusive of the President and Chairman, is nearing it's end. In this context it is important that I highlight that our focus has been on building a platform enabling accountability at all levels, and developing a corporate culture based on performance and merit that protects the bank going forward, and curtails misuse of the Bank's assets.

To this effect, substantial efforts were made in obtaining a repeal by the government of outdated and wrongly used Staff Service Rules of 1973. With strong support from the Ministry of Finance this repeal was approved by the Federal Cabinet in April 2021, and your Board then instituted fresh Rules to facilitate putting your institution at par with others in the banking system in attracting, rewarding, and retaining the talent necessary for the National Bank of Pakistan to compete.

To put in place a culture of performance management meant bringing in and supporting a senior team of experienced and courageous professionals. They were charged with strict implementation of the bell curve concept, the reintroduction of promotions, and taking steps to improve staff compensation. All this was to be done entirely on a merit basis. This team had to deal with and resist strong internal and external pressures and now to sustain our reforms, the government will need to protect staff against unwarranted and unjustified harassment by government institutions and officials.

The systems and controls in your Bank were also outdated and weak, and through both negligence and fraud, had resulted in significant losses across the branch network. Major operating accounts of the Bank itself, were unreconciled over many years and alerts raised had piled up similarly. Revamped leadership in both retail and operations has addressed these problems and also improved the quality and timeliness of our financial information. The aim now has to be on fully centralizing key areas like account opening and trade which will also help enhance customer service. These major efforts have benefitted from the close oversight of our Board Audit and Compliance Committees.

The continuing problem of software that was 13 upgrades behind and internally supported, had kept your Bank ill equipped against today's competition and risks. There had been an understandable reluctance in proceeding on substantial investments that would leave Bank officials vulnerable to later harassment. Your Board faced this issue head on and drew in qualified vendors who were engaged through structured arrangements with guidance from an active Board Technology Committee. Our Core Banking Application upgrade is now underway and should be completed by the end of next year and position the Bank well against its competitors in today's increasingly digital environment.

Our credit portfolio has had a poor history with uncontrolled exposures and excessive concentrations including to marginal names. The risk architecture of the Bank has thus been materially revamped and specific restrictions brought in to require the approvals of designated Senior Credit Officers alongside business heads so the quality of assets is reinforced through assessments by skilled and independent seniors. This should help going forward, but the Bank's record of weak private and public sector credits will take years to remedy. The Government itself should set an example by paying overdue interest on government guaranteed loans which presently amounts to about PKR 42 Bn. While our problem recognition and provisioning has been good, our efforts at attracting quality senior talent to manage the NPLs, has not been successful and needs to be given greater priority. No doubt experienced and qualified bankers have been hesitant to take on the responsibilities of dealing with substantial exposures involving both negligence and fraud but practical and workable solutions have to be found including breaking up the portfolio into smaller segments reflecting the nature of the credits.

It was recognized that the institution was not equipped to oversee and manage an international franchise spanning 18 countries where staffing appointments may not have been on merit, compliance related skills and standards inadequate and clear strategies lacking and credits unwisely extended. A pull back was initiated and the closure of ten franchises commenced in markets that had potential but our ability to manage them was in question. Historical weaknesses were, however, severe, and despite the Bank's investment in both talent as well as technology, the Bank was subjected to regulatory penalties for noncompliance relating to years before this Board and management took over. These have been duly provided for in the accounts and the Bank's above mentioned investments position it well to avoid non recurrence. The international franchise though, continues to need attention particularly in Bangladesh for recoveries, in Saudi Arabia to crystallise its strategic direction (branch growth vs its small equity in a Saudi bank) and in the other stay locations to establish streamlined businesses that avoid lending in distant markets and instead address the needs of our expat communities and country to country trade flows.

NBP's vision should be refocused to minimize lending to large corporates where the Bank only adds its balance sheet strength and usually at inadequate spreads. Let the private banks deal with those opportunities. Instead it's the credit deprived medium sized companies whose needs the Bank should address with products that are tailored to transactions and shorter tenor risks. This segment that makes up the country's manufacturing heartland has the potential for considerable growth especially in the supply chain sector but has lacked the credit to reach for it.

While doing that NBP should also focus on delivering better service and products to the current and ex government employees who have been our clients but not received the dedicated attention they should from our branch network. A consumer franchise built around this proposition leverages our niche and should help retain customers under threat from competitors.

Over and above this it is the underserved segments of micro and small businesses, the needs of small farmers to increase productivity, and the massive housing shortages at the lower income levels that merit our engagement and commitment. In these sectors we need to do much more and our preoccupations with the demanding but problematic corporates has distracted us from our purpose. For our governments too, encouraging commercial banks towards the requirements of lower income groups is unlikely to be as successful as developing models to work through microfinance providers who know these types of clients well and who already deal with about 8 million borrowers as against the 2 million borrowers of the commercial banks. A wholesale leveraging of the microfinance network would deliver safer and more effective solutions in less time than the bigger banks would take to work through their bureaucracies and systems. Our Board Committee of Inclusive Development has worked hard in this direction but material progress commensurate to the opportunity at hand has eluded us.

Overall this year your Bank has performed well despite the substantial hits due to overseas regulatory penalties and provisions necessary for one large and earlier booked exposure. Our ability to look after our smaller shareholders has been restricted by the necessity of providing for the past but we are now getting out of that and the one large potential charge relating to our pensions case is the main one that remains but that should not prevent us from seeking to reward long standing small investors in our institution.

There is much to be proud of in our achievements of rebuilding this national institution and the incredibly hard work put in by the President deserves mention as does those in the front line of the change effort for their persistence, professionalism and courage. From our Board there has been great contribution through difficult Covid dominated times with enormous attention to detail in dealing with our many problems through committees and through Board meetings. Our thanks go out to our regulators, particularly at the State Bank, for their guidance, vigilance and accessibility at all times. From our primary shareholder, the Ministry of Finance, we received invaluable support in getting the 1973 Staff Service Rules repealed and this action facilitates the development of an accountable and performance driven corporate culture. At the same time though I must express disappointment in our portfolio issues relating to the PSEs where further support is needed. This will be critical to enable us to weather any storms relating to any adverse court decisions in other areas. The government's support in safeguarding our professionals from unwarranted harassment by other government institutions and individuals is also essential to protect the reforms we have been fortunate enough to bring about.

In closing let me thank all our stakeholders, including our staff who have lived through many changes albeit ones designed to strengthen the institution they support and serve. Our opportunities are considerable and to realise them we should proceed firmly and with resolve.

Zubyr Soomro
Chairman

Date: March 08, 2022
Karachi

CEO's Review

To our shareholders, regulators and clients,
To my colleagues,

I hope this finds you safe and well.

It is my pleasure to share with you the 2021 NBP Annual Report. I begin by thanking my 15,000+ colleagues for serving the Nation and delivering strong results in these challenging times. I also thank our Board of Directors for their leadership and guidance over this period.

Three years back in Feb '2019, when I joined this Bank, we embarked on a multi-year journey of change to become a 'better' bank. Over the years, lack of attention to identified structural and operational lapses, had weakened this franchise and resulted in both financial and reputational losses.

A Refreshed Purpose

As we started, we didn't want NBP to just be a larger version of other Pakistani commercial banks. Our focus, and *raison d'être* is to deliver the State's priorities around Pakistan's developmental goals. Hence we refreshed our Vision - **"To be the Nation's leading bank enabling sustainable growth and inclusive development".**

Our first response to these challenges was to ensure our organizaton was structurally balanced and aligned with its vision and goals. I believe, NBP has made steady progress despite difficult external and internal challenges to fix many of its chronic issues. Sustainable change is underway at the Bank following reforms put in place covering governance, accountability and culture. We are making progress by addressing root causes of problems that the Bank faces and holding ourselves accountable by tracking our performance in areas where we need to improve.

Right Business Model

The heart of our operations is our domestic network of 1,500+ branches which has been revamped by strengthening our control and compliance environment, product innovation and increased use of technology. Within the corporate bank, we focus on large corporate and institutional customers to meet their evolving needs for debt, cash management, trade, investments and equity & debt capital markets. A strategic decision which has served us well was to carve out our relations with the Governments into a separate business line, instead of managing this within our retail banking activity previously. Our service quality however, particularly in the personal customer segment, remains an issue requiring more attention.

Our Inclusive Development Group has also recorded satisfactory results with focus on priority sectors including Agri, SME, Women, CSR and G2P initiatives. Under the Government's Low Cost Housing initiative, NBP stands No.1 in terms of number of loans disbursed to 1,000+ families. This year, our Islamic Banking franchise, achieved PKR 100 Bn milestone of total assets (2020: PKR 89 Bn) while diversifying its product suite by introducing e.g. PayPak Debit Card, Hamsafar Auto Finance, SBP Micro Payment Gateway (Raast), etc.

In line with instructions from the Prime Minister's Office, we conducted regular Khuli-Kachehri (telephonic open dialogue sessions) every month wherein the general public can call in and discuss their issues regarding the Bank.

As the Digital revolution continues to gather pace, NBP faces serious challenges as banks across the board unleash new digital offerings for clients. We have established a Digital Banking Group to prioritise our efforts focused on assisting the Government in managing their G2P and P2G transactions.

Governance, Control & Compliance

In parallel with business growth initiatives, we continued to progress with the remediation of legacy issues in the area of Risk, Asset Quality, Operational Effectiveness, International Franchise and HR. Despite our challenged starting point in 2019, we have made considerable progress on most of these issues via significant strengthening of key personnel in critical positions.

- **HR Governance**

We continued to revamp our HR policies in line with best practices. The example was the new Staff Service Rules-2021 which replaced the Staff Service Rules-1973. These new rules allow the Board and the management to issue fresh policies/rules to promote accountability and meritocracy in the Bank.

Another significant achievement made was in the matter of litigation in respect of disparity in remunerations paid to two different categories (MTO/NMTO) of employees. We have settled ~75% of ~4,400 cases by entering into out-of-court settlement agreements involving a financial outlay of around PKR 11.0 Bn. Another uphill task yet to be considered is merging the two classes of employees i.e. those appointed on three-year contracts (which usually gets rolled-over) and those who were hired decades ago, when the Bank's employment guidelines were established. Resolving this is critical for the long-term soundness of the Bank.

- **Audit, Risk & Compliance**

In early 2020, following a major fraud event at two of the Bank's branches, we embarked on an enhanced control journey and strengthened the Bank's critical operational risk, compliance and audit efforts. A Centralised Operations Control Centre (COCC) was created at the Head Office where daily monitoring of key operational risks is now undertaken on a T+1 basis under an initiative which we call 'Project HOW' (Head Office Watch). Key activities of each branch are tracked and remediation of identified gaps is immediate and done on a risk differentiated basis by amount and severity. This is proving to be an effective tool for near real-time monitoring of branch-level activities for fraud prevention and detection of SoP violations. Our audit function realigned the audit strategies and methodology in key risk areas to assist the Board Audit Committee in discharging its oversight responsibilities. An e-Audit software has been deployed to automate branch level audits in the challenging environment.

For better risk and capital management, we have redesigned our Risk & Credit governance construct and upgraded risk management frameworks, policies and procedures. A few include introduction of obligor concentration policies, industry specific and generic risk appetite frameworks, expected credit loss model under IFRS-9, stress testing for efficient capital management, value-at-risk models for market and internal vulnerability assessment tools, etc. We are continuously reviewing our portfolio, to identify accounts and industries susceptible to higher risk, resulting from the Covid-19 outbreak.

Following an enquiry in the case of major loan default by an oil marketing company with NBP and several other private and public sector banks, the Federal Investigation Agency has registered a case incriminating, *inter alia*, several current and ex-employees of the Bank. While the matter is under investigation, we have further strengthened our credit policies including risk concentration guidelines and guidelines for post disbursement monitoring. As also discussed in the Directors' Report, NBP, in consultation with its regulator (SBP) continues to support the investigation to its rightful conclusion.

- **Compliance & Risk Management at New York Branch / International Franchise**

Consequent to deficiencies reported by our US regulators over last several years in their annual supervisory examination of our New York branch, on February 24, 2022, the Bank agreed to consent orders with The Federal Reserve Board and Federal Reserve Bank of New York (FRB), and the New York State Department of Financial Services (NYDFS), the US regulators of NBP's New York branch. The agreements include civil penalty totalling USD 55.4 Mn (PKR 9.8 Bn) focused on historical weaknesses in the compliance program. This matter has also been covered in the Directors' Report to the shareholders. There were no findings of improper transactions or wilful misconduct. Going forward, the Bank and the New York branch remain fully committed to satisfying the regulators' expectations.

Overall, given the sub-optimal performance of many of our overseas operations, we have prudently consolidated and scaled back our international footprint. We are pursuing a strategy of selective growth with focus on trade, remittances, FIs business. We have also rejuvenated our recovery efforts on the overseas NPL portfolio.

Data & Technology

One major challenge facing this institution was to upgrade the Bank's technology / core banking system. On October 30th, 2021, a cyberattack was detected on the Bank's servers which impacted some of its services. Immediate steps were taken to isolate the affected systems from the core servers. While continuity of business operations was ensured with minimal possible disruption no direct data breach or financial loss was detected. The Board has also recently approved the upgradation of the Core Baking Application. This will enable the Bank to better serve its customers, introduce additional products especially in the digital space and above all significantly enhance its operational controls.

Strategy Translating into Impressive Numbers

Our financial results suggest our strategy is working well and has been validated despite the general stress the economy experienced over the last two years. We have delivered strong performance in 2021, with the highest ever PBT amounting to PKR 52.9 Bn showing a capacity for sustainable capital generation. Our operating income remained under pressure on multiple grounds including the costs of addressing the pandemic, the loan loss provisions that we made to strengthen our balance sheet, subdued quality loan growth and policy responses that led to much lower interest rate during most of the year.

- **Profitability**

Through our three years' journey since 2019, the strong and impressive financial results, as discussed in detail elsewhere in this report, and summarized below, indicate our success. With Net Interest Income of PKR 97.6 Bn and Non-Fund Income of PKR 36.9 Bn, total revenue for the year 2021 closed at PKR 134.6 Bn. Despite high inflationary pressures, total administrative expenses for the year 2021 amounted to PKR 60.0 Bn, and provision charge stood at PKR 11.9 Bn. Despite the PKR 9.8 Bn of civil penalties in the US operations, profit before tax amounted to PKR 52.9 Bn which is 14.4% higher as compared to PKR 46.2 Bn in 2020 and is also the highest ever in history of the Bank. Net of the 47% effective taxes, profit after tax stood at PKR 28.0 Bn i.e. 8.3% down YoY. With PKR 74.4 Bn in after-tax profits in last three years, shareholders' net assets stand increased by 38.3% from PKR 206.9 Bn at the beginning of 2019 to PKR 286.2 Bn at the end of 2021.

Moreover, after identifying and dimensioning the asset quality issues, we have created provisions of PKR 48.8 Bn over the last three years. Thus, cumulatively, our balance sheet stands strengthened by PKR 119.3 Bn since the beginning of 2019. These results have been delivered despite multiple challenges and headwinds amidst the Covid-19 pandemic and a significant drag due to non-payment of mark-up in certain legacy public-sector non-performing loans and the Covid-19 related flexibility and repayment relief provided to customers in need. Despite the higher inflationary trends, induction of additional talent, promotion of around 1,700 employees and significant pay increases, our effective cost controls have brought the cost-to-income ratio (*excluding the impact of civil penalties of PKR 9.8 Bn*) down by 13.1 percentage points from 57.7% in 2018 to just 44.6% in 2021.

- **Balance Sheet**

Over the last three years, we took decisive actions to strengthen our capital position, in recognition of the external economic challenges and the significant HR related contingencies pending at the Courts. Endorsed by our regulator and many shareholders, our actions have enabled the bank to manage through the economic headwinds and produce long term sustainable results for its stakeholders. In challenging times, a strong balance sheet is critical. Our efficient strategies have translated into an 11.2% compounded average balance sheet growth as it reached PKR 3.85 Trillion as compared to PKR 2.80 Trillion at the start of 2019. YoY growth in 2021, was high at 27.9% achieved through increase in liabilities where we achieved the PKR 3 Trillion milestone in deposits which increased by PKR 600 Bn, of which 80% or PKR 477.4 Bn were customer deposits. As we pursued a prudent and selective loan growth strategy, net advances and total RWA's recorded a moderate growth of 13.2% and 12.5%, respectively.

- **Funding & Liquidity**

Throughout the year, the Bank maintained optimum levels of funding and liquidity through a sufficiently diversified (by type and maturity) funding portfolio. The Bank's liquidity coverage ratio stood at 164% (2020:180%), and the Net Stable Funding Ratio stood at 278% (2020:256%) well above the statutory minimum of 100%.

- **Capital**

Our CET-1 ratio and Total CAR as at December 31, 2021 stood at 15.42% and 20.39%, respectively. These ratios are well above regulatory minimums, and demonstrate strong absorption capacity in the foreseeable future. The stronger balance sheet and capital position mean your Bank can make choices about our future from a position of strength and stability. The AAA credit rating and Stable outlook assigned for NBP reflects its conservative capital structure and risk.

The Future

Overall, as I complete my three years tenure, I would like to thank my colleagues, customers, the NBP Board, SBP and other stakeholders, for having given me the opportunity to serve this great institution. My stint here was a small step in the on-going journey of NBP as it continues to transform itself into a modern and efficient company which is able to deliver against its Vision. If one element would characterise our success it would be that our customers 'want' to deal with us rather than 'have' to deal with us!

I firmly believe that strong executive commitment to our refreshed Vision is what will continue to create value and deliver reliable returns for all our stakeholders, In Sha Allah.

Arif Usmani
President/CEO

March 08, 2022
Karachi

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Name of Company: **National Bank of Pakistan (The Bank)**

Year ending: **December 31, 2021**

The Bank has complied with the requirements of the regulations in the manner that in case of any conflict between Code of Corporate Governance Regulations, 2019 (the Regulations) and Banks (Nationalization) Act, 1974, the provisions of The Banks (Nationalization) Act, 1974 have been followed.

1. The total number of directors are 08 as per the following:

   a. Male: 07

   b. Female: 01

2. The composition of Board is as follow:

   The Board of Directors of the Bank are appointed as per the provisions of The Banks (Nationalization) Act, 1974. The President / CEO is the only Executive Director. The remaining Board consists of one non-executive director and six independent directors, including one independent director representing minority shareholders as required by the Code. At year-ended December 31, 2021, the Board comprised of the following directors:

Names		Category
Mr. Zubyr Soomro	Chairman / Independent Director	Chairman appointed by the Federal Government under Section 11(3)(a) of The Banks (Nationalization) Act, 1974.
Mr. Tawfiq A. Hussain Mr. Imam Bakhsh Baloch Ms. Sadaffe Abid Mr. Ahsan Ali Chughtai Mr. Asif Jooma	Independent Director Independent Director Independent Director Independent Director Non - Executive Director	Appointed by the Federal Government under Section 11(3)(a) of The Banks (Nationalization) Act, 1974.
Mr. Farid Malik	Independent Director	Director representing Private Shareholders and Minority Interest elected in terms of Section 11(1)(b) of The Banks (Nationalization) Act, 1974.
Mr. Arif Usmani	President / CEO	Appointed by the Federal Government under Section 11(3)(a) of The Banks (Nationalization) Act, 1974.

3. The Government of Pakistan, Finance Division, vide its Notification No.F.1(33) Bkg-III/2018-218 dated February 14, 2022 has extended the term of Mr. Arif Usmani as President / Chief Executive Officer, National Bank of Pakistan, for a period of three months or till the appointment of regular incumbent, whichever is earlier.

4. The Federal Government appointed Mr. Ahsan Ali Chughtai as Director on the Board of the Bank for a term of three (03) years with immediate effect vide GOP, Finance Division, Notification No.F.1 (11) Bkg-III/2017-919 dated June 21, 2021;

5. Dr. Muhammad Sohail Rajput was appointed on the Board by the Federal Government of Pakistan under section 11(3)(a) of The Banks' (Nationalization) Act 1974 when he was Additional Finance Secretary (AFS), Finance Division. However, he was subsequently transferred to another Ministry (i.e., Special Secretary in Ministry of Commerce). Therefore, he resigned from the Bank's Board;

6. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Bank;

7. The Bank has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Bank along with its supporting policies and procedures;

8. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Bank. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Bank;

9. All powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Companies Act, 2017 as well as these regulations;

10. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Companies Act, 2017 and the regulations with respect to frequency, recording and circulating minutes of meeting of the Board;

11. The Board of Directors have a formal policy and transparent procedures for remuneration of Directors in accordance with the SBP BPRD Circular No. 3 dated August 17, 2019, Companies Act, 2017 and these Regulations;

12. The Board has arranged Directors' Training programme for the following:

    i) Mr. Farid Malik - Independent Director
    ii) Mr. Imam Bakhsh Baloch - Independent Director
    iii) Ms. Sadaffe Abid - Independent Director
    iv) Mr. Asif Joom - Non - Executive Director
    v) Mr. Ahsan Ali Chughtai - Independent Director

13. The Board has approved appointment of Chief Financial Officer and Company Secretary including their remuneration and terms & conditions of employment and complied with relevant requirements of the Regulations. Moreover, Head of Internal Audit was appointed by Board Audit Committee as required in terms of State Bank of Pakistan's BPRD Circular No. 02 of 2019 dated April 3, 2019;

14. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;

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

a. **Board Audit Committee (BAC):**

S.No	**Names of Director**	**Status**
1	Mr. Tawfiq A. Hussain	Chairman
2	Mr. Imam Bakhsh Baloch	Member
3	Mr. Asif Jooma	Member

b. **Board HR & Remuneration Committee (BHRRC):**

S.No	**Names of Director**	**Status**
1	Mr. Zubyr Soomro	Chairman
2	Mr. Farid Malik	Member
3	Mr. Asif Jooma	Member

c. **Board Risk & Compliance Committee (BRCC):**

S.No	**Names of Director**	**Status**
1	Mr. Tawfiq A. Hussain	Chairman
2	Mr. Arif Usmani	Member
3	Mr. Imam Bakhsh Baloch	Member
4	Mr. Ahsan Ali Chughtai	Member *

*w.e.f. December 06, 2021.

d. **Board Technology & Digitalization Committee (BTDC):**

S.No	**Names of Director**	**Status**
1	Mr. Farid Malik	Chairman
2	Mr. Arif Usmani	Member
3	Ms. Sadaffe Abid	Member

e. **Board Inclusive Development Committee (BIDC):**

S.No	Names of Director	Status
1	Ms. Sadaffe Abid	Chairperson
2	Mr. Zubyr Soomro	Member *
3	Mr. Asif Jooma	Member
4	Mr. Ahsan Ali Chughtai	Member

*w.e.f. December 06, 2021.

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

S.No	Names of Director	Status
1	Mr. Tawfiq A. Hussain	Chairman
2	Mr. Arif Usmani	Member

g. **Board International Franchises and Remittance Committee (BIFRC): ***

S.No	Names of Director	Status
1	Mr. Arif Usmani	Chairman
2	Mr. Tawfiq A. Hussain	Member

* Dissolved in 317th Board Meeting held on February 24, 2021.

16. The terms of reference of the aforesaid committees have been formed, documented and advised to the committees for compliance;

17. The frequency of meetings (quarterly/half yearly/yearly) of the committees were as per following:

S.No	Name of Committee	No. of Meeting held during the year
a	Board Audit Committee (BAC)	06
b	Board HR & Remuneration Committee (BHRRC)	06
c	Board Risk & Compliance Committee (BRCC)	05
d	Board Technology & Digitalization Committee (BTDC)	06
e	Board Inclusive Development Committee (BIDC)	05
f	NBP-NY Governance Council (Sub-Committee of BRCC)	05
g	Board International Franchises and Remittance Committee (BIFRC)	01

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

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

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Companies Act, 2017, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard; and

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

    (i) As per regulation 27(1)(iv), the secretary of the audit committee shall either be the company secretary or head of internal audit. The secretarial role for the Board Audit Committee has been performed by a representative of the Company Secretary.

ARIF USMANI
President / CEO

ZUBYR SOOMRO
Chairman

Dated: March 08, 2022
Place: Karachi

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

A.F. Ferguson & Co.
Chartered Accountants
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INDEPENDENT AUDITORS' REVIEW REPORT

To the members of National Bank of Pakistan

Review report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) and Bank (Nationalization) Act,1974 prepared by the Board of Directors of **National Bank of Pakistan** (the Bank) for the year ended December 31, 2021 in accordance with the requirements of Regulation 36 of the Regulations.

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

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

The Regulations require the Bank to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Bank for the year ended December 31, 2021.

Further, we highlight below instance of non-compliance with the requirement of the Regulations as reflected in paragraph 21(i) to the Statement of Compliance:

Paragraph

	Reference	Description
i.	Paragraph 21(i)	The secretarial role for the Board Audit Committee has been performed by a representative of the Company Secretary.

Yousuf Adil

Yousuf Adil
Chartered Accountants
Karachi
Dated: March 8, 2022
UDIN: CR202110091OTNmX0CwZ

Afferguson&Co

A. F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: March 8, 2022
UDIN: CR202110068wxY0SedtO

Statement of Internal Controls 2021

Reporting of Internal Control System

The Bank's management has established and is managing 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 internal control system comprises of various inter-related components to gauge overall control environment, including availability of well-documented policies and procedures and their compliance, Risk Assessment, identification of risks and mitigating controls, technology breaches, Information leakages, governance and management reporting. The management and the employees at all levels within the Bank are required to perform their duties as per defined guidelines. The internal control system also requires effectiveness and efficiency in external and internal reporting, maintenance of proper records and processes, operational loss data base, compliance with applicable laws and regulations and internal policies with respect to conduct of business. The Bank remains cognizant of its responsibility to continuously improve and strengthen its system of internal control on an on-going basis. Recently, the Bank has reached agreements with The Federal Reserve Board and Federal Reserve Bank of New York, and the New York State Department of Financial Services, the US regulators of NBP's New York branch. The agreements include focused on historical compliance program weaknesses and delays in making compliance related enhancements. There were no findings of improper transactions or willful misconduct.

In compliance with SBP directives issued vide OSED circular no.1 of 2014, the Bank has completed the implementation of roadmap regarding Internal Control Over Financial Reporting ("ICFR"). The Long Form report on the assessment of Bank's ICFR for the year 2020 issued by the statutory auditor has been submitted to SBP in compliance with SBP directive. In the year 2021, the Bank engaged external consultants to assist in a scoping and diagnostic exercise for the ICFR program with view to its on-going environment.

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

Evaluation of Internal Controls

Besides the monitoring of the implementation of internal control system at management level, the Bank has an independent Internal Audit function namely Audit & Inspection Group' with three Area Audit & Inspection Offices that conduct audit of Branches, Regions and Groups at Head Office on an on-going basis to evaluate the efficiency and effectiveness of internal control system. In addition, an Internal Control function is established under Operation Group for testing & monitoring key controls across operations, Monitoring & QA wing under Compliance group is responsible for testing of controls against "key regulatory requirements" to identify the control weaknesses.

For the year 2021, the management continues its efforts to strengthen the internal control system of the Bank. The observations made by the external/ internal auditors and regulators in their respective audits/ inspections are reviewed and measures are being taken by the management (by respective groups and tracking at Management Level Forums), Board Sub-Committees and Board of Directors for rectification of such observations and their non-recurrence.

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

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

Nauman Muzaffar
Chief Risk Officer

Abdul Wahid Sethi
Chief Financial Officer

Nauman Riaz
Chief Compliance Officer

Imran Farooqui
Group Chief Operation

Umair Wasti
Chief Internal Auditor

UNCONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2021

Directors' Report to the Shareholders
Standalone Financial Statements

Dear Shareholders,

On behalf of the Board of Directors "the Board", we have pleasure in presenting to you the Annual Report of the National Bank of Pakistan "NBP" "the Bank" together with the audited financial statements for the year ended December 31, 2021 and the independent Auditors' Report thereon. These financial statements of the Bank fairly present its state of affairs, the result of its operations, cash flows and changes in equity.

Macroeconomic Environment

The V-shaped recovery initially observed in 2021, enters 2022 in a weaker position as the Global growth is now expected to moderate from 5.9% in FY21 to 4.4% in FY22. Driven by accommodative monetary and fiscal policies, the Pakistani economy recorded robust growth in 2021 which has been revised upwards to 5.37% from earlier 3.9% (due to change of base year for GDP at constant basic prices from 2005-06 to 2015-16), while the size of the economy is reported up at $346.8 Bn from the provisional estimate of USD 296 Bn.

During 1H'22, macro indicators maintained momentum growth in Jul-Dec. LSM growth, which was 14.9% in FY'21 (-10.2% during FY'20), posted 3.3% growth during Jul-Nov FY'22. As agriculture credit disbursement recorded a 3.9% increase and reached PKR 641 Bn (PKR 617 Bn SPLY), output situation is expected to remain smooth. Fiscal deficit during Jul-Nov FY'22 stood at PKR 951 Bn i.e. 15.7% up against PKR 822 Bn in SPLY. In terms of GDP, it has been contained at 1.5% i.e. similar to that of SPLY. Whereas, the primary balance posted a deficit of PKR 36 Bn (0.15% of GDP) during Jul-Nov FY'22 against the surplus of PKR 216 Bn (0.45% of GDP) last year. The Ministry of Finance has reported a 35% growth in tax collections during Jul-Dec FY'22, leading to a net 7% increase in federal revenues to PKR 1,482 Bn against PKR 1,391 Bn of SPLY. On the other hand, total expenditures increased by 21% mainly due to sharp rise in subsidies and grants.

As worker's remittances continued their unprecedented streak of above USD 2.0 Bn for the 19th consecutive month in December 2021, Pakistan ended CY'21 with a strong 19.3% YoY growth in remittance to achieve $31 Bn compared to USD 25.96 Bn in CY'20. A healthy trend is also observed in DFI as the same increased by 20.1% during Jul-Dec FY'22 and reached $1,056.6 Mn ($879.7 Mn last year). Amid inflows into the Roshan Digital Accounts (which have crossed $2 Bn in the one year since launch), Pakistan's total liquid FX reserves stood at $22.1 Bn at end Jan'21 and are expected to strengthen as talks between the IMF and the Pakistan government on the review of the $6 Bn Extended Fund Facility are believed to be progressing in the right direction. During this period, while exports (mainly driven by textiles) grew by 24.9% to $15.1 Bn, total imports in Jul-Dec FY'22 increased to $40.6 Bn, posting almost 70% growth.

However, this economic pick-up has triggered micro imbalances as the current account deficit widened to $9.0 Bn (5.7% of GDP) during Jul-Dec FY'22. Also, average headline inflation during Jul-Dec FY'22 was 9.8% (8.6% during SPLY), somewhat higher than the SBP's initially projected range of 7.0% - 9.0% for FY'22. SBP has recently revised expected inflation to linger in the near-term at 9%–11% in FY'22 and to ease to 5%-7% in FY'23.

Faced with serious choices in balancing the short-term needs of fighting the pandemic and the long-term challenges to maintain sustainable growth, SBP has taken measures to lower the inflation and correct the macro imbalances. These measures include a cumulative 275bps increase (from 7% kept since Jun'20) in the policy rate since Sep'21, higher bank cash reserve requirements, regulatory tightening of consumer finance, and curtailment of non-essential imports. Subsequent to these measures, the current account deficit appears to have stopped growing since Nov'21 and the non-oil current account balance is expected to achieve a small surplus for FY'22. Finally, and importantly, the enactment of the recent Finance (Supplementary) Act, 2022 represents significant additional fiscal consolidation compared to the budget and has lowered the outlook for inflation elevated over the next few months, close to the upper end of the average inflation forecast of 9%-11% in FY'22.

Pakistan stock market witnessed a challenging year in 2021 underperforming to regional markets as well asset classes amid concerns on external accounts, currency depreciation, geopolitical uncertainty, delay in IMF program, and MSCI's announcement of Pakistan's reclassification to Frontier Markets – which further spurred foreign selling. Share prices of the top 100 companies listed at the PSX improved by a net 2% during 2021, pushing the benchmark KSE-100 index to 44,596 points at the close of trading on the last day of the CY'21.

Banking industry reported healthy profits made not only on investment in government debt securities but also on private sector credit as net lending to the private sector got a boost on the back of extraordinary monetary easing and fiscal stimulus package of the government. During the first half of FY22, private sector credit cumulatively grew by 13.4%, largely driven by increased demand for working capital loans especially by rice, textile, petroleum and steel industries.

Principal Activities

Principal activities of NBP during the year remained same as in prior year and included general banking services, credit, ATM and debit cards facilities, investment banking advisory, treasury and capital markets, housing and general finance, transaction banking, cash management, digital banking, international trade & remittances, etc. The Bank's subsidiaries offer banking services, currency exchange, modarba, fund management and securities brokerage services.

The Board, Board Committees and Board Meetings

The Board continues to have oversight of management's ongoing efforts to improve outcomes for customers and colleagues and get the basics right, including a strong focus on the remediation work required in financial crime risk management. It is the responsibility of the Board to ensure that adequate policies and frameworks are in place to recognize all significant/ material risks to which the Bank is / may be exposed and that the required human resource, culture, practices and systems are adequate to address such risks. The Board and its relevant committee, i.e. BRCC and the executive management along with its relevant committees i.e. Management Credit Committee, Enterprise Risk Committee, ALCO etc. are responsible to ensure implementation of the risk management framework. A Statement in compliance with the Listed Companies (Code of Corporate Governance) Regulations has been made separately.

Explanation in regard to modification in the Auditors' Report In their report

The external Auditors have included Emphasis of Matter by drawing attention to Note 25.3.3.1 to the financial statements which explains the contingency in relation to litigation by retired employees of the Bank for pension benefits. Based on the advice of the legal counsels, the Bank has reasonably strong legal grounds to convince the Honourable Supreme Court for reviewing its earlier judgement. Therefore, pending the decision on the review petitions, the financial impact of the subject case has not been included in the financial statements for the year ended December 31, 2021.

Material changes subsequent to the Balance Sheet Date

In February, 2022, the Bank and its New York Branch agreed to a consent order with the Federal Reserve Bank of New York and the New York State Department of Financial Services. These agreements include civil penalty totalling USD 55.4 Mn (PKR 9.8 Bn) which have been recognised into the Financial Statements for the year ended December 31, 2021.

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

Financial Performance - 2021

The following financial discussion and analysis is based on statutory information unless otherwise stated. Despite the continued challenging environment, the Bank has delivered strong financial results for the year ended December 31, 2021. This demonstrates resilience of the Bank's business model and the efforts of its staff during this period. For the year under review, NBP has recorded after-tax profit of PKR 28.0 bn.

- **Profitability (PKR 'Bn)**

KPI (PKR 'Bn)	2021	2020	Better / (Worse)	
NII	97.62	104.16	(6.5)	(6.3%)
NFI	36.94	36.08	0.86	2.4%
Total Income	134.56	140.23	(5.67)	(4.0%)
Operating & Oth. Expenses	60.00	63.11	3.11	4.9%
Profit Before Provisions	74.56	77.12	(2.57)	(3.3%)
Provisions and write offs – net	11.92	30.90	18.98	61.4%
Extraordinary Item	9.78	-	-	-
Profit Before Tax	52.86	46.22	6.64	14.4%
Profit After Tax	28.01	30.56	(2.55)	(8.3%)
Earnings Per Share (Rs.)	13.16	14.36	(1.20)	(8.3%)

The Bank recorded profit before tax amounting to PKR 52.9 Bn i.e. the highest ever in history of the Bank. Whereas, due to a significant impact of extraordinary item amounting to PKR 9.8 Bn, the after-tax profit closed at PKR 28.0 Bn which is 8.3% down YoY. For the year 2021, gross mark-up/interest income closed 10.1% lower YoY at PKR 231.9 Billion "bn" (2020:PKR 257.8 bn); whereas the interest/mark-up expense amounted to PKR 134.3 bn, of which PKR 87.8 bn or 65.4% was paid to the depositors. Consequently, net interest/mark-up income "NII" closed at PKR 97.62 bn which is 6.3% lower, YoY. Despite a lacklustre trade & business activity during the year, the Bank succeeded in maintaining its non-mark-up / interest earning "NFI" stream that closed at PKR 36.9 bn (2020:PKR 36.1 bn). Accordingly, total revenue of the Bank closed 4.0% down YoY at PKR 134.6 bn (2020:PKR 140.2 bn).

Operating & other expenses dropped by 4.9% down YoY to close at PKR 60.0 bn as against PKR 63.11 bn of prior year. This translates into a cost-to-income ratio improving 40bps YoY, from 45.0% in 2020 to 44.6% in 2021. Consequently, profit before provision stood at PKR 74.6 bn, marginally 3.3% lower than PKR 77.1 bn of 2020. However, this drop in revenue was off-set by a favourable variance in provision charge that dropped 61.4% to PKR 11.9 bn as compared to PKR 30.9 bn in the prior year. This year, NPLs recorded an increase of 15.6% or PKR 26.6 bn, totalling to PKR 197.9 bn (2020:PKR 171.3 bn). This was mainly triggered by an industry wide default by a major oil marketing company.

Consequently, profit before tax closed 14.4% higher YoY at PKR 52.9 bn (2020: PKR 46.2 bn). As PKR 9.8 of civil penalty is imposed in US operations, profit after tax closed at PKR 28.0 bn which is 8.3% lower than PKR 30.6 bn of previous year. Pertinent to mention, the Bank's income is also subject to a PKR 4.0 bn drag on account of certain legacy public-sector non-performing loans as well as the impact of additional tax due to lower Advance to deposit ratio. The Federal Government, in the Federal Budget-2022, has imposed a 2.5% additional tax on banks if their Advances to Deposit Ratio falls below 50%; and 5% if the ADR goes below 40%. While the banking industry is already subject to a super tax charge of 4%, this additional tax has adversely affected the after-tax profitability of the banks.

The Bank's end of year total assets closed at PKR 3,846.7 bn which is a massive 27.9% increase from PKR 3,008.5 bn at end of 2020. This was mainly driven by a growth of PKR 600.2 bn in the deposits and a growth of PKR 174.4 bn in the borrowings. Capital & reserve closed at PKR 286.2 bn i.e. PKR 18.6 Bn or 7.0% up from PKR 267.6 billion on December 31, 2020.

The Bank's financial soundness also improved significantly during the year 2021. While Common Equity Tier 1 (CET1) Capital ratio improved to 15.42% (2020:14.99%), the Total Capital Ratio also improved at 20.39% (2020:19.78%). Similarly, the Bank's Leverage ratio was 3.47% at the end of 2021(2020:4.06%). The Bank's liquidity coverage and net stable funding ratios improved to 164% (2020:180%) and 278% (2020:256%), respectively against regulatory requirements of 100%. On a positive note, the Bank maintained its CASA ratio at 83%. Detailed coverage of the financial performance and other organizational development is also given elsewhere in this Annual Report.

Appropriation of Profit

Profit for the year ended December 31, 2021 after carry forward of accumulated profit of 2020 is proposed to be appropriated as follows:

	(PKR 'Mn)
Profit after tax for the year ended December 31, 2021	28,008.0
Un-appropriated profit brought forward	116,021.3
Other comprehensive loss - net of tax	(1,362.8)
Transfer from surplus on revaluation of fixed assets	208.1
Profit available for appropriations	142,874.6
Appropriation:	
Transfer to Statutory Reserve	(2,800.8)
Un-appropriated profit carried forward	**140,073.8**

Principal Risks & Uncertainties Facing the Bank

By the very nature of its business model, the Bank is exposed to certain principal risks being (i) Credit Risk; (ii) Treasury & Capital Risk; (iii) Market Risk; (iv) Operational Risk, and (v) Information Security Risk.

The Bank has established a robust framework to effectively manage these risks and keep the Bank resilient & sustainable. As part of its oversight, the Board ensures that adequate policies and frameworks are in place to recognize all significant/material risks to which the Bank is or may be exposed to and that the required resources i.e. human capital, culture, practices, and systems are adequate enough to mitigate and address such risks. The Board and its relevant committee i.e. Board Risk & Compliance Committee and the senior management along with its committees i.e. Enterprise Risk Management Committee, Assets & Liability Committee, etc. are responsible to ensure formulation and implementation of a comprehensive risk management framework.

The Bank is continuously reviewing its credit portfolio, to identify accounts and industries susceptible to higher risk, in these challenging times. Further, with respect to information security risk management arising as a result of Covid-19 and recent incident of cyber-attack on NBP servers, the Bank took appropriate actions to respond & monitor the evolving cybersecurity risks. A detailed indication of the principal risks and uncertainties as well as the future prospects is discussed in the financial statements.

Governance, Internal Controls and Compliance

Progressing with the Board's HR strategy, the Bank has continued to induct talent at senior levels. Also, the outdated Staff Service Rules that enabled staff to file frivolous suits directly at the High Court levels, have been repealed by the Staff Service Rules-2021 pursuant to the approval of the Federal Cabinet on April 01, 2021. This will significantly reduce the number of frivolous & nuisance suits filed by the employees that distract the management from pursuing necessary reforms. This will also set the foundation for promoting a culture of accountability & meritocracy in the Bank. This Board acknowledges & appreciates the support of the government in this regard.

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

To promote a culture of effective control & compliance, the Board has remained frequently involved in addressing the issues related to accountability and meritocracy. As stated in our prior year's report, priority focus is being accorded to the major task of upgrading the Core Banking Application. Necessary in-principle approvals have been granted by the Board and the management will be moving soon to implement the project.

Compliance & Risk Matters in the New York Branch

The Bank remains committed to ensure compliance with all the applicable laws, rules, regulations, and codes in the spirit of good governance. To this end, the Board has given strategic directions to invest, throughout the Bank's operations, in new technological platforms for effective AML/CFT/CPF controls, data accuracy and authenticity, internal controls over the financial reporting, etc. Our Branch in New York, which is licensed by the New York State Department of Financial Services (NYSDFS), and is subject to oversight and supervision by the Federal Reserve Bank of New York (FRBNY), as in the case of all foreign banks. Initially, the 2014 examination uncovered certain compliance & risk management deficiencies in the NY Branch. In 2016 the Bank and the Branch entered into a Written Agreement with FRBNY to acknowledge and remediate identified deficiencies relating to Anti-Money Laundering and the US Bank Secrecy Act requirements, as well as implementation of requisite systems, enhancement of controls and allocation of adequate resources to ensure full compliance with such requirements.

As these issues persisted, we took serious steps in February 2020, by hiring entire new leadership including the Branch manager and the senior compliance officer, and tripled the number of compliance staff, increasing from 7 in May'20 to 24 in Nov'21. We also implemented new policies and procedures, began enhancing the compliance, internal audit, and managerial oversight functions to close open issues from the Written Agreement and past examinations. We also hired outside counsel to help guide the Bank in remediating past problems. These enhancements were completed recently and validated by an independent third party.

In 2020, while U.S. regulators recognized many positive changes resulting from new management, it however it concluded that the Bank had yet to fully address prior examination findings and the BSA/AML provisions of the Written Agreement. Consequently, in February 2022, the Bank agreed to consent orders with The Federal Reserve Bank of New York, and the New York State Department of Financial Services (NYDFS), the US regulators of NBP's New York branch. The agreements include civil penalty totalling USD 55.4 Mn (PKR 9.8 Bn) focused on historical weaknesses in the compliance program as discussed above. There were no findings of improper transactions or wilful misconduct. Going forward, the Bank and the New York branch remain fully committed to satisfying the regulators' expectations.

Ongoing Investigation by the FIA

The FIA is conducting an investigation in the matter of M/s Hascol Petroleum's banking arrangements with the NBP as well as several private and other public sector banks. NBP has been and continues to cooperate fully with the FIA on this investigation and has made available all relevant records and transactional history, including arranging meetings with its employees who have managed Hascol's relationship with the Bank.

NBP's own stance on this matter has been documented in a submission made to the State Bank of Pakistan and also subsequently to the FIA. The fundamental challenges identified by NBP stemmed from a material negative re-statement of the company's financial records with acknowledgement of fraud by Hascol management at that time. At NBP, credit decisions were based on a set of published audited financial statements of Hascol, and were made as per the policies of the Bank and SBP regulations then in vogue. As the fraud unfolded, two of the company's auditors resigned, citing financial irregularities within Hascol. However, it is pertinent to mention that Hascol has acknowledged its indebtedness to NBP for the entire outstanding loans of PKR 18.80 Bn and the same are reflected in the books of accounts of the Bank. NBP, in consultation with its primary regulator i.e. State Bank of Pakistan, continues to support the FIA investigation to its rightful conclusion of the investigation.

IT Network & System Security

On October 30th, 2021, a cyberattack was detected on the Bank's servers which impacted some of its services. While continuity of business operations was ensured with minimal possible disruption, the Bank decided to shut down IT Network to avoid damage to systems. Expert cyber security consultants were engaged in various capacities to contain the damage and formulate an incident response posture, based on which projects procurements and implementations are underway. The cyber-incident impacted the Bank's Microsoft Virtualization Platform only, whereas no financial loss or data loss was identified on the Core Banking front. To-date, the systems are up and running and the Bank has normalized operations.

Moreover, as a major technology initiative, the Board has also recently approved the upgradation of the Bank's Core Baking Application. This will enable the Bank to better serve its customers, introduce additional products especially in the digital space and above all significantly enhance its operational controls.

Progress on Closure of Foreign Subsidiaries/Branches

In line with our revised strategy on international franchises, the Board has approved closure of two overseas Subsidiaries being in Almaty (Kazakhstan) and Dushanbe (Tajikistan) along with three overseas branches located in Baku (Azerbaijan), Bishkek (Kyrgyzstan) and Ashgabat (Turkmenistan) so their carrying amount will be recovered principally through continuing use. Necessary approvals in this regard have been sought from the Ministry of Finance and the State Bank of Pakistan. Further, it has been decided to restrict the country operations in Afghanistan and Bangladesh only to one branch in each country located in Kabul and Dhaka respectively.

As of December 31, 2021, Bank has closed down its operations in Tashkent (Uzbekistan), Jalalabad (Afghanistan) and Sylhet (Bangladesh). The licenses of Ashgabat (Turkmenistan), Dushanbe (Tajikistan) and Almaty (Kazakhstan) have been cancelled and these locations are under closure process. Further, as of January 17, 2022, the BoD has approved the closure of its operation of Paris branch.

Contingency Regarding the Pension Case

Status of the case is the same as disclosed in Note 25.3.3.1 to the Annual Financial Statements for the year ended December 31, 2020. The Bank's estimate overall increase in pension liability, based on the independent actuarial firm report, amounted to PKR 74.4Bn, excluding any penal interest / profit payment (if any) due to delayed payment. Further, the potential pension expense for the year 2021 onward will also increase by PKR 8.4 Bn due to this decision. Based on the opinion of legal counsel, no provision for any additional pension liability has been made in these annual financial statements for the above mentioned amount as the Bank is confident about a favourable outcome on the matter. External auditors of the Bank have inserted an emphasis of matter para in their Audit report.

Changes in the Board of Directors

In exercise of powers conferred under Section 11(3) (a) of the Banks (Nationalization) Act, 1947, the Federal Government appointed Mr. Ahsan Ali Chughtai as an Independent Director on the Board of National Bank of Pakistan. Whereas, Mr. Muhammad Suhail Rajput resigned from the NBP Board. Further details are given in the Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulation, 2019

Credit Ratings

NBP is rated as 'AAA' by both the recognised credit rating agencies in Pakistan. In June 2021, M/s VIS Credit Rating Company re-affirmed the Bank's standalone credit rating as "AAA", the highest credit rating awarded by the company for a bank in Pakistan. Similarly, M/s PACRA Credit Rating Company also assigned the Bank long-term entity rating as 'AAA' (Triple AAA) and short-term credit rating as 'A1+' (A-one Plus).

Our Response to Covid-19

Covid-19 continues to pose health and financial risks to the Bank, its employees and its customers, with varied impacts across industries, communities and states. NBP has remained open for business, and continues to work alongside governments, regulators and the broader industry to support customers and the community. During these challenging times, the Board stood with the Management in framing responses to emerging risks related to e.g. (i) Employee Health & Safety; (ii) Customer Relief; (iii) Operational Resilience; (iv) Financial Soundness of the Bank; and (v) effective AML/CTF/KCY monitoring, etc. In these challenging times, your Board and the Management are actively monitoring the situation and adapting responses required to build resilience of the Bank, while creating opportunities for the Bank's customers and the communities it serves.

Impact of the Bank's Business on the Environment

The Bank is cognizant of the environmental consequences of its operations and its obligation to safeguard against environmental vulnerabilities. While the Bank's business operations do not have a direct impact on the environment, the Bank has taken measures for implementation of the Green Banking initiatives under the SBP's Green Banking Guidelines to provide finance to transform the economy into a resource efficient and climate resilient one. We are putting in place appropriate mechanisms to identify, assess and mitigate environmental risks.

Appointment of Auditors

The existing auditors of the Bank M/s Yousuf Adil Chartered Accountants and M/s A. F. Ferguson & Co. Chartered Accountants will be retiring this year. The Board is pleased to endorse the recommendation of the Board Audit Committee for re-appointment of M/s A. F. Ferguson & Co. Chartered Accountants and M/s Yousuf Adil Chartered Accountants, both having offered and eligible for the same, as external auditors of the Bank for the year ending December 31, 2022 on such remuneration as approved by the shareholders in the 73rd Annual General Meeting to be held on March 30, 2022.

Endorsement

The Board of Directors is pleased to endorse following statements included in this Annual Report:

- Statement of Internal Controls
- Pattern of holding of the Shareholding
- Corporate Sustainability initiatives as disclosed separately in the Annual Report

Future Outlook

The continued rollout of the COVID-19 vaccination program, structural reforms, and the expansion of social protection programs are all key to ensuring inclusive and sustainable growth towards achieving the forecast growth of ~5%. Fiscal incentives and policies to boost export competitiveness, bolster the performance of the manufacturing sector and augment private investment will continue to play an instrumental role in strengthening the economic outlook. However, some volatility may be expected amidst the recent geo-political changes in the region. While policy responses are expected to remain accommodative and soften the blow dealt to businesses by the pandemic outbreak, these may not fully offset the effects.

Your Bank will continue to play its National role towards supporting a robust economic recovery in the country, while also maintaining a strong & resilient balance sheet to deliver performance for its shareholders. The Bank's business strategy will remain focused on financing and supporting underserved sectors including SME, Microfinance, Agriculture Finance and the PM's Low-Cost Housing initiative as well as Islamic financing on a priority basis.

Acknowledgement & Appreciation

We appreciate the continued efforts & dedication of our employees towards ensuring continuity of uninterrupted service to the Nation amidst the pandemic. We pay special respect and tribute to all those NBP staff members who lost their lives in the line of duty during the Covid-19. May Allah grant them the highest place in Jannah.

We would like to acknowledge the Government of Pakistan, the State Bank of Pakistan, the SECP and other regulatory bodies for their continued support in enabling the Bank to achieve its true potential and contribute towards the socio-economic development of Pakistan.

We would also like to thank our present teammates and the retiring teammate, Mr. Muhammad Suhail Rajput for his contributions on the Board towards making the Bank resilient and capable of creating inclusive growth opportunities for the Nation. We welcome Mr. Ahsan Ali Chugtai on the Board.

For and on behalf of the Board of Directors

Arif Usmani
President & CEO

Zubyr Soomro
Chairman

Karachi
Dated: March 08, 2022

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

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INDEPENDENT AUDITOR'S REPORT

To the members of National Bank of Pakistan

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of National Bank of Pakistan (the Bank), which comprise the unconsolidated statement of financial position as at December 31, 2021, and the unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement for the year then ended, along with unaudited certified returns received from the branches except for 80 branches which have been audited by us and notes to the unconsolidated financial statements, including a summary of significant accounting policies and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the unconsolidated statement of financial position, unconsolidated profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flow statement together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan, and, give the information required by the Banking Companies Ordinance, 1962 and the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Bank's affairs as at December 31, 2021 and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Emphasis of Matter

We draw attention to note 25.3.3.1 to the unconsolidated financial statements which explains the contingency in relation to the pension obligation of the Bank. The Bank, based on the opinion of its legal counsel, is confident about a favorable outcome on this matter and hence, no provision has been made in these unconsolidated financial statements. Our opinion is not qualified in respect of this matter.

Key Audit Matters

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

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Following are the Key Audit Matters:

S.No.	Key Audit Matter	How the matter was addressed in our audit
1	**Provision against advances** (Refer notes 5.6 and 11.4 to the unconsolidated financial statements)	
	The Bank makes provision against advances extended in Pakistan on a time-based criteria that involves ensuring that all non-performing advances are classified in accordance with the ageing criteria specified in the Prudential Regulations (PRs) issued by the State Bank of Pakistan (SBP). In addition to the above time-based criteria, the PRs require a subjective evaluation of the credit worthiness of borrowers to determine the classification of advances. The PRs also require the creation of general provision for certain categories of advances. Provision against advances of overseas branches is made as per the requirements of the respective regulatory regimes. The Bank has recognized a net provision against advances amounting to Rs. 11,119 million in the unconsolidated profit and loss account in the current year. As at December 31, 2021, the Bank holds a provision of Rs 191,784 million against advances. Moreover, the Bank has recognised a general provision against the underperforming portfolio on a prudent basis. The determination of provision against advances based on the above criteria remains a significant area of judgement and estimation. Because of the significance of the impact of these judgements / estimations and the materiality of advances relative to the overall unconsolidated financial statements of the Bank, we considered the area of provision against advances as a key audit matter.	Our audit procedures to verify provision against domestic advances included, amongst others, the following: ▪ Obtained an understanding of the management process to record provision and ensure that it is consistent with the requirement of PRs; and ▪ Evaluated the design and tested the operating effectiveness of the relevant controls established by the Bank to identify loss events and for determining the extent of provisioning required against non-performing advances. We selected a sample of loan accounts and performed the following substantive procedures to evaluate the appropriateness of specific and general provision: ▪ Checked credit documentation, repayments of loan / mark-up instalments, tested classification of non-performing advances based on the number of days overdue; ▪ Evaluated the management's assessment for classification of a customer's loan facilities as performing or non-performing based on review of repayment pattern, inspection of credit documentation and thorough discussions with the management; ▪ In case of restructured loans, we reviewed the detailed documentation of restructuring including approvals, legal opinions, terms of restructuring, payment records and any other relevant documents to ensure that restructuring was made in accordance with the PRs; ▪ We also reviewed minutes of the meeting of credit and audit committee to identify risky exposures; and ▪ We had discussions with management to challenge assumptions and judgements used in recording provisions. We issued instructions to auditors of those overseas branches which were selected for audit, highlighting 'Provision against advances' as a significant risk. The auditors of those branches performed audit procedures to check compliance with regulatory requirements and reported the results thereof to us. We, as auditors of the Bank, evaluated the work performed by the component auditors and the results thereof.

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S.No.	Key Audit Matter	How the matter was addressed in our audit
2	**Valuation of listed equity shares, units of mutual funds and term finance certificates classified as available-for-sale** (Refer notes 5.2 and 10.1 to the unconsolidated financial statements)	
	The Bank has significant investments in equity shares, units of mutual funds and term finance certificates (TFCs) classified as Available for Sale (AFS). As per the Bank's policy, listed equity shares and units of mutual funds are required to be considered for impairment when there is a significant or prolonged decline in the fair value of investments. Further, TFCs are required to be assessed for impairment as per the SBP's Prudential Regulations which involves subjective criteria. The significance of the investment amount, subjectivity involved and assumptions used in impairment make it significant to the unconsolidated financial statements. Therefore, we have considered this as a key audit matter.	On a sample basis, we have performed the following procedures: ▪ each investment's cost was compared to its market value wherever available to determine decline / surplus in valuation; ▪ checked whether, in case of listed equity shares and units of mutual funds classified as available for sale, impact of significant or prolonged decline was recognized consistently as per the policy of the Bank as disclosed in note 5.24(c); and ▪ For TFCs, checked that listed TFCs were valued as per the quoted prices and for unlisted TFCs, we checked that these were valued at cost less provision. Further, on sample basis, TFCs were also evaluated based on evidence of deterioration in the financial health of the investee and repayment pattern.
3	**Regulatory Matters in respect of New York Branch** (Refer note 25.5 to the unconsolidated financial statements)	
	The Bank operates a branch in New York which is licensed by the New York State Department of Financial Services (NYSDFS) and is also subject to supervision by the Federal Reserve Bank of New York (FRBNY). In February 2022, the Bank has reached agreements with FRBNY and NYSDFS, the US Regulators of NBP's New York Branch. The agreements include fines totaling US $ 55.4 million equivalent to Rs. 9,778 million and focused on historical compliance program weaknesses and delays in making compliance related enhancements. Under the agreements, the Bank is required to submit status and progress reports at defined frequencies to the Regulators with respect to the remedial measures being taken. The above action taken by the US Regulators, including the amount of penalties imposed is a significant event and has been considered as a key audit matter.	Our audit procedures included the following: ▪ Discussed with the senior management and the Board Audit Committee to obtain their views on the status of the regulatory matters; ▪ Reviewed relevant regulatory correspondence with State Bank of Pakistan on the compliance matters raised with respect to New York Branch; ▪ Reviewed the orders issued by the US Regulators in which fines were imposed on the Bank; ▪ Reviewed the minutes of meetings of the Board of Directors in which deliberations relevant to compliance matters raised by the US Regulators with respect to New York Branch took place; and ▪ Evaluated the adequacy of disclosure in accordance with the applicable financial reporting framework.

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

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

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

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

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

Other Matter

The unconsolidated financial statements of the Bank as at and for the year ended December 31, 2020 were audited by Yousuf Adil, Chartered Accountants and Grant Thornton Anjum Rahman, Chartered Accountants, who had expressed an unmodified opinion on those statements vide their report dated February 25, 2021.

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

Yousuf Adil

Yousuf Adil
Chartered Accountants
Karachi
Dated: March 8, 2022
UDIN: AR202110091sWhlozCFY

Afferguson&co

A. F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: March 8, 2022
UDIN: AR202110068ZqsLDfmR2

NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

2020	2021		Note	2021	2020
(US Dollars in '000)				(Rupees in '000)	
		ASSETS			
1,412,128	**1,579,183**	Cash and balances with treasury banks	7	**278,747,059**	249,259,590
80,602	**100,089**	Balances with other banks	8	**17,667,067**	14,227,355
718,385	**1,900,516**	Lendings to financial institutions	9	**335,466,675**	126,804,675
8,290,573	**10,980,297**	Investments	10	**1,938,170,642**	1,463,398,076
5,570,421	**6,307,690**	Advances	11	**1,113,392,485**	983,254,527
308,268	**307,351**	Fixed assets	12	**54,251,555**	54,413,493
1,721	**2,848**	Intangible assets	13	**502,791**	303,813
37,786	**37,422**	Right of use assets	14	**6,605,400**	6,669,684
-	**9,210**	Deferred tax assets	15	**1,625,647**	-
624,293	**567,976**	Other assets	16	**100,255,148**	110,195,768
17,044,177	**21,792,582**			**3,846,684,469**	3,008,526,981
		LIABILITIES			
95,150	**123,777**	Bills payable	17	**21,848,270**	16,795,186
784,864	**1,772,811**	Borrowings	18	**312,925,106**	138,539,005
13,704,144	**17,104,386**	Deposits and other accounts	19	**3,019,155,045**	2,418,966,479
42,681	**44,722**	Lease liability against right of use assets	20	**7,893,960**	7,533,691
16,873	**-**	Deferred tax liabilities	15	**-**	2,978,364
884,666	**1,125,464**	Other liabilities	21	**198,659,523**	156,155,514
15,528,378	**20,171,160**			**3,560,481,904**	2,740,968,239
1,515,799	**1,621,422**	**NET ASSETS**		**286,202,565**	267,558,742
		REPRESENTED BY			
120,530	**120,530**	Share capital	22	**21,275,131**	21,275,131
320,445	**342,022**	Reserves	23	**60,371,495**	56,562,933
417,528	**365,310**	Surplus on revaluation of assets	24	**64,482,122**	73,699,344
657,296	**793,560**	Unappropriated profit		**140,073,817**	116,021,334
1,515,799	**1,621,422**			**286,202,565**	267,558,742
		CONTINGENCIES AND COMMITMENTS	25		

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

Chairman | President / Chief Executive Officer | Chief Financial Officer | ~~Director~~ | Director

NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2021

2020	2021		Note	2021	2020
(US Dollars in '000)				(Rupees in '000)	
1,460,574	**1,313,683**	Mark-up / return / interest earned	26	**231,882,702**	257,811,015
870,505	**760,649**	Mark-up / return / interest expensed	27	**134,264,896**	153,655,908
590,069	**553,034**	Net mark-up / interest income		**97,617,806**	104,155,107
		NON MARK-UP / INTEREST INCOME			
103,412	**100,864**	Fee and commission income	28	**17,803,801**	18,253,547
10,771	**26,030**	Dividend income		**4,594,593**	1,901,168
23,077	**36,885**	Foreign exchange income		**6,510,668**	4,073,396
44,674	**35,059**	Gain on securities - net	29	**6,188,319**	7,885,503
22,453	**10,448**	Other income	30	**1,844,236**	3,963,294
204,387	**209,286**	Total non-mark-up / interest income		**36,941,617**	36,076,908
794,456	**762,320**	Total income		**134,559,423**	140,232,015
		NON MARK-UP / INTEREST EXPENSES			
355,761	**337,976**	Operating expenses	31	**59,657,321**	62,796,623
1,786	**1,963**	Other charges	32	**346,463**	315,307
357,547	**339,939**	Total non-markup / interest expenses		**60,003,784**	63,111,930
436,909	**422,381**	Profit before provisions		**74,555,639**	77,120,085
175,034	**67,510**	Provisions and write offs - net	33	**11,916,383**	30,895,938
-	**55,400**	Extra ordinary item	25.5	**9,778,848**	-
261,875	**299,471**	**PROFIT BEFORE TAXATION**		**52,860,408**	46,224,147
88,748	**140,796**	Taxation	34	**24,852,420**	15,665,228
173,127	**158,675**	**PROFIT AFTER TAXATION**		**28,007,988**	30,558,919
(US Dollars)				(Rupees)	
0.08	**0.07**	**Basic earnings per share**	35	**13.16**	14.36
0.08	**0.07**	**Diluted earnings per share**	36	**13.16**	14.36

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

Chairman | President / Chief Executive Officer | Chief Financial Officer | Director | Director

NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

2020	2021		2021	2020
----- (US Dollars in '000) -----			--------- (Rupees in '000) ---------	
173,127	**158,675**	Profit after taxation for the year	**28,007,988**	30,558,919
		Other comprehensive income		
		Items that may be reclassified to profit and loss account in subsequent periods:		
6,789	**5,709**	Exchange gain on translation of net assets of foreign branches	**1,007,763**	1,198,299
16,101	**(48,795)**	Movement in surplus on revaluation of investments - net of tax	**(8,613,053)**	2,842,019
22,890	**(43,086)**		**(7,605,290)**	4,040,318
		Items that will not be reclassified to profit and loss account in subsequent periods:		
(2,821)	**(7,721)**	Remeasurement loss on defined benefit obligations - net of tax	**(1,362,794)**	(497,972)
3,566	**(2,803)**	Movement in surplus on revaluation of operating fixed assets - net of tax	**(494,741)**	629,407
1,214	**559**	Movement in surplus on revaluation of non-banking assets - net of tax	**98,660**	214,238
1,959	**(9,965)**		**(1,758,875)**	345,673
197,976	**105,624**	**Total comprehensive income**	**18,643,823**	34,944,910

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

Chairman | President / Chief Executive Officer | Chief Financial Officer | Director | Director

NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021

	Share capital	Reserves						Surplus on revaluation of assets			Unappropriated profit	Total
		Exchange translation	Statutory reserve	Merger reserve	General loan loss reserve	Revenue general reserve	Total	Investments	Fixed / non-banking assets	Total		
	(Rupees in '000)											
Balances as at December 31, 2019	21,275,131	10,371,792	33,071,810	343,802	8,000,000	521,338	52,308,742	25,659,252	44,584,808	70,244,060	88,785,900	232,613,833
Profit after taxation for the year ended December 31, 2020	-	-	-	-	-	-	-	-	-	-	30,558,919	30,558,919
Other comprehensive income - net of tax	-	1,198,299	-	-	-	-	1,198,299	2,842,018	843,645	3,685,663	(497,972)	4,385,990
Transfer to statutory reserve	-	-	3,055,892	-	-	-	3,055,892	-	-	-	(3,055,892)	-
Transfer from loan loss reserve to unappropriated profit	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(230,379)	(230,379)	230,379	-
Transactions with owners, recorded directly in equity												
Cash dividend paid (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2020	**21,275,131**	**11,570,091**	**36,127,702**	**343,802**	**8,000,000**	**521,338**	**56,562,933**	**28,501,270**	**45,198,074**	**73,699,344**	**116,021,334**	**267,558,742**
Profit after taxation for the year ended December 31, 2021	-	-	-	-	-	-	-	-	-	-	28,007,988	28,007,988
Other comprehensive income - net of tax	-	1,007,763	-	-	-	-	1,007,763	(8,613,053)	(396,081)	(9,009,134)	(1,362,794)	(9,364,165)
Transfer to statutory reserve	-	-	2,800,799	-	-	-	2,800,799	-	-	-	(2,800,799)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(208,088)	(208,088)	208,088	-
Transactions with owners, recorded directly in equity												
Cash dividend paid (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at December 31, 2021	**21,275,131**	**12,577,854**	**38,928,501**	**343,802**	**8,000,000**	**521,338**	**60,371,495**	**19,888,217**	**44,593,905**	**64,482,122**	**140,073,817**	**286,202,565**

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

Chairman	President / Chief Executive Officer	Chief Financial Officer	Director	Director

NATIONAL BANK OF PAKISTAN
UNCONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2021

2020	2021		Note	2021	2020
------- (US Dollars in '000) -------				---------- (Rupees in '000) ----------	
		CASH FLOW FROM OPERATING ACTIVITIES			
261,875	**299,471**	Profit before taxation		**52,860,408**	46,224,147
(10,771)	**(26,030)**	Less: Dividend income		**(4,594,593)**	(1,901,168)
251,104	**273,441**			**48,265,815**	44,322,979
		Adjustments:			
24,647	**25,039**	Depreciation		**4,419,746**	4,350,604
1,195	**1,923**	Amortization		**339,382**	210,961
175,034	**67,510**	Provision and write-offs	33	**11,916,383**	30,895,938
(61)	**(357)**	Gain on sale of fixed assets		**(62,945)**	(10,775)
4,447	**4,606**	Finance charges on leased assets		**812,964**	785,032
(12)	**684**	Unrealized loss / (gain) on revaluation of investments classified as held-for-trading		**120,675**	(2,074)
41,880	**41,960**	Charge for defined benefit plans - net		**7,406,457**	7,392,388
247,130	**141,365**			**24,952,662**	43,622,074
498,234	**414,806**			**73,218,477**	87,945,053
		(Increase) / decrease in operating assets			
53,681	**(1,074,666)**	Lendings to financial institutions		**(189,693,077)**	9,475,335
(343,109)	**(130,763)**	Held-for-trading securities		**(23,081,441)**	(60,563,416)
(33,534)	**(824,782)**	Advances		**(145,585,209)**	(5,919,170)
281,309	**38,629**	Other assets (excluding advance taxation)		**6,818,552**	49,654,870
(41,653)	**(1,991,582)**			**(351,541,175)**	(7,352,381)
		Increase / (decrease) in operating liabilities			
(17,405)	**28,627**	Bills payable		**5,053,084**	(3,072,238)
(1,665,491)	**745,737**	Borrowings		**131,632,640**	(293,981,639)
1,251,560	**3,400,242**	Deposits and other accounts		**600,188,566**	220,917,198
(184,199)	**218,290**	Other liabilities		**38,531,195**	(32,513,646)
(615,535)	**4,392,896**			**775,405,485**	(108,650,325)
(4,447)	**(4,606)**	Financial charges paid		**(812,964)**	(785,032)
(120,157)	**(127,669)**	Income tax adjusted / paid	16.6	**(22,535,380)**	(21,209,420)
(10,297)	**(17,178)**	Benefits paid		**(3,032,126)**	(1,817,492)
(293,855)	**2,666,667**	Net cash flow generated from / (used in) operating activities		**470,702,317**	(51,869,597)
		CASH FLOW FROM INVESTING ACTIVITIES			
(449,983)	**(1,736,053)**	Net investments in available-for-sale securities		**(306,436,769)**	(79,428,088)
740,156	**(890,368)**	Net investments in held-to-maturity securities		**(157,162,049)**	130,647,453
10,771	**26,030**	Dividends received		**4,594,593**	1,901,168
(11,144)	**(10,698)**	Investments in operating fixed assets		**(1,888,345)**	(1,967,003)
276	**562**	Proceeds from sale of operating fixed assets		**99,147**	48,771
6,789	**9,559**	Effect of translation of net investment in foreign branches		**1,687,352**	1,198,299
296,865	**(2,600,968)**	Net cash flow (used in) / generated from investing activities		**(459,106,071)**	52,400,600
		CASH FLOW FROM FINANCING ACTIVITIES			
(11,559)	**(13,880)**	Payments of lease obligations	37.1	**(2,450,084)**	(2,040,384)
(7)	**(20)**	Dividend paid		**(3,519)**	(1,152)
(11,566)	**(13,900)**	Net cash flow used in financing activities		**(2,453,603)**	(2,041,536)
(8,556)	**51,799**	**Increase / (decrease) in cash and cash equivalents**		**9,142,643**	(1,510,533)
1,494,244	**1,485,686**	Cash and cash equivalents at beginning of the year		**262,243,717**	263,754,250
1,485,688	**1,537,485**	Cash and cash equivalents at end of the year	37	**271,386,360**	262,243,717

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

Chairman | President / Chief Executive Officer | Chief Financial Officer | Director | Director

NATIONAL BANK OF PAKISTAN
NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

1. STATUS AND NATURE OF BUSINESS

National Bank of Pakistan (the Bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on the Pakistan Stock Exchange (PSX). Its registered and head office is situated at I.I. Chundrigar Road, Karachi. The Bank is engaged in providing commercial banking and related services in Pakistan and overseas. The Bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The Bank operates 1,513 (2020: 1,514) branches in Pakistan including 189 (2020: 191) Islamic Banking branches and 19 (2020: 21) overseas branches (including the Export Processing Zone branch, Karachi). The Bank also provides services in respect of Endowment Fund for students loan scheme.

2. BASIS OF PRESENTATION

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

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

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

2.3 The US Dollar amounts shown on the statement of financial position, profit and loss account, statement of comprehensive income and cash flow statement are stated as additional information solely for the convenience of readers. For the purpose of conversion to US Dollars, the rate of Rs. 176.5135 to 1 US Dollar has been used for 2021 and 2020 as it was the prevalent rate as on December 31, 2021.

3. STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

- Islamic Financial Accounting Standards (IFAS), issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017;

- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017;

- Directives issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP).

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

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

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

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

3.4.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended December 31, 2021

The following standards, amendments and interpretations are effective for the year ended December 31, 2021. These standards, amendments and interpretations are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's unconsolidated financial statements other than certain additional disclosures:

- Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions. Effective from accounting period beginning on or after June 01, 2020.

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16). Effective from accounting period beginning on or after January 01, 2021.

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

3.4.2 New accounting standards, amendments and IFRS interpretations that are not yet effective

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

	Effective from accounting period beginning on or after
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a	January 01, 2022
International Financial Reporting Standard - 9 "Financial	January 01, 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)	January 01, 2022
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting	January 01, 2023
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023

	Effective from accounting period beginning on or after
Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely

There are certain new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2021 but are considered not to be relevant or do not have any significant effect on the Bank's operations and are therefore not detailed in these unconsolidated financial statements.

3.4.3 As per SBP's BPRD Circular Letter no. 24 of 2021, IFRS 9 'Financial Instruments' is applicable to banks in Pakistan effective January 1, 2022. The aforementioned circular letter required banks to submit IFRS 9 compatible pro forma financial statements for the year ended December 31, 2021 and perform parallel run of IFRS 9 on quarterly basis. Further, it was stated that final instructions will be issued subsequently based on the results of parallel reporting of banks.

The Banks in Pakistan through the Pakistan Banks Association (PBA) have submitted their comments on instructions issued for parallel reporting and requested that those are addressed in the final instructions to be issued. The matters raised include retaining some relaxations given presently in the Prudential Regulations, prescription of macro-economic variables, retaining local regulatory requirements pertaining to IFRS 9 related areas on overseas branches, impact on Capital Adequacy Ratio (CAR), guidance on Significant Increase in Credit Risk (SICR) criteria, future tax impacts of any reversals, recording of Expected Credit Loss (ECL) on Government securities denominated in local currency, including further clarifications required in certain areas.

Due to the fact that final instructions have not yet been issued and there are a large number of reservations on the draft instructions, the banks are collectively of the opinion that impact on initial application of IFRS 9 cannot be determined as at December 31, 2021.

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

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

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

4. BASIS OF MEASUREMENT

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Cash and cash equivalents

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

5.2 Investments

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

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

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

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

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

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

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

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

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

5.3 Repurchase and resale agreements

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

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

5.4 Derivative financial instruments

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

5.5 Financial instruments

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

5.6 Advances

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

5.6.1 Islamic financing and related assets

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

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

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

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

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

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

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

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

5.7 Fixed assets and depreciation

5.7.1 Property and equipment

5.7.1.1 Owned assets

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

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

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

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

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

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

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

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

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

5.7.2 Capital work-in-progress

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

5.7.3 Impairment

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

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

5.8 Lease liability and right-of-use assets

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

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

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

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

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

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

5.9 Intangible assets

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

5.10 Non-banking assets acquired in satisfaction of claims

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

5.11 Deposits and their cost

Deposits are recorded at the fair value of proceeds received.

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

5.12 Taxation

5.12.1 Current

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

5.12.2 Deferred

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

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

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

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

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

5.13 Employee benefits

5.13.1 Defined benefit plans

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

5.13.2 Other employee benefits

Employees' compensated absences

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

5.14 Revenue recognition

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

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

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

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

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

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

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

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

5.15 Net investment in finance lease

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

5.16 Foreign currencies translation

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

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

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

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

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

5.17 Provision for off balance sheet obligations

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

5.18 Off setting

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

5.19 Fiduciary assets

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

5.20 Dividend and other appropriations

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

5.21 Earnings per share

The Bank presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no dilutive potential ordinary shares in issue at December 31, 2021.

5.22 Bai Muajjal

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

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

5.23 Segment reporting

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

During the year the Bank changes its organizational structure in a manner that causes the composition of its reportable segments to change, and accordingly the prior year disclosure is restated to reflect the current reportable segments in note 43.

Business segments

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

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

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

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

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

V. **International Financial Institution and Remittance** segment includes the results of all international branches, correspondent banking business and global remittances. This represents Bank’s operations in 14 countries including Pakistan and 19 branches including one branch in export processing zone in Pakistan.

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

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

Geographical segments

The Bank is operating following geographic lines for monitoring and reporting purpose:

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

5.24 Accounting estimates and judgments

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

a) Provision against non-performing loans and advances

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

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

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

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

b) Fair value of derivatives

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

c) Impairment of available-for-sale investments

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

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

d) Held-to-maturity investments

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

e) Income taxes

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

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

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

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

g) Employees' benefit plans

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

h) Provision against contingencies

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

6. CLOSURE OF FOREIGN SUBSIDIARIES AND OPERATIONS

The Board of Directors (BoD) of the Bank, in their meeting held on January 20 and 21, 2020, have decided for closure of their two overseas Subsidiaries in Almaty (Kazakhstan) and Dushanbe (Tajikistan) along with three overseas branches in Baku (Azerbaijan), Bishkek (Kyrgyzstan) and Ashgabat (Turkmenistan) so their carrying amount will be recovered principally through continuing use. With regards to regulatory approval, the Bank applied to ministry of finance and State Bank of Pakistan for their endorsements and accordingly received their approval, with respect to the BoD decision, on April 07, 2020 and April 24, 2020 respectively.

Further, it has been decided by BoD to restrict their country operations in Afghanistan (Jalalabad) and Bangladesh (Sylhet, Chittagong and Gulshan) to one branch in each country located in Kabul and Dhaka respectively.

As of December 31, 2021, Bank has closed down its operations in Tashkent (Uzbekistan), Jalalabad (Afghanistan) and Sylhet (Bangladesh). The licenses of Ashgabat (Turkmenistan), Dushanbe (Tajikistan) and Almaty (Kazakhstan) have been cancelled and these locations are under closure process. Further, as of January 17, 2022, the BoD has approved the closure of its operation of Paris branch.

	As at December 31, 2021						
Particulars	**CJSC Subsidiary Bank of NBP in Kazakhstan (Almaty)**	**CJSC Subsidiary Bank of NBP in Tajikistan (Dushanbe)**	**Baku (Azerbaijan)**	**Bishkek (Kyrgyzstan)**	**Ashgabat (Turkmenistan)**	**Paris (France)**	**Total**
	-------- (Subsidiaries) ---------		------------------ (Branches) --------------------				
	---------- (Rs in '000) ----------						
Cost of investment - net of impairment	1,003,778	453,632	-	-	-	-	1,457,410
Total Assets	-	-	981,309	1,714,063	352,392	3,329,382	6,377,146
Total Liabilities	-	-	60,027	4,101	-	2,776,326	2,840,454
Profit / (Loss) for the year	-	-	(34,466)	12,527	(21,624)	(408,935)	(452,498)

7. CASH AND BALANCES WITH TREASURY BANKS

	Note	2021	2020
		---------- (Rupees in '000) --------	
In hand:			
Local currency		**55,956,579**	48,290,809
Foreign currency		**6,885,815**	6,425,017
		62,842,394	54,715,826
With State Bank of Pakistan in:			
Local currency current accounts	7.1	**133,688,664**	125,017,240
Foreign currency current accounts	7.2	**11,738,428**	10,209,399
Foreign currency deposit accounts	7.2	**24,098,591**	21,022,297
Foreign currency collection accounts		**1,226,824**	1,618,084
		170,752,507	157,867,020
With other central banks in:			
Foreign currency current accounts	7.3	**40,265,103**	29,581,326
Foreign currency deposit accounts	7.3	**2,920,706**	4,789,170
		43,185,809	34,370,496
Prize bonds		**1,966,349**	2,306,248
		278,747,059	**249,259,590**

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

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

7.3 These balances pertain to the foreign branches and are held with central banks of respective countries. These include balances to meet the statutory and regulatory requirements in respect of liquidity and capital requirements of respective countries. The deposit accounts carry interest at the rate of 0% to 6.3% per annum (2020: 0% to 3.50% per annum).

	Note	2021	2020
		---------- (Rupees in '000) --------	
8. BALANCES WITH OTHER BANKS			
In Pakistan:			
In current account		**-**	-
In deposit accounts	8.1	**12,531**	11,948
		12,531	11,948
Outside Pakistan:			
In current accounts		**12,008,146**	8,336,597
In deposit accounts	8.2	**5,646,390**	5,878,810
		17,654,536	14,215,407
		17,667,067	14,227,355

8.1 These include various deposits with banks and carry interest at rates ranging from 2.5% to 8% per annum (2020: 2% to 8% per annum).

8.2 These include various deposits with correspondent banks outside Pakistan and carry interest at rates ranging from 0% to 1.5% per annum (2020: 0% to 2.5% per annum).

	Note	2021	2020
		--------- (Rupees in '000) ---------	
9. LENDINGS TO FINANCIAL INSTITUTIONS			
Call / clean money lendings	9.1	**21,009,723**	2,040,800
Repurchase agreement lendings (reverse repo)	9.2 & 9.8	**282,051,308**	124,763,875
Musharaka Lending	9.3	**30,000,000**	-
Placements with State Bank of Pakistan	9.4	**2,405,644**	-
Letters of placement	9.7	**174,150**	176,150
	9.6	**335,640,825**	126,980,825
Less: provision held against lendings to financial institutions	9.7 & 9.9	**(174,150)**	(176,150)
Lendings to financial institutions - net of provision		**335,466,675**	126,804,675

9.1 This includes zero rate lending to a financial institution amounting to Rs. 9.7 million (2020: Rs. 40.8 million) which is guaranteed by the SBP.

9.2 These carry mark-up at rates ranging from 8.75% to 10.7% per annum (2020: 6% to 7.29% per annum) with maturities ranging from January 4, 2022 to January 14, 2022.

9.3 This represents Musharaka agreements entered into with Meezan Bank Limited and carrying profit at the rate of 10.65% (2020: nil) per annum.

9.4 These represent placements made with the SBP as a result of shortfall in respect of time-based mandatory targets of disbursements under Government's scheme "Mera Pakistan Mera Ghar". These placements are for a period of six months to one year and carry no mark-up.

9.5 These are overdue placements and full provision has been made against these placements as at December 31, 2021.

	2021	2020
	--------- (Rupees in '000) ---------	
9.6 Particulars of lending		
In local currency	**335,640,825**	126,980,825
In foreign currencies	**-**	-
	335,640,825	126,980,825

9.7 Movement in provision held against lendings is as follows:

	2021	2020
Opening balance	**176,150**	176,150
Reversal for the year	**(2,000)**	-
Closing balance	**174,150**	176,150

9.8 Securities held as collateral against lendings to financial institutions

	2021			2020		
	Held by Bank	**Further given as collateral**	**Total**	Held by Bank	Further given as collateral	Total
	(Rupees in '000)					
Market Treasury Bills	**163,594,180**	**-**	**163,594,180**	91,230,121	-	91,230,121
Pakistan Investment Bonds	**118,457,128**	**-**	**118,457,128**	33,533,754	-	33,533,754
Total	**282,051,308**	**-**	**282,051,308**	124,763,875	-	124,763,875

9.8.1 Market value of the securities under repurchase agreement lendings amounts to Rs. 279,633 million (2020: Rs. 125,094 million).

9.9 Category of classification

	2021		2020	
	Classified lending	**Provision held**	Classified lending	Provision held
	(Rupees in '000)			
Domestic				
Loss	**174,150**	**174,150**	176,150	176,150
Total	**174,150**	**174,150**	176,150	176,150

10. INVESTMENTS

10.1 Investments by type:

	Note	2021				2020			
		Cost / amortised cost	**Provision for diminution**	**Surplus / (deficit)**	**Carrying value**	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
		(Rupees in '000)							
Held-for-trading securities									
Market treasury bills		**90,744,281**	**-**	**(55,659)**	**90,688,622**	96,157,306	-	3,529	96,160,835
Pakistan investment bonds		**29,114,020**	**-**	**(65,016)**	**29,049,004**	496,805	-	(1,455)	495,350
		119,858,301	**-**	**(120,675)**	**119,737,626**	96,654,111	-	2,074	96,656,185
Available-for-sale securities									
Pakistan investment bonds		**571,528,321**	**-**	**(8,147,316)**	**563,381,005**	470,136,168	-	2,776,564	472,912,732
Market treasury bills		**721,635,763**	**-**	**(430,492)**	**721,205,271**	529,397,138	-	690,816	530,087,954
Ijarah sukuks		**14,000,979**	**-**	**(31,279)**	**13,969,700**	6,000,000	-	15,600	6,015,600
Ordinary shares of listed companies	10.12/10.13	**34,146,109**	**(6,110,939)**	**11,749,467**	**39,784,637**	33,237,574	(5,568,236)	20,238,444	47,907,782
Ordinary shares of unlisted companies		**1,882,198**	**(410,893)**	**-**	**1,471,305**	1,865,982	(410,893)	-	1,455,089
Preference shares		**1,706,823**	**(539,708)**	**98,614**	**1,265,729**	1,445,308	(539,708)	194,250	1,099,850
Investments in mutual funds		**619,646**	**(41,167)**	**1,289,705**	**1,868,184**	619,646	(41,167)	1,421,691	2,000,170
Ordinary shares of a bank outside Pakistan	10.6	**463,294**	**-**	**27,060,912**	**27,524,206**	463,295	-	17,189,483	17,652,778
Term finance certificates / Musharika and Sukuk bonds		**55,463,127**	**(5,200,180)**	**961,220**	**51,224,167**	60,199,753	(5,196,406)	856,659	55,860,007
GoP foreign currency bonds		**20,778,528**	**-**	**26,435**	**20,804,963**	10,429,632	-	411,243	10,840,875
Foreign Government securities		**880,932**	**-**	**26,372**	**907,304**	2,795,017	-	52,159	2,847,176
Foreign currency debt securities		**-**	**-**	**-**	**-**	79,438	-	1,202	80,640
		1,423,105,720	**(12,302,887)**	**32,603,638**	**1,443,406,471**	1,116,668,951	(11,756,410)	43,848,111	1,148,760,653
Held-to-maturity securities	10.5.1								
Pakistan investment bonds		**324,556,862**	**-**	**-**	**324,556,862**	168,422,981	-	-	168,422,981
Debentures, bonds, sukuks, participation term certificates and term finance certificates		**407,164**	**(407,134)**	**-**	**30**	414,972	(407,134)	-	7,838
Bai muajjal with Government of Pakistan		**10,914,185**	**-**	**-**	**10,914,185**	11,641,133	-	-	11,641,133
Foreign Government securities		**34,091,600**	**-**	**-**	**34,091,600**	32,328,738	-	-	32,328,738
Foreign currency debt securities		**680**	**-**	**-**	**680**	618	-	-	618
		369,970,491	**(407,134)**	**-**	**369,563,357**	212,808,442	(407,134)	-	212,401,308

	Note	2021 Cost / amortised cost	2021 Provision for diminution	2021 Surplus / (deficit)	2021 Carrying value	2020 Cost / amortised cost	2020 Provision for diminution	2020 Surplus / (deficit)	2020 Carrying value
		(Rupees in '000)							
Associates	10.8	**4,970,863**	**(3,938,595)**	**-**	**1,032,268**	4,970,863	(3,821,854)	-	1,149,009
Joint Venture	10.11	**2,362,433**	**-**	**-**	**2,362,433**	2,362,433	-	-	2,362,433
Subsidiaries	10.2.4	**3,906,750**	**(1,838,263)**	**-**	**2,068,487**	3,906,750	(1,838,263)	-	2,068,487
Total investments		**1,924,174,558**	**(18,486,879)**	**32,482,963**	**1,938,170,642**	1,437,371,550	(17,823,660)	43,850,185	1,463,398,076

10.2 Investments by segments:

	Note	2021 Cost / amortised cost	2021 Provision for diminution	2021 Surplus / (deficit)	2021 Carrying value	2020 Cost / amortised cost	2020 Provision for diminution	2020 Surplus / (deficit)	2020 Carrying value
Federal Government Securities									
Market Treasury Bills		**812,380,044**	**-**	**(486,151)**	**811,893,893**	625,554,444	-	694,345	626,248,789
Pakistan Investment Bonds		**925,199,203**	**-**	**(8,212,332)**	**916,986,871**	639,055,954	-	2,775,109	641,831,063
Bai Muajjal with Government of Pakistan		**10,914,185**	**-**	**-**	**10,914,185**	11,641,133	-	-	11,641,133
Ijarah Sukuks		**14,000,979**	**-**	**(31,279)**	**13,969,700**	6,000,000	-	15,600	6,015,600
		1,762,494,411	**-**	**(8,729,762)**	**1,753,764,649**	1,282,251,531	-	3,485,054	1,285,736,584
Shares									
Listed Companies	10.12 / 10.13	**34,146,109**	**(6,110,939)**	**11,749,467**	**39,784,637**	33,237,574	(5,568,236)	20,238,444	47,907,782
Unlisted Companies		**1,882,198**	**(410,893)**	**-**	**1,471,305**	1,865,982	(410,893)	-	1,455,089
		36,028,307	**(6,521,832)**	**11,749,467**	**41,255,942**	35,103,556	(5,979,129)	20,238,444	49,362,871
Non Government Debt Securities Term Finance Certificates / Musharika / Bonds / Debentures and Sukuk Bonds									
Listed		**17,190,767**	**(1,092,251)**	**961,220**	**17,059,736**	20,663,236	(1,031,476)	279,518	19,911,278
Unlisted		**38,679,524**	**(4,515,064)**	**-**	**34,164,460**	39,951,489	(4,572,064)	577,141	35,956,567
		55,870,291	**(5,607,314)**	**961,220**	**51,224,196**	60,614,725	(5,603,540)	856,659	55,867,845
Foreign Securities									
GoP Foreign Currency Bonds		**20,778,528**	**-**	**26,435**	**20,804,963**	10,429,632	-	411,243	10,840,875
Foreign Government Securities		**34,972,532**	**-**	**26,372**	**34,998,904**	35,123,755	-	52,159	35,175,914
Foreign Currency Debt Securities		**680**	**-**	**-**	**680**	80,056	-	1,202	81,258
		55,751,740	**-**	**52,807**	**55,804,547**	45,633,443	-	464,604	46,098,047
Preference shares		**1,706,823**	**(539,708)**	**98,614**	**1,265,729**	1,445,308	(539,708)	194,250	1,099,850

	Note	2021 Cost / amortised cost	2021 Provision for diminution	2021 Surplus / (deficit)	2021 Carrying value	2020 Cost / amortised cost	2020 Provision for diminution	2020 Surplus / (deficit)	2020 Carrying value
		(Rupees in '000)							
Investments in mutual funds		**619,646**	**(41,167)**	**1,289,705**	**1,868,184**	619,646	(41,167)	1,421,691	2,000,170
Ordinary shares of a bank outside Pakistan	10.6	**463,294**	**-**	**27,060,912**	**27,524,206**	463,295	-	17,189,483	17,652,778
Associates	10.9								
- Listed									
First Credit and Investment Bank Limited		**157,429**	**(17,229)**	**-**	**140,200**	157,429	(28,829)	-	128,600
Land Mark Spinning Mills Limited		**39,710**	**(39,710)**	**-**	**-**	39,710	(39,710)	-	-
S.G. Allied Business Limited		**218,535**	**(218,535)**	**-**	**-**	218,535	(218,535)	-	-
Nina Industries Limited		**49,060**	**(49,060)**	**-**	**-**	49,060	(49,060)	-	-
NBP Stock Fund		**600,000**	**(109,728)**	**-**	**490,272**	600,000	(121,326)	-	478,674
Agritech Limited	10.7	**3,665,605**	**(3,263,810)**	**-**	**401,795**	3,665,605	(3,123,870)	-	541,735
	10.8	**4,730,339**	**(3,698,072)**	**-**	**1,032,267**	4,730,339	(3,581,330)	-	1,149,009
- Unlisted									
Pakistan Emerging Venture Limited		**50,563**	**(50,563)**	**-**	**-**	50,563	(50,563)	-	-
National Fructose Company Limited		**6,500**	**(6,500)**	**-**	**-**	6,500	(6,500)	-	-
National Assets Insurance Company Limited		**44,817**	**(44,817)**	**-**	**-**	44,817	(44,817)	-	-
Dadabhoy Energy Supply Company Limited		**32,105**	**(32,105)**	**-**	**-**	32,105	(32,105)	-	-
Pakistan Mercantile Exchange Limited		**106,539**	**(106,539)**	**-**	**-**	106,539	(106,539)	-	-
	10.10	**240,524**	**(240,524)**	**-**	**-**	240,524	(240,524)	-	-
		4,970,863	**(3,938,596)**	**-**	**1,032,267**	4,970,863	(3,821,854)	-	1,149,009
Joint Venture									
United National Bank Limited	10.11	**2,362,433**	**-**	**-**	**2,362,433**	2,362,433	-	-	2,362,433
Subsidiaries									
CJSC Subsidiary Bank of NBP in Kazakhstan		**2,185,644**	**(1,181,866)**	**-**	**1,003,778**	2,185,644	(1,181,866)	-	1,003,778
CJSC Subsidiary Bank of NBP in Tajikistan		**953,783**	**(500,151)**	**-**	**453,632**	953,783	(500,151)	-	453,632
NBP Exchange Company Limited		**300,000**	**-**	**-**	**300,000**	300,000	-	-	300,000
NBP Modaraba Management Company Limited		**105,000**	**(105,000)**	**-**	**-**	105,000	(105,000)	-	-
Taurus Securities Limited		**24,725**	**-**	**-**	**24,725**	24,725	-	-	24,725
Cast-N-Link Products Limited		**1,245**	**(1,245)**	**-**	**-**	1,245	(1,245)	-	-
NBP Funds Management Limited		**336,353**	**(50,000)**	**-**	**286,353**	336,353	(50,000)	-	286,353
		3,906,750	**(1,838,262)**	**-**	**2,068,488**	3,906,750	(1,838,262)	-	2,068,488
Total investments		**1,924,174,558**	**(18,486,879)**	**32,482,963**	**1,938,170,642**	1,437,371,550	(17,823,660)	43,850,185	1,463,398,076

	2021	2020
	------------ (Rupees in '000) ------------	

10.2.1 Investments given as collateral

	2021	2020
Pakistan Investment Bonds	**30,682,290**	2,300,000
Market Treasury Bills	**96,128,050**	3,000,000
	126,810,340	5,300,000

10.2.2 Associates

	Number of shares	Percentage of holding	Country of incorporation	Based on the financial statements as at	Assets	Liabilities	Revenue	Profit / (loss) after taxation	Total comprehensive income
					(Rupees in '000)				
Listed									
First Credit and Investment Bank Limited	20,000,000	30.77	Pakistan	June 30, 2021	2,272,038	1,522,087	145,063	20,535	11,620
National Fibres Limited	17,030,231	20.19	Pakistan	-	-	-	-	-	-
Land Mark Spinning Mills Limited	3,970,859	32.79	Pakistan	June 30, 2020	174,448	252,160	-	(16,925)	(16,925)
SG Allied Businesses Limited	3,754,900	25.03	Pakistan	June 30, 2021	1,166,565	475,775	16,903	(11,922)	(11,907)
Nina Industries Limited	4,906,000	20.27	Pakistan	-	-	-	-	-	-
Agritech Limited	106,014,565	27.01	Pakistan	December 31, 2020	67,176,554	60,735,890	5,699,723	(4,296,900)	(4,295,428)
NBP Stock Fund	31,347,444	2.69	Pakistan	June 30, 2021	21,132,632	438,759	5,805,098	4,980,935	4,980,935
Unlisted									
Pakistan Emerging Venture Limited	12,500,000	33.33	Pakistan	June 30, 2019	1,194	345	96	(175)	(175)
National Fructose Company Limited	1,300,000	39.50	Pakistan	-	-	-	-	-	-
Venture Capital Fund Management	33,333	33.33	Pakistan	-	-	-	-	-	-
Kamal Enterprises Limited	11,000	20.37	Pakistan	-	-	-	-	-	-
Mehran Industries Limited	37,500	32.05	Pakistan	-	-	-	-	-	-
National Assets Insurance Company Limited	4,481,500	8.96	Pakistan	December 31, 2020	689,888	7,813	64,505	22,828	22,427
Tharparkar Sugar Mills Limited	2,500,000	21.52	Pakistan	-	-	-	-	-	-
Youth Investment Promotion Society	644,508	25.00	Pakistan	-	-	-	-	-	-
Dadabhoy Energy Supply Company Limited	9,900,000	23.11	Pakistan	-	-	-	-	-	-
K-Agricole Limited	5,000	20.00	Pakistan	-	-	-	-	-	-
New Pak Limited	200,000	20.00	Pakistan	-	-	-	-	-	-

	Number of shares	Percentage of holding	Country of incorporation	Based on the financial statements as at	Assets	Liabilities	Revenue	Profit / (loss) after taxation	Total comprehensive income
					(Rupees in '000)				
Pakistan Mercantile Exchange Limited	10,653,860	33.98	Pakistan	June 30, 2021	2,663,957	2,614,291	301,213	8,674	8,674
Prudential Fund Management Limited	150,000	20.00	Pakistan	-	-	-	-	-	-
10.2.3 Joint Venture									
United National Bank Limited	20,250,000	45.00	United Kingdom	December 31, 2020	132,418,446	115,791,392	2,564,653	(459,068)	(351,298)
10.2.4 Subsidiaries									
CJSC Subsidiary Bank of NBP in Kazakhstan	8,650	100.00	Kazakhstan	December 31, 2020	1,649,350	36,844	112,460	17,920	17,920
CJSC Subsidiary Bank of NBP in Tajikistan	10,000	100.00	Tajikistan	December 31, 2020	2,272,075	1,507,804	113,893	18,145	18,145
NBP Exchange Company Limited	99,999,999	100.00	Pakistan	December 31, 2021	1,176,712	89,792	293,383	104,339	104,339
NBP Modaraba Management Company Limited	10,500,000	100.00	Pakistan	December 31, 2020	116,916	97,413	-	2,649	2,649
Taurus Securities Limited	7,875,002	58.32	Pakistan	December 31, 2020	743,426	434,147	131,824	10,157	12,437
Cast-N-Link Products Limited	1,245,000	76.51	Pakistan	N/A*	-	-	-	-	-
NBP Fund Management Limited	13,499,996	54.00	Pakistan	June 30, 2021	2,648,104	1,391,393	1,194,522	259,972	253,651

* Not available

10.3 Provision for diminution in value of investments

	2021	2020
	(Rupees in '000)	
Opening balance	**17,823,660**	17,950,047
Charge / (reversals)		
Charge for the year	**1,382,192**	1,164,846
Reversals for the year	**(718,973)**	(1,291,233)
	663,219	(126,387)
Closing balance	**18,486,879**	17,823,660

10.3.1 Particulars of provision against debt securities

Category of classification	**2021**		2020	
	NPI	**Provision**	NPI	Provision
	(Rupees in '000)			
Domestic				
Doubtful	**-**	**-**	119,133	59,566
Loss	**5,607,314**	**5,607,314**	5,552,738	5,543,974
Total	**5,607,314**	**5,607,314**	5,671,871	5,603,540

10.4 Quality of available for sale securities

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

	2021	2020
	------------- (Rupees in '000) -------------	
Federal government securities - government guaranteed		
Market treasury bills	**721,635,763**	529,397,138
Pakistan investment bonds	**571,528,321**	470,136,168
Ijarah sukuks	**14,000,979**	6,000,000
Cost	**1,307,165,063**	1,005,533,306
Shares		
Listed companies sector - wise		
Automobile Assembler	**614,233**	536,303
Automobile Parts and Accessories	**1,113,967**	843,923
Cable and Electrical Goods	**269,669**	211,166
Cement	**2,919,974**	1,882,741
Chemical	**788,003**	753,684
Commercial Banks	**3,648,181**	3,896,815
Engineering	**1,096,335**	855,646
Fertilizer	**1,929,148**	2,457,103
Food and Personal Care	**1,218,036**	1,393,503
Glass and Ceramics	**72,522**	203,855
Insurance	**1,642,720**	1,713,756
Investment Banks / Investment companies / Securities companies	**508,688**	508,688
Leasing Companies	**13,738**	21,890
Leather and Tanneries	**297,568**	189,470
Modarabas	**-**	120
Oil and Gas Exploration Companies	**2,702,776**	2,408,733
Oil and Gas Marketing Companies	**6,117,686**	5,954,784
Paper and Board	**675,319**	402,039
Pharmaceuticals	**995,798**	512,974
Power Generation and Distribution	**3,000,787**	2,988,617
Real Estate Investment Trust	**305,972**	586,526
Refinery	**447,422**	900,998
Sugar and Allied Industries	**260,476**	288,528
Synthetic and Rayon	**32,622**	91,980
Technology and Communication	**754,027**	960,033
Textile Composite	**1,552,549**	1,890,534
Textile Spinning	**655,364**	638,440
Textile Weaving	**25,854**	25,854
Transport	**32,068**	32,385
Vanaspati and Allied Industries	**-**	-
Woolen	**-**	-
Miscellaneous	**454,607**	86,486
Cost	**34,146,109**	33,237,574

Unlisted companies	2021 Cost	2021 Breakup value	2020 Cost	2020 Breakup value
	----------------------------------- (Rupees in '000)			--------------------------------
Digri Sugar Mills Limited	**4,063**	**135,585**	4,063	135,585
JDM Textile Mills Limited	**-**	**-**	4,784	324,651
Gelcaps Pakistan Limited	**4,665**	**8,842**	4,665	8,842
Pakistan Agriculture Storage Service Corporation	**5,500**	**1,623**	5,500	1,623
Al Ameen Textile	**328**	**N/A** *	327	N/A
Professional Management Modaraba (Formerly Al Zamin Modarba Management (Private) Limited)	**1,000**	**2,134**	1,000	2,134
AMZ Venture Limited Class A	**123**	**N/A**	121	N/A
Arabian Sea Country Club	**6,500**	**(6,810)**	6,500	(6,640)
Atlas Power Limited	**375,000**	**1,544,905**	375,000	1,328,000
Attock Textile Mills Limited	**200**	**N/A**	200	N/A
Pakistan Mortgage Refinance Company Limited	**600,000**	**1,006,700**	600,000	770,195
F.T.C. Management Company Private Limited	**250**	**40,094**	250	46,998
Fauji Akbar Portia Marines Terminal Limited	**321,076**	**570,681**	321,076	570,680
Fauji Oil Terminals and Distribution Limited	**10,886**	**119,741**	10,886	99,059
First Women Bank Limited	**21,100**	**79,733**	21,100	71,946
Fortune Securities Limited	**5,000**	**11,411**	5,000	7,574
Frontier Textile Mills Limited	**500**	**272**	500	272
Gulistan Power Generation Limited	**2,200**	**8,096**	2,200	8,096
Hazara Woolen Mills Limited	**200**	**N/A**	200	N/A
Industrial Development Bank of Pakistan	**107**	**N/A**	107	N/A
Inter Asia Leasing Company Limited	**500**	**N/A**	500	N/A
ISE Towers REIT Management Company Limited	**30,346**	**50,902**	30,346	46,890
Junaid Cotton Mills Limited	**327**	**N/A**	327	N/A
Kaisar Arts and Krafts Limited	**8,395**	**N/A**	8,395	N/A
Kaytex Mills Limited	**3,778**	**N/A**	3,778	N/A
Mian Mohammad Sugar Mills Limited	**15**	**N/A**	15	N/A
Muslim Ghee Mills Limited	**1,810**	**-**	1,810	N/A
Myfip Video Industries Limited	**5,373**	**-**	5,373	N/A
National Asset Leasing Corporation Limited	**14**	**N/A**	14	N/A
National Construction Limited	**250**	**597**	250	597
National Institution of Facilitation Technology (Private) Limited	**1,526**	**35,899**	1,526	74,484
National Investment Trust Limited	**100**	**1,003,283**	100	830,782
National Woolen Mills Limited	**183**	**N/A**	183	N/A
Natover Lease and Refinance	**2,602**	**N/A**	2,602	N/A
Nowshehra Engineering Works Limited	**41**	**N/A**	41	N/A
Pakistan Export Finance Guarantee Agency Limited	**11,529**	**1,152**	11,529	1,152
Pakistan Paper Corporation Limited	**373**	**N/A**	373	N/A
Pakistan Telephone Cables	**143**	**N/A**	143	N/A
Pakistan Textile City	**100,000**	**12,410**	100,000	12,410

Unlisted companies	2021 Cost	2021 Breakup value	2020 Cost	2020 Breakup value
	(Rupees in '000)			
Pakistan Tourism Development Corporation	**100**	**83**	100	82
People Steel Mills Limited	**3,276**	**N/A**	3,276	N/A
Qadri Textile Mills Limited	**500**	**N/A**	500	N/A
Rehman Cotton Mills Limited	**16,958**	**107,895**	16,958	107,895
Refrigerator Manufacturing Company Limited	**4,589**	**N/A**	4,589	N/A
Rousch Power Pakistan Limited	**132,888**	**1,503,561**	132,888	1,322,458
Ruby Rice and General Mills Limited	**750**	**N/A**	750	N/A
Sahrish Textile Mills	**21**	**N/A**	21	N/A
Shoaib Capital	**272**	**544**	272	544
SME Bank Limited	**26,950**	**(318)**	26,950	(318)
South Asia Regional Fund	**287**	**N/A**	287	N/A
Star Salica Industries Limited	**267**	**N/A**	267	N/A
Syed Match Industries	**2**	**N/A**	2	N/A
Union Insurance Company of Pakistan	**4**	**N/A**	4	N/A
Unity Modaraba	**28**	**N/A**	28	N/A
Zafar Textiles Mills Limited	**257**	**N/A**	257	N/A
Zulsham Engineering Works Limited	**330**	**N/A**	330	N/A
Information System Associates Limited	**1,719**	**N/A**	1,719	N/A
1 Link (Guarantee) Limited	**50,000**	**267,895**	50,000	139,362
Pakistan Corporate Restructuring Company Limited	**96,000**	**N/A**	96,000	N/A
Pakvitae (Private) Limited	**21,000**	**-**	-	-
	1,882,198		1,865,982	

* Not available

	2021	2020
	(Rupees in '000)	
Non Government Debt Securities		
Listed		
- AAA	**-**	1,547,210
- AA+, AA, AA-	**9,265,030**	11,049,399
- A+, A, A-	**833,334**	966,667
- BBB+, BBB, BBB-	**-**	-
- Unrated	**7,073,222**	7,072,012
Cost	**17,171,586**	20,635,288
Unlisted		
- AAA	**22,132,940**	19,792,681
- AA+, AA, AA-	**4,010,113**	5,212,557
- A+, A, A-	**2,745,811**	2,850,000
- BBB+, BBB, BBB-	**299,760**	299,820
- Unrated	**9,102,917**	11,409,407
Cost	**38,291,541**	39,564,465

Foreign Securities

Government Securities	2021 Cost (Rupees in '000)	2021 Rating	2020 Cost (Rupees in '000)	2020 Rating
USA	**880,932**	AA+	2,795,017	AA+

Non Government Debt Securities - Cost

Listed	2021	2020
	------------ (Rupees in '000)	------------
- A+	**-**	79,438

10.5 Particulars relating to Held to Maturity securities are as follows:

Federal Government Securities - Government guaranteed

	2021	2020
Pakistan Investment Bonds	**324,556,862**	168,422,981
Bai muajjal with Government of Pakistan	**10,914,185**	11,641,133
	335,471,047	180,064,114

Non Government Debt Securities

	2021	2020
Listed		
- Unrated	**19,181**	27,948
	19,181	27,948
Unlisted		
- Unrated	**387,983**	387,025
	387,983	387,025

Foreign Securities

Government Securities	2021 Cost (Rupees in '000)	2021 Rating	2020 Cost (Rupees in '000)	2020 Rating
Azerbaijan	**204,494**	**BB+**	646,649	BB+
Bangladesh	**29,672,064**	**Ba3**	27,277,984	Ba3
Kyrgyzstan	**841,944**	**B2**	1,118,290	B2
Kingdom of Saudi Arabia	**2,631,097**	**A**	2,551,243	A
Korea	**742,001**	**AA**	734,572	AA
	34,091,600		32,328,738	

	2021	2020
	------------ (Rupees in '000)	------------
Non Government Debt Securities		
Listed		
- Unrated - Cost	**680**	618

10.5.1 The market value of securities classified as held-to-maturity as at December 31, 2021 amounted to Rs. 366,869 million (2020: Rs. 218,678 million).

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

The Bank holds 30,333,333 (2020: 30,333,333) shares in Bank Al-Jazeera (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 3.7% (2020: 3.7%) holding in total equity of BAJ. The investment has been marked to market using closing price as quoted on the Saudi Stock Exchange in accordance with SBP concurrence vide letter No. BSD/SU-13/331/685/2006 dated February 17, 2006. BAJ's Viability Rating is F2 with short term and long term IDR at BBB+ by Fitch Rating Agency.

10.7 The 94,273,510 (2020: 94,273,510) shares of Agritech Limited were acquired from Azgard Nine Limited as part of multiple agreements including the Master Restructuring Agreement (MRA). These shares were acquired at an agreed price of Rs. 35 per share. The market value of these shares at December 31, 2021 amounted to Rs. 3.79 per share resulting in an impairment of Rs. 3,264 million (2020: Rs. 3,124 million) which has been fully recorded in these unconsolidated financial statements.

There is a put option available to Azgard Nine Limited, under which Azgard Nine Limited has the right to sell 58.29 million preference shares of Agritech Limited to the Bank at a price of Rs. 5.25 per share subject to the occurrence of certain events under the agreement.

10.8 Aggregate market value of investment in associates (quoted) on the basis of quoted prices amounts to Rs. 1,880 million (2020: Rs. 1,456 million).

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

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

	Year / Period ended	**Break-up value**
		Rupees in '000
National Assets Insurance Limited	December 31, 2020	61,114
Pakistan Emerging Venture Limited	June 30, 2019	283
Mehran Industries Limited	June 30, 2001	5,681
Tharparkar Sugar Mills Limited	September 30, 2001	(83,140)
Prudential Fund Management	June 30, 2007	(2,482)
Dadabhoy Energy Supply Company Limited	June 30, 2007	103,952
Pakistan Mercantile Exchange Limited	June 30, 2021	16,876

	Note	**2021**	2020
		(Rupees in '000)	
10.11 Investments in joint venture			
United National Bank Limited (UNBL) (Incorporated in United Kingdom)	10.1 / 10.2 / 10.11.1	**2,362,433**	2,362,433

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

10.12 The investments in shares include shares of Pakistan State Oil Company Limited, Sui Northern Gas Pipeline Limited and Pakistan Engineering Company with cost of Rs. 4,603 million (2020: Rs. 4,603 million) that have been frozen by the Government of Pakistan for sale in the equity market due to their proposed privatization.

10.13 The investments also include shares acquired under tri-partite consent agreement dated June 29, 2011. These strategic investments comprise of the shares of Pakistan State Oil (38,055,247 shares), shares of Sui Northern Gas Pipeline Limited (18,805,318 shares) and Pakistan Engineering Company (135,242). The cost of these shares amounts to Rs. 4,603 million and market value as at December 31, 2021 amounts to Rs. 7,606 million. These shares can not be sold without concurrence of privatization commission.

11. ADVANCES

	Note	Performing 2021	Performing 2020	Non Performing 2021	Non Performing 2020	Total 2021	Total 2020
		(Rupees in '000)					
Loans, cash credits, running finances, etc.		**1,045,675,022**	931,976,385	**183,077,586**	160,045,212	**1,228,752,608**	1,092,021,597
Islamic financing and related assets		**42,316,269**	37,546,863	**712,762**	602,913	**43,029,031**	38,149,776
Net investment in finance lease	11.1	**47,548**	58,239	**-**	-	**47,548**	58,239
Bills discounted and purchased		**19,199,730**	18,998,127	**14,147,881**	10,646,008	**33,347,611**	29,644,135
Advances - gross	11.2	**1,107,238,569**	988,579,614	**197,938,229**	171,294,133	**1,305,176,798**	1,159,873,747
Provision against advances							
- Specific		**-**	-	**179,311,722**	154,145,472	**179,311,722**	154,145,472
- General		**12,472,591**	22,473,748	**-**	-	**12,472,591**	22,473,748
	11.4	**12,472,591**	22,473,748	**179,311,722**	154,145,472	**191,784,313**	176,619,220
Advances - net of provision		**1,094,765,978**	966,105,866	**18,626,507**	17,148,661	**1,113,392,485**	983,254,527

11.1 Net investment in finance lease

	2021 Not later than one year	2021 Later than one and upto five years	2021 Over five years	2021 Total	2020 Not later than one year	2020 Later than one and upto five years	2020 Over five years	2020 Total
	(Rupees in '000)							
Lease rentals receivable	**955**	**64**	**-**	**1,019**	10,911	556	-	11,467
Residual value	**46,536**	**185**	**-**	**46,721**	46,535	815	-	47,350
Minimum lease payments	**47,491**	**249**	**-**	**47,740**	57,446	1,371	-	58,817
Less: Financial charges for future periods	**191**	**1**	**-**	**192**	546	32		578
Present value of minimum lease payments	**47,300**	**248**	**-**	**47,548**	56,900	1,339	-	58,239

The leases executed are for a term of 1 to 5 years. Security deposit is generally obtained upto 10% of the cost of leased assets at the time of disbursement. The Bank requires the lessee to insure the leased assets in favor of the Bank. Additional surcharge is charged on delayed rentals. The average return implicit ranges from 10.19% to 14.85% (2020: 10.19% to 17.30%) per annum.

11.2 Particulars of advances (Gross)

	2021	2020
	(Rupees in '000)	
In local currency	**1,178,151,941**	1,071,844,946
In foreign currencies	**127,024,857**	88,028,801
	1,305,176,798	1,159,873,747

11.3 Advances include Rs. 197,938 million (2020: Rs.171,294 million) which have been placed under non-performing status as detailed below.

Category of Classification	2021 Non Performing Loans	2021 Provision	2020 Non Performing Loans	2020 Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	**1,941,221**	**94,550**	1,617,988	45,392
Substandard	**5,245,094**	**1,230,458**	5,418,693	1,336,002
Doubtful	**16,998,929**	**8,453,057**	15,767,573	7,881,223
Loss	**127,459,837**	**124,795,990**	106,144,785	103,816,435
	151,645,081	**134,574,055**	128,949,039	113,079,052
Overseas				
Not past due but impaired				
Overdue by:				
Upto 90 days	**-**	**-**	-	-
91 to 180 days	**-**	**-**	-	-
181 to 365 days	**286,746**	**143,373**	-	-
> 365 days	**46,006,402**	**44,594,294**	42,345,094	41,066,420
	46,293,148	**44,737,667**	42,345,094	41,066,420
Total	**197,938,229**	**179,311,722**	171,294,133	154,145,472

11.4 **Particulars of provision against advances**

	Note	2021 Specific	2021 General	2021 Total	2020 Specific	2020 General	2020 Total
		(Rupees in '000)					
Opening balance		**154,145,472**	**22,473,748**	**176,619,220**	134,170,016	9,005,950	143,175,966
Exchange adjustments		**4,277,260**	**50,984**	**4,328,244**	1,468,169	15,535	1,483,704
Charge for the year		**15,655,578**	**513,602**	**16,169,180**	18,982,569	13,707,207	32,689,776
Reversals		**(4,097,388)**	**(952,785)**	**(5,050,173)**	(3,047,958)	(321,795)	(3,369,753)
		11,558,190	**(439,183)**	**11,119,007**	15,934,611	13,385,412	29,320,023
Amounts written off	11.5.1	**(171,425)**	**-**	**(171,425)**	(89,494)	-	(89,494)
Amounts charged off- agriculture financing	11.4.1.3	**(110,733)**	**-**	**(110,733)**	(193,807)	-	(193,807)
Transfer from general to specific provision		**9,612,958**	**(9,612,958)**	**-**	2,855,977	66,851	2,922,828
Closing balance		**179,311,722**	**12,472,591**	**191,784,313**	154,145,472	22,473,748	176,619,220

11.4.1 **Particulars of provision against advances**

	2021 Specific	2021 General	2021 Total	2020 Specific	2020 General	2020 Total
	(Rupees in '000)					
In local currency	**134,574,055**	**12,220,748**	**146,794,803**	113,079,052	22,274,089	135,353,141
In foreign currencies	**44,737,667**	**251,843**	**44,989,510**	41,066,420	199,659	41,266,079
	179,311,722	**12,472,591**	**191,784,313**	154,145,472	22,473,748	176,619,220

11.4.1.1 General provision includes provision amounting to Rs. 5,618 million (2020: Rs. 5,196 million) against consumer & SME finance portfolio as required by the Prudential Regulations issued by the SBP. General provision also includes Rs. 252 million (2020: Rs. 200 million) pertaining to overseas advances to meet the requirements of regulatory authorities of the respective countries in which the Bank operates.

The Bank has also maintained general provision of Rs. 6,603 million (2020: Rs. 17,078 million) in respect of its underperforming portfolio on prudent basis.

11.4.1.2 The SBP has allowed specific relaxation to the Bank for non-classification of overdue loans of certain Public Sector Entities (PSEs) which are guaranteed by Government of Pakistan as non-performing loans up till December 31, 2021. No provision is required against these loans; however, mark-up is being suspended as required by the Prudential Regulations.

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

		Note	**2021**	2020
			--------- (Rupees in '000)	---------
11.5	**Particulars of write-offs**			
11.5.1	Against provisions	11.5.2	**171,425**	89,494
11.5.2	Write-offs of Rs. 500,000 and above			
	- Domestic		**44,536**	40,260
	- Overseas		**57,692**	-
		11.6	**102,228**	40,260
	Write-offs of below Rs. 500,000		**69,197**	49,234
			171,425	89,494

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

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance,1962, the statement in respect of written-off loans or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended December 31, 2021 is given in Annexure-I to the unconsolidated financial statements (except where such disclosure is restricted by overseas regulatory authorities).

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

		Note	**2021**	2020
			--------- (Rupees in '000)	---------
12.	**FIXED ASSETS**			
	Capital work-in-progress	12.1	**1,550,340**	2,154,184
	Property and equipment	12.2	**52,701,215**	52,259,309
			54,251,555	54,413,493
12.1	**Capital work-in-progress**			
	Civil works		**1,335,603**	2,040,456
	Equipment		**10,825**	10,825
	Advances to suppliers and contractors		**58,733**	58,733
	Software implementation in progress		**145,179**	44,170
			1,550,340	2,154,184

12.2 Property and equipment

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

	2020									
	Freehold land	Lease hold land	Building on freehold land	Building on lease hold land	Furniture and fixture	Computer and peripheral equipment	Electrical, office equipment	Vehicles	Assets held under finance lease - vehicles	Total
	(Rupees in '000)									
At January 1, 2020										
Cost / Revalued amount	20,108,881	19,362,870	6,465,668	4,310,442	5,712,163	4,092,424	5,737,394	1,233,476	165,253	67,188,571
Accumulated depreciation	-	-	(948,528)	(729,730)	(3,974,903)	(3,967,926)	(4,548,202)	(664,637)	(165,252)	(14,999,178)
Net book value	20,108,881	19,362,870	5,517,140	3,580,712	1,737,260	124,498	1,189,192	568,839	1	52,189,393
Year ended December 2020										
Opening net book value	20,108,881	19,362,870	5,517,140	3,580,712	1,737,260	124,498	1,189,192	568,839	1	52,189,393
Additions	-	-	3,622	45,369	798,720	272,507	516,285	195,700	-	1,832,203
Movement in surplus on assets revalued	261,564	310,289	28,757	59,671	-	-	-	-	-	660,281
Disposals	-	-	-	-	(14,393)	(1,354)	(1,796)	(185,097)	-	(202,640)
Depreciation charge	-	-	(293,375)	(172,973)	(660,371)	(247,409)	(631,469)	(360,513)	-	(2,366,110)
Depreciation adjustment - disposal	-	-	-	-	11,618	1,354	1,726	149,946	-	164,644
Exchange rate adjustments	-	-	-	(38,834)	(764)	39,548	(21,661)	3,249	-	(18,462)
Other adjustments / transfers	-	-	-	(9,554)	9,554	-	-	-	-	-
Closing net book value	20,370,445	19,673,159	5,256,144	3,464,391	1,881,624	189,144	1,052,277	372,124	1	52,259,309
At December 31, 2020										
Cost / Revalued amount	20,370,445	19,673,159	6,498,047	4,367,094	6,505,280	4,403,125	6,230,222	1,247,328	165,253	69,459,953
Accumulated depreciation	-	-	(1,241,903)	(902,703)	(4,623,656)	(4,213,981)	(5,177,945)	(875,204)	(165,252)	(17,200,644)
Net book value	20,370,445	19,673,159	5,256,144	3,464,391	1,881,624	189,144	1,052,277	372,124	1	52,259,309
Rate of depreciation (percentage)	Nil	Nil	5% on book value	5% on book value	20% on cost	33.33% on cost	20% - 50% on cost	20% on cost	20% on cost	

12.2.1 Revaluation of Properties

Desktop revaluation of the Bank's properties was last carried out in a phase manner in 2019 and 2020. The revaluation was carried out by an independent professional valuer, RBS Associates (Private) Limited (PBA registered valuer) on the basis of professional assessment of present market values. The total surplus against revaluation of fixed assets as at December 31, 2021, amounts to Rs. 44,320 million. Had there been no revaluation, the carrying amount of the revalued assets at December 31, 2021, would have been as follows :

	Rupees in '000
Freehold land	1,132,637
Leasehold land	890,025
Building on freehold land	820,613
Building on leasehold land	1,575,994
	4,419,269

12.2.2 Carrying amount of temporarily idle property of the Bank	**4,795,454**

12.2.3 The cost of fully depreciated assets still in use

Furniture and fixtures	251,231
Electrical and office equipment	642,704
Computer and peripheral equipment	971,294
Vehicles	1,076,918
	2,942,147

12.3 Details of disposals of fixed assets to related parties

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

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Buyers name
	------------------------(Rupees in '000)----------------------						
Vehicles	1,858	186	186	-	As per Entitlement	Ex-Employee	DR. QADIR BAKSH
Vehicles	1,673	335	335	-	As per Entitlement	Employee	MUHAMMAD ZAHEER ABBAS
Vehicles	1,673	335	335	-	As per Entitlement	Employee	SYED KHURRAM HUSSAIN
Vehicles	1,893	379	379	-	As per Entitlement	Employee	SYED MUHAMMAD ALI ZAMIN
Vehicles	1,673	335	335	-	As per Entitlement	Ex-Employee	SYED SHAKEEL RAZA ABIDI
Vehicles	1,673	335	335	-	As per Entitlement	Employee	WASIMULLAH
Vehicles	5,257	964	1,051	87	As per Entitlement	Employee	ABDUL WAHID SETHI
Vehicles	1,858	0	186	186	As per Entitlement	Employee	SARDAR AZMAT BABAR CHOHAN
Vehicles	1,673	307	335	28	As per Entitlement	Employee	UMEED AYAZ MAHMOOD
Vehicles	1,858	186	186	-	As per Entitlement	Ex-Employee	TARIQ LATIF ANSARI
Vehicles	1,673	335	335	-	As per Entitlement	Employee	HAMMAD SARWAR
Vehicles	1,673	307	335	28	As per Entitlement	Employee	NAZNEEN ZAKA
Vehicles	1,673	307	335	28	As per Entitlement	Employee	INAAM MALLICK
Vehicles	1,673	307	335	28	As per Entitlement	Ex-Employee	SOHAIL AHMED
Vehicles	1,824	791	791	-	As per Entitlement	Ex-Employee	RIFFAT SULTANA MUGHAL
Vehicles	1,824	851	851	-	As per Entitlement	Employee	SAFDAR ALI
Vehicles	5,106	0	511	511	As per Entitlement	Ex-Employee	SULTANA NAHEED
Vehicles	2,380	1,864	1,864	-	As per Entitlement	Ex-Employee	AZIZ UR REHMAN
Vehicles	1,664	333	333	-	As per Entitlement	Employee	REHMAN NAZIR
Vehicles	1,664	333	333	-	As per Entitlement	Ex-Employee	HASEEB ARSHAD
Vehicles	1,664	333	333	-	As per Entitlement	Employee	MUHAMMAD FAUD MOHSIN
Vehicles	1,664	305	333	28	As per Entitlement	Employee	KALEEMULLAH SHAIKH
Vehicles	1,664	333	333	-	As per Entitlement	Employee	MUJAHID ABBAS KHAN
Vehicles	2,875	2,252	2,252	-	As per Entitlement	Ex-Employee	MUHAMMAD ATLAS
Vehicles	1,664	388	388	-	As per Entitlement	Ex-Employee	NADIR KHAN
Vehicles	2,380	1,745	1,745	-	As per Entitlement	Ex-Employee	AHMED SOHAIL WARRICH
Vehicles	1,664	361	361	-	As per Entitlement	Ex-Employee	ABDUL HAMID ASIM
Vehicles	2,380	1,666	1,666	-	As per Entitlement	Ex-Employee	TAHIR SHAHBAZ ANJUM
Vehicles	5,857	2,050	2,050	-	As per Entitlement	Ex-Employee	USMAN SHAHID
Vehicles	2,875	2,156	2,156	-	As per Entitlement	Ex-Employee	S H IRTIZA KAZMI
Vehicles	1,864	404	404	-	As per Entitlement	Ex-Employee	MUHAMMAD FAROOQ
Vehicles	1,899	855	855	-	As per Entitlement	Ex-Employee	KAZI IMTIAZ AHMED
Vehicles	1,864	342	342	-	As per Entitlement	Ex-Employee	KHURRAM SAEED NAIK
Vehicles	1,673	0	167	167	As per Entitlement	Employee	SHAHLA GHULAM HUSSAIN
Vehicles	1,658	0	166	166	As per Entitlement	Ex-Employee	SALEEM AHMED
Vehicles	1,664	333	333	-	As per Entitlement	Employee	IMTIAZ AHMED
Vehicles	1,664	333	333	-	As per Entitlement	Employee	MANZOOR AHMED
Vehicles	1,734	347	347	-	As per Entitlement	Employee	DILBUR HUSSAIN KHAN
Vehicles	1,664	333	333	-	As per Entitlement	Ex-Employee	SYED AKHTAR ALI SHAH
Vehicles	1,664	333	333	-	As per Entitlement	Employee	AAMER MANZOOR
Vehicles	1,864	373	373	-	As per Entitlement	Employee	TAHIR ABBAS
Vehicles	5,257	1,051	1,051	-	As per Entitlement	Employee	REHMAT ALI HASNIE
Vehicles	1,664	333	333	-	As per Entitlement	Employee	SYED AZHAR ALI
Vehicles	1,664	333	333	-	As per Entitlement	Employee	SUMAIRA MAZHAR
Vehicles	1,764	353	353	-	As per Entitlement	Employee	MUHAMMAD YOUNAS
Vehicles	1,664	333	333	-	As per Entitlement	Employee	JAVED ASHRAF
Vehicles	1,708	342	342	-	As per Entitlement	Employee	SHAKEEL HAYAT MIR
Vehicles	1,673	251	335	84	As per Entitlement	Employee	KASHIF KHAN
Vehicles	1,824	699	699	-	As per Entitlement	Ex-Employee	MUKHTAR AHMED
Vehicles	1,873	312	375	63	As per Entitlement	Ex-Employee	ADNAN ADIL
	105,223	28,029	29,433	1,404			
Computer and peripheral equipment	99	0	10	10	As per Entitlement	Employee	FARHAN JAVAID DURRANI
Computer and peripheral equipment	99	0	10	10	As per Entitlement	Employee	NABEEL ASLAM
Computer and peripheral equipment	99	0	10	10	As per Entitlement	Ex-Employee	SAJJAD AHMED RANA
Computer and peripheral equipment	64	0	6	6	As per Entitlement	Employee	MUHAMMAD NASIM
Computer and peripheral equipment	114	0	11	11	As per Entitlement	Ex-Employee	ABDUL QADIR
Computer and peripheral equipment	114	0	11	11	As per Entitlement	Ex-Employee	ABDUL QADIR
Computer and peripheral equipment	106	0	11	11	As per Entitlement	Ex-Employee	ABDUL QADIR
Computer and peripheral equipment	106	0	11	11	As per Entitlement	Ex-Employee	RIFFAT SULTANA MUGHAL
Computer and peripheral equipment	64	0	6	6	As per Entitlement	Employee	WAQAR AHMED
Computer and peripheral equipment	106	0	11	11	As per Entitlement	Employee	FOUAD FARRUKH
Computer and peripheral equipment	204	0	20	20	As per Entitlement	Ex-Employee	USMAN SHAHID
Computer and peripheral equipment	93	0	9	9	As per Entitlement	Ex-Employee	S H IRTIZA KAZMI

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Buyers name
	-------------------------(Rupees in '000)-----------------------						
Computer and peripheral equipment	99	0	10	10	As per Entitlement	Employee	HISHAM JAN KIANI
Computer and peripheral equipment	99	0	10	10	As per Entitlement	Employee	RASHID ATA
Computer and peripheral equipment	123	0	12	12	As per Entitlement	Employee	IQBAL ALI
Computer and peripheral equipment	99	0	10	10	As per Entitlement	Employee	ABDUL REHMAN SHAIKH
Computer and peripheral equipment	64	0	6	6	As per Entitlement	Employee	NADIA AHMER
Computer and peripheral equipment	110	0	11	11	As per Entitlement	Employee	MOIN UDDIN KHAN
Computer and peripheral equipment	135	0	14	13	As per Entitlement	Employee	QAISER ALAM
Computer and peripheral equipment	100	0	10	10	As per Entitlement	Employee	AQIB MALIK
Computer and peripheral equipment	105	0	11	10	As per Entitlement	Employee	MUHAMMAD ADIL USMANI
	2,202	0	220	220			
Electrical, office equipment	50	0	0	-	As per Entitlement	Ex-Employee	ABDUL QADIR
Electrical, office equipment	148	0	0	-	As per Entitlement	Ex-Employee	S H IRTIZA KAZMI
Electrical, office equipment	115	0	0	-	As per Entitlement	Ex-Employee	S H IRTIZA KAZMI
Electrical, office equipment	114	0	0	-	As per Entitlement	Ex-Employee	DR. QADIR BAKSH
Electrical, office equipment	71	0	0	-	As per Entitlement	Ex-Employee	DR. QADIR BAKSH
Electrical, office equipment	115	0	0	-	As per Entitlement	Ex-Employee	DR. QADIR BAKSH
Electrical, office equipment	167	0	0	-	As per Entitlement	Ex-Employee	USMAN SHAHID
Electrical, office equipment	161	0	0	-	As per Entitlement	Ex-Employee	USMAN SHAHID
Electrical, office equipment	34	0	0	-	As per Entitlement	Ex-Employee	ADNAN ADIL
Electrical, office equipment	50	0	0	-	As per Entitlement	Ex-Employee	SYED SHAKEEL RAZA ABIDI
Electrical, office equipment	35	9	9	-	As per Entitlement	Ex-Employee	MUHAMMAD ANWAR,
Electrical, office equipment	50	29	29	-	As per Entitlement	Ex-Employee	TAHIR SHAHBAZ ANJUM
Electrical, office equipment	115	48	48	-	As per Entitlement	Ex-Employee	MUHAMMAD FAROOQ
	1,225	86	86	-			
Furniture and fixture	160	51	51	-	As per Entitlement	Ex-Employee	MUHAMMAD HANIF
Furniture and fixture	200	0	0	-	As per Entitlement	Ex-Employee	AZIZ UR REHMAN
Furniture and fixture	190	15	15	-	As per Entitlement	Ex-Employee	EJAZ MUNEER
Furniture and fixture	200	16	16	-	As per Entitlement	Ex-Employee	ABDUL HAMID ASIM
Furniture and fixture	200	12	12	-	As per Entitlement	Ex-Employee	GHULAM HYDER CHANNA
Furniture and fixture	160	11	11	-	As per Entitlement	Ex-Employee	MUHAMMAD ISMAIL
Furniture and fixture	200	41	41	-	As per Entitlement	Ex-Employee	AHMED SOHAIL WARRICH
Furniture and fixture	190	62	62	-	As per Entitlement	Ex-Employee	WASEEM ZEHRA
Furniture and fixture	160	6	6	-	As per Entitlement	Ex-Employee	GHULAM NABI BHATTI
Furniture and fixture	200	72	72	-	As per Entitlement	Ex-Employee	TAHIR SHAHBAZ ANJUM
Furniture and fixture	160	39	39	-	As per Entitlement	Ex-Employee	SEES RAJ
Furniture and fixture	190	62	62	-	As per Entitlement	Ex-Employee	MUHAMMAD USMAN
Furniture and fixture	200	46	46	-	As per Entitlement	Ex-Employee	MUHAMMAD YOUSUF
Furniture and fixture	200	82	82	-	As per Entitlement	Ex-Employee	MANZUR AHMED
Furniture and fixture	160	36	36	-	As per Entitlement	Ex-Employee	LAIQUAT ALI SHAIKH
Furniture and fixture	200	51	51	-	As per Entitlement	Ex-Employee	MUHAMMAD SHAHBAZ
Furniture and fixture	200	62	62	-	As per Entitlement	Ex-Employee	SAFDAR ALI,
Furniture and fixture	190	45	45	-	As per Entitlement	Ex-Employee	QAISER SATTAR,
Furniture and fixture	190	38	38	-	As per Entitlement	Ex-Employee	MUHAMMAD SARWAR
Furniture and fixture	190	71	71	-	As per Entitlement	Ex-Employee	GULZAR AHMED
Furniture and fixture	190	63	63	-	As per Entitlement	Ex-Employee	ASIF MEHMOOD KHAN
Furniture and fixture	190	57	57	-	As per Entitlement	Ex-Employee	MUHAMMAD RAZZAQ
Furniture and fixture	190	18	18	-	As per Entitlement	Ex-Employee	HUMA NAZ
Furniture and fixture	500	23	23	-	As per Entitlement	Ex-Employee	SULTANA NAHEED
Furniture and fixture	190	59	59	-	As per Entitlement	Ex-Employee	SAMINA ZIA
Furniture and fixture	160	51	51	-	As per Entitlement	Ex-Employee	MUHMMAD ANWAR KHAN
Furniture and fixture	190	7	7	-	As per Entitlement	Ex-Employee	SHAHZAD AHMED,
Furniture and fixture	160	18	18	-	As per Entitlement	Ex-Employee	IRSHAD GHANI
Furniture and fixture	190	6	6	-	As per Entitlement	Ex-Employee	SHAHID HUSSAIN,
Furniture and fixture	190	0	0	-	As per Entitlement	Ex-Employee	MANZOOR SULTAN
Furniture and fixture	300	101	101	-	As per Entitlement	Ex-Employee	MUHAMMAD ATLAS
Furniture and fixture	160	64	64	-	As per Entitlement	Ex-Employee	MUHAMMAD QASIM
Furniture and fixture	160	45	45	-	As per Entitlement	Ex-Employee	MUHAMMAD HUSSAIN ZAR
Furniture and fixture	160	63	63	-	As per Entitlement	Ex-Employee	PERVEZ AHMED
Furniture and fixture	160	29	29	-	As per Entitlement	Ex-Employee	NAYAB AHMED
Furniture and fixture	160	26	26	-	As per Entitlement	Ex-Employee	ABDUIL RASHEED
Furniture and fixture	190	12	12	-	As per Entitlement	Ex-Employee	SALEEM ABBAS BANGASH
Furniture and fixture	160	39	39	-	As per Entitlement	Ex-Employee	JAWAID AKHTAR
Furniture and fixture	300	98	98	-	As per Entitlement	Ex-Employee	MUHAMMAD FAROOQ
Furniture and fixture	200	23	23	-	As per Entitlement	Ex-Employee	MR.MUHAMMAD ZULFIQAR ALI

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Buyers name
	-------------------------(Rupees in '000)-----------------------						
Furniture and fixture	200	26	26	-	As per Entitlement	Ex-Employee	MUKHTAR AHMED
Furniture and fixture	160	39	39	-	As per Entitlement	Ex-Employee	GHULAM ABBAS SANGI
Furniture and fixture	160	40	40	-	As per Entitlement	Ex-Employee	MUHAMMAD IDREES
Furniture and fixture	160	70	70	-	As per Entitlement	Ex-Employee	ABDUL GHAFOOR
Furniture and fixture	160	26	26	-	As per Entitlement	Ex-Employee	MUHAMMAD AKHTAR MALIK
Furniture and fixture	190	10	10	-	As per Entitlement	Ex-Employee	SAMINA PARVEEN
Furniture and fixture	200	0	0	-	As per Entitlement	Ex-Employee	HASEEB ARSHAD
Furniture and fixture	200	28	28	-	As per Entitlement	Ex-Employee	KAZI IMTIAZ AHMED
Furniture and fixture	190	70	70	-	As per Entitlement	Ex-Employee	MUHAMMAD ANWAR
Furniture and fixture	300	10	10	-	As per Entitlement	Ex-Employee	KHURRAM SAEED NAIK
Furniture and fixture	160	55	55	-	As per Entitlement	Ex-Employee	BASHIR AHMED QAZI
Furniture and fixture	160	37	37	-	As per Entitlement	Ex-Employee	MUHAMMAD BASHIR
Furniture and fixture	160	26	26	-	As per Entitlement	Ex-Employee	NIAZ HUSSAIN
Furniture and fixture	200	85	85	-	As per Entitlement	Ex-Employee	HANANEEL AZHAR JOSEPH
	10,440	2,132	2,132	-			
	119,090	30,247	31,871	1,624			

	Core Banking Application	Computer software	Total
	----------------------	(Rupees in '000)	----------------------
13. INTANGIBLE ASSETS			
At January 1, 2021			
Cost	**2,913,952**	**1,140,555**	**4,054,507**
Accumulated amortisation and impairment	**(2,913,952)**	**(836,742)**	**(3,750,694)**
Net book value	**-**	**303,813**	**303,813**
Year ended December 2021			
Opening net book value	**-**	**303,813**	**303,813**
Additions:			
- through acquisitions / purchased	**-**	**304,412**	**304,412**
Adjustments - addition	**-**	**223,556**	**223,556**
Amortisation charge	**-**	**(339,382)**	**(339,382)**
Exchange rate adjustments	**-**	**10,392**	**10,392**
Closing net book value	**-**	**502,791**	**502,791**
At December 31, 2021			
Cost	**2,913,952**	**1,678,915**	**4,592,867**
Accumulated amortisation and impairment	**(2,913,952)**	**(1,176,124)**	**(4,090,076)**
Net book value	**-**	**502,791**	**502,791**
Rate of amortisation (percentage)	**33.33 % on cost**	**33.33 % on cost**	
Useful life	**3 years**	**3 years**	
At January 1, 2020			
Cost	2,913,952	1,000,731	3,914,683
Accumulated amortisation and	(2,913,952)	(625,781)	(3,539,733)
Net book value	-	374,950	374,950
Year ended December 2020			
Opening net book value	-	374,950	374,950
Additions:			
- developed internally	-	94,788	94,788
Amortisation charge	-	(210,961)	(210,961)
Adjustments - additions	-	45,756	45,756
Exchange rate adjustments	-	(720)	(720)
Closing net book value	-	303,813	303,813
At December 31, 2020			
Cost	2,913,952	1,140,555	4,054,507
Accumulated amortisation and impairment	(2,913,952)	(836,742)	(3,750,694)
Net book value	-	303,813	303,813
Rate of amortisation (percentage)	33.33 % on cost	33.33 % on cost	
Useful life	3 years	3 years	

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

	Rupees in '000
Core Banking Application	2,914
Computer software	415
	3,329

14. RIGHT OF USE ASSETS

	2021	2020
	------------ (Rupees in '000) ------------	
Balance as at January 01,	**6,669,684**	7,221,266
Additions during the period	**1,894,476**	1,331,535
Derecognition during the period	**27,387**	-
Depreciation charged for the period	**1,931,373**	1,883,117
Balance as at December 31,	**6,605,400**	6,669,684

15. DEFERRED TAX

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

	At January 01, 2020	Recognised in profit and loss account	Recognised in other comprehensive income	At December 31, 2020
	---------- (Rupees in 000) ----------			
Deductible Temporary Differences on				
- Tax losses carried forward	10,705	-	-	10,705
- Post retirement employee benefits	3,852,716	-	268,139	4,120,855
- Provision for diminution in the value of investments	236,751	-	-	236,751
- Provision against loan and advances	2,625,495	6,459,106	-	9,084,601
- Provision against off-balance sheet obligations	115,222	-	-	115,222
- Fixed assets	800,678	335,780	-	1,136,458
- Other provisions	105,416	-	-	105,416
	7,746,983	6,794,886	268,139	14,810,008
Taxable Temporary Differences on				
- Surplus on revaluation of fixed assets	(2,489,995)	124,050	(30,874)	(2,396,819)
- Surplus on revaluation of investments	(13,816,519)	-	(1,530,321)	(15,346,840)
- Surplus on revaluation of non-banking assets	(41,439)	-	(3,274)	(44,713)
- Others	(2,314,832)	2,314,832	-	-
	(18,662,785)	2,438,882	(1,564,469)	(17,788,372)
	(10,915,802)	9,233,768	(1,296,330)	(2,978,364)

16. OTHER ASSETS

	Note	2021	2020
		(Rupees in '000)	
Income / return / mark-up accrued in local currency - net of provision		**41,779,183**	39,642,348
Income / return / mark-up accrued in foreign currency - net of provision		**2,842,699**	2,274,912
Advances, deposits and other prepayments	16.1	**3,870,355**	2,918,231
Advance taxation (payments less provisions) and Income tax refunds receivable	16.6	**12,824,850**	27,183,199
Compensation for delayed tax refunds		**19,221,431**	17,556,551
Non-banking assets acquired in satisfaction of claims	16.4	**1,195,660**	1,211,122
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)		**208,423**	208,423
Unrealized gain on forward foreign exchange contracts		**3,058,205**	-
Commission receivable on Government treasury transactions		**5,006,019**	4,612,174
Stationery and stamps on hand		**470,402**	499,511
Barter trade balances		**195,399**	195,399
Receivable on account of Government transactions	16.2	**323,172**	323,172
Receivable from Government under VHS scheme	16.3	**418,834**	418,834
Receivable against sale of shares		**11,083**	88,996
Acceptances		**10,311,259**	15,741,754
Others		**7,355,244**	6,437,628
		109,092,218	119,312,254
Less: Provision held against other assets	16.5	**11,700,956**	11,873,693
Other assets (net of provision)		**97,391,262**	107,438,561
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		**2,863,886**	2,757,207
Other assets - total		**100,255,148**	110,195,768

16.1 This includes Rs. 2,800 million (2020: Rs. 800 million) advance against Pre-IPO placement of Term Finance Certificates.

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

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

		2021	2020
		(Rupees in '000)	
16.4	Market value of Non-banking assets acquired in satisfaction of claims	**4,059,546**	3,968,329

An independent valuation of the Bank's non-banking assets was performed by an independent professional valuer to determine the fair value of the assets as at December 31, 2021. The valuation was carried out by Imtech (Private) Limited, registered at SBP panel of valuers on the basis of an assessment of present market values.

16.4.1 Non-banking assets acquired in satisfaction of claims

	2021	2020
	(Rupees in '000)	
Opening balance	**3,968,329**	3,762,068
Revaluation	**106,679**	217,404
Depreciation	**(15,462)**	(15,784)
Adjustment	**-**	4,641
Closing balance	**4,059,546**	3,968,329

16.5 Provision held against other assets

	2021	2020
Income / mark-up accrued in local currency	**152,607**	152,607
Advances, deposits, advance rent and other prepayments	**837,949**	837,949
Stationery and stamps on hand	**96,542**	96,542
Barter trade balances	**195,399**	195,399
Receivable on account of Government transactions	**323,172**	323,172
Receivable from Government under VHS scheme	**418,834**	418,834
Protested bills	**4,164,485**	4,092,280
Ex-MBL / NDFC	**770,398**	770,398
Assets acquired from corporate and industrial restructuring corporation asset (CIRC)	**208,423**	208,423
Others	**4,533,147**	4,778,089
	11,700,956	11,873,693

	2021	2020
	------------- (Rupees in '000) -------------	

16.5.1 Movement in provision held against other assets

	2021	2020
Opening balance	**11,873,693**	10,853,587
Charge for the year	**72,205**	1,517,709
Transfer in / (out)	**-**	(484,393)
Adjustment against provision	**(244,942)**	(13,210)
Closing balance	**11,700,956**	11,873,693

16.6 During the year, the Bank has adjusted an amount of Rs. 11,322 million (2020: Rs. 20,950 million) its advance tax liability and demand of previous tax year against income tax refunds receivables.

17. BILLS PAYABLE

	Note	2021	2020
		------------- (Rupees in '000) -------------	
In Pakistan		**21,775,348**	16,718,064
Outside Pakistan		**72,922**	77,122
		21,848,270	16,795,186

18. BORROWINGS

Secured

	Note	2021	2020
Borrowings from State Bank of Pakistan			
Under Export Refinance Scheme	18.2	**5,057,300**	2,451,874
Under Export Refinance Scheme (New Scheme)	18.2	**29,193,202**	28,686,149
Financing Scheme for Renewable Energy	18.3	**740,493**	481,261
Refinance Facility for Modernization of SMEs	18.4	**130,288**	177,976
Financing Facility for storage of Agriculture Produce (FFSAP)	18.5	**526,479**	256,184
Under Long Term Financing Facility (LTFF)	18.6	**19,465,068**	16,380,117
Refinance Scheme for Payment of Wages and Salaries	18.7	**566,315**	1,167,527
Temporary Economic Refinance Facility	18.8	**12,122,947**	537,912
Refinance Facility for Combating Covid-19	18.9	**79,976**	61,448
		67,882,068	50,200,448
Repurchase agreement borrowings	18.10	**126,810,340**	5,266,007
Bai Muajjal		**72,195,209**	79,788,522
Total secured		**266,887,617**	135,254,977

Unsecured

	Note	2021	2020
Call borrowings	18.10	**46,011,009**	2,047,588
Overdrawn nostro accounts		**26,480**	1,236,440
Total unsecured		**46,037,489**	3,284,028
		312,925,106	138,539,005

	2021	2020
	----------- (Rupees in '000) -----------	
18.1 Particulars of borrowings with respect to currencies		
In local currency	**275,739,772**	136,491,430
In foreign currencies	**37,185,334**	2,047,575
	312,925,106	138,539,005

18.2 The Bank has entered into an agreement with the SBP for extending export finance to customers. As per the terms of the agreement, the Bank has granted the SBP the right to recover the outstanding amounts from the Bank at the date of maturity of the finances by directly debiting the Bank's current account maintained with the SBP. These borrowings are repayable within 180 days. These carry mark-up at rates ranging from 1.00% to 2.00% (2020: 3.00%) per annum.

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

18.4 These borrowings have been obtained from the SBP under a scheme to finance modernization of Small and Medium Enterprises by providing financing facilities for setting up of new units, purchase of new plant and machinery for Balancing, Modernization and Replacement (BMR) of existing units and financing for import / local purchase of new generators upto a maximum capacity of 500 KVA. These borrowings shall be repayable for a maximum period of ten years and carry mark-up at rates upto 6.00% (2020: 6.00%) per annum.

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

18.6 These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These borrowings shall be repayable for a maximum period of ten years. These carry mark-up at rates ranging from 1.5% to 3% per annum.

18.7 These borrowings have been obtained from the SBP with a view to support businesses to continue payment of wages and salaries to their workers and employees in the aftermath corona virus (COVID-19) outbreak. These borrowings are repayable for a maximum period of 2.5 years. These carry mark-up at rates ranging from 1.00% to 2.00% (2020: 1.00% to 2.00%) per annum.

18.8 These borrowings have been obtained from the SBP under a scheme to provide concessionary refinance for setting up new industrial units in the backdrop of challenges faced by the industries during the pandemic. These borrowings are repayable for a maximum period of 10 years. These carry mark-up at rates ranging at 3.00% (2020: 3.00%) per annum.

18.9 These borrowings have been obtained from the SBP with a view to provide long term local currency finance for imported and locally manufactured medical equipment to be used for combating COVID – 19. The facility will be available to all the Hospitals and Medical Centres duly registered with respective provincial/federal agencies/commissions and engaged in controlling & eradication of COVID – 19. These borrowings are repayable for a maximum period of 5 years. These carry mark-up at rates at 0.00% (2020: 0.00%) per annum.

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

- Repurchase agreement borrowings carry mark-up ranging from 9.7% to 10.21% per annum (2020: 7% to 7.05% per annum) having maturity on Jan 4, 2022 to Feb 18, 2022.

- Call borrowings carry interest ranging from 0.63% to 4.15% per annum (2020: 0% to 2% per annum).

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

18.12 Pakistan Investment Bond and Market Treasury Bill having maturity of 5 years and 6 months respectively, are pledged as security under borrowing having carrying amount of Rs. 126,810 million (2020: Rs. 5,266 million).

19. DEPOSITS AND OTHER ACCOUNTS

	2021			2020		
	In local currency	**In foreign currencies**	**Total**	In local currency	In foreign currencies	Total
	---------- (Rupees in '000) ----------					
Customers						
Current deposits - remunerative	**648,854,267**	**-**	**648,854,267**	405,738,851	-	405,738,851
Current deposits - non- remunerative	**476,510,388**	**145,931,064**	**622,441,452**	433,284,063	115,191,412	548,475,475
Savings deposits	**675,591,525**	**79,434,496**	**755,026,021**	637,694,450	66,126,336	703,820,786
Term deposits	**400,905,240**	**70,853,064**	**471,758,304**	276,454,916	81,153,488	357,608,404
Others	**-**	**6,463**	**6,463**	4,683,735	316,040	4,999,775
	2,201,861,420	**296,225,087**	**2,498,086,507**	1,757,856,015	262,787,276	2,020,643,291
Financial Institutions						
Current deposits	**445,782,844**	**1,155,463**	**446,938,307**	360,581,882	1,634,466	362,216,348
Savings deposits	**7,075,299**	**3,842,651**	**10,917,950**	4,253,051	3,246,855	7,499,906
Term deposits	**21,613,144**	**5,760,597**	**27,373,741**	12,613,687	8,883,345	21,497,032
Others	**35,838,540**	**-**	**35,838,540**	7,109,902	-	7,109,902
	510,309,827	**10,758,711**	**521,068,538**	384,558,522	13,764,666	398,323,188
	2,712,171,247	**306,983,798**	**3,019,155,045**	2,142,414,537	276,551,942	2,418,966,479

19.1 Composition of deposits

	2021	2020
	(Rupees in '000)	
Individuals	**1,032,316,946**	847,611,816
Government (Federal and Provincial)	**931,199,067**	674,985,259
Public Sector Entities	**279,984,059**	257,331,543
Banking companies	**460,090,410**	368,855,014
Non-Banking Financial Institutions	**60,978,126**	29,468,173
Private sector	**254,586,437**	240,714,674
	3,019,155,045	2,418,966,479

19.2 Foreign currencies deposits includes deposit of foreign branches amounting to Rs. 75,485 million (2020: Rs. 73,145 million).

19.3 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 1,132,236 million (2020: Rs. 981,942 million) including islamic branches.

20. LEASE LIABILITY AGAINST RIGHT OF USE ASSETS

	Note	2021	2020
		----------- (Rupees in '000) ----------	
Lease liabilities included in the statement of financial position			
As at December 31		**7,893,960**	7,533,691
Of which are:			
Current lease liability		**1,524,809**	1,367,840
Non-current lease liability		**6,369,151**	6,165,851
		7,893,960	7,533,691

Maturity analysis - contractual undiscounted cash flows

		2021	2020
Less than one year		**2,199,012**	2,315,989
One to five years		**5,981,702**	5,869,956
More than five years		**6,500,876**	5,839,515
Total undiscounted lease liabilities as at December 31		**14,681,590**	14,025,460

21. OTHER LIABILITIES

	Note	2021	2020
Mark-up / Return / Interest payable in local currency		**48,801,768**	37,808,884
Mark-up / Return / Interest payable in foreign currency		**384,638**	844,452
Unearned commission and income on bills discounted		**428,443**	1,574,563
Accrued expenses		**21,027,250**	18,183,815
Advance payments		**370,807**	362,466
Unclaimed dividends		**181,997**	185,516
Unrealised loss on forward foreign exchange contracts		**-**	2,918,017
Unrealised loss on put option		**306,339**	306,339
Branch adjustment account		**1,342,640**	917,487
Employee benefits:			
Pension fund	39.4	**17,834,945**	15,704,077
Post retirement medical benefits	39.4	**24,516,717**	22,282,747
Benevolent scheme	39.4	**1,778,825**	2,054,218
Gratuity scheme	39.4	**3,168,258**	2,711,914
Compensated absences	39.4	**9,952,554**	9,251,755
Staff welfare fund		**371,257**	371,257
Liabilities relating to barter trade agreements		**3,006,122**	2,142,033
Provision against off-balance sheet obligations		**627,494**	627,494
Provision against contingencies	21.1	**3,805,376**	4,180,071
Payable to brokers		**155,001**	65,137
PIBs shortselling		**34,144,415**	3,237,676
Acceptances		**10,311,259**	15,741,754
Others		**16,143,418**	14,683,842
		198,659,523	156,155,514

	Note	**2021**	2020
		(Rupees in '000)	

21.1 Provision against contingencies

	Note	**2021**	2020
Opening balance		**4,180,071**	4,629,645
Charge during the year		**253,239**	381,090
Transfer out		**-**	(830,664)
Adjustment		**(627,934)**	-
Closing balance	21.1.1	**3,805,376**	4,180,071

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

22. SHARE CAPITAL

22.1 Authorized capital

2021	2020		**2021**	2020
(Number of shares)			**(Rupees in '000)**	
2,500,000,000	2,500,000,000	Ordinary shares of Rs. 10 each	**25,000,000**	25,000,000

22.2 Issued, subscribed and paid up

2021	2020		**2021**	2020
(Number of shares)			**(Rupees in '000)**	
140,388,000	140,388,000	Fully paid in cash	**1,403,880**	1,403,880
1,987,125,026	1,987,125,026	Issued as bonus shares	**19,871,251**	19,871,251
2,127,513,026	2,127,513,026		**21,275,131**	21,275,131

The Federal Government and the SBP hold 75.60% (2020: 75.60%) shares of the Bank.

22.3 Shares of the Bank held by subsidiary and associate

	2021	2020
	Number of shares	
Following shares were held by the associate of the Bank as of year end:		
First Credit & Investment Bank Limited	**70,000**	70,000
	70,000	70,000

23. RESERVES

23.1 Exchange translation reserve

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

23.2 Statutory reserve

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

23.3 Merger reserve

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

23.4 General loan loss reserve

The Bank is cognizant of the fact that a part of its credit or loan portfolio (funded and non-funded) which is not currently impaired as per the applicable Prudential Regulations is underperforming and therefore the potential for risk of credit losses on this part of portfolio is higher than the usual risk. Therefore, as a matter of abundant caution and in order to protect the equity base of the Bank from future contingencies in respect of the credit portfolio, the Board of Directors in their meeting held on April 29, 2015 decided to transfer an aggregate amount of Rs. 12 billion from the unappropriated profits to a "General loan loss reserve". This appropriation was made on the basis of the management's best estimates and judgement regarding the inherent portfolio risks. Subsequently, Board of Directors in their meeting held on 11 & 12 July, 2019 decided to transfer Rs. 4 billion from general loss reserve to unappropriated profit based on revised estimates.

24. SURPLUS ON REVALUATION OF ASSETS

	Note	**2021**	2020
		------------- (Rupees in '000) -------------	
Surplus on revaluation of:			
- Available for sale securities	10.1	**32,603,638**	43,848,111
- Fixed assets	24.1	**44,320,452**	44,882,399
- Non-banking assets acquired in satisfaction of claims	24.2	**2,863,886**	2,757,207
		79,787,976	91,487,717
Deferred tax on surplus on revaluation of:			
- Available for sale securities		**(12,715,420)**	(15,346,840)
- Fixed assets	24.1	**(2,537,701)**	(2,396,819)
- Non-banking assets acquired in satisfaction of claims	24.2	**(52,732)**	(44,713)
		(15,305,853)	(17,788,373)
		64,482,122	73,699,344

24.1 Surplus on revaluation of fixed assets

	2021	2020
Surplus on revaluation of fixed assets as at January 1	**44,882,399**	44,576,547
Recognised during the year	**-**	660,281
Realised on disposal during the year - net of deferred tax	**(220,819)**	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	**(208,088)**	(230,379)
Related deferred tax liability on incremental depreciation charged during the year	**(133,040)**	(124,050)
Surplus on revaluation of fixed assets as at December 31	**44,320,452**	44,882,399
Less: related deferred tax liability on:		
- revaluation as at January 1	**(2,396,819)**	(2,489,995)
- revaluation recognised during the year	**-**	(30,874)
- Rate adjustment	**(273,922)**	-
- incremental depreciation charged during the year	**133,040**	124,050
	(2,537,701)	(2,396,819)
	41,782,751	42,485,580

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

	2021	2020
Surplus on revaluation as at January 1	**2,757,207**	2,539,695
Recognised during the year	**106,679**	217,512
Surplus on revaluation as at December 31	**2,863,886**	2,757,207
Less: related deferred tax liability on:		
- revaluation as at January 1	**(44,713)**	(41,439)
- revaluation recognised during the year	**(8,019)**	(3,274)
	(52,732)	(44,713)
	2,811,154	2,712,494

25. CONTINGENCIES AND COMMITMENTS

	Note	2021	2020
		(Rupees in '000)	
Guarantees	25.1	**261,356,068**	242,030,415
Commitments	25.2	**2,192,951,563**	1,543,932,780
Other contingent liabilities	25.3	**36,196,804**	34,820,672
		2,490,504,435	1,820,783,867

25.1 Guarantees

	2021	2020
Financial guarantees	**197,024,912**	145,379,692
Performance guarantees	**64,331,156**	96,650,723
	261,356,068	242,030,415

25.2 Commitments

	Note	2021	2020
Documentary credits and short-term trade-related transactions			
- letters of credit		**1,582,757,532**	1,096,347,086
Commitments in respect of:			
- forward foreign exchange contracts	25.2.1	**571,111,340**	419,327,735
- forward government securities transactions	25.2.2	**38,255,954**	27,625,340
Commitments for acquisition of:			
- operating fixed assets		**826,737**	632,619
		2,192,951,563	1,543,932,780

25.2.1 Commitments in respect of forward foreign exchange contracts

	2021	2020
Purchase	**337,970,120**	272,245,550
Sale	**233,141,220**	147,082,185
	571,111,340	419,327,735

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

25.2.2 Commitments in respect of forward government securities transactions

	2021	2020
	(Rupees in '000)	
Purchase	**30,218,032**	496,331
Sale	**8,037,922**	27,129,009
	38,255,954	27,625,340

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

		2021	2020
25.3	**Other contingent liabilities**	------------ (Rupees in '000) ------------	
25.3.1	Claims against the Bank not acknowledged as debt	**36,196,804**	34,820,672

Claims against the Bank not acknowledged as debts includes claims relating to former Mehran Bank Limited amounting to Rs.1,597 million (2020: Rs. 1,597 million).

25.3.2 Taxation

Tax returns of the Bank have been filed up to tax year 2021 and amended by tax authorities up to tax year 2020. For Azad Kashmir and Gilgit Baltistan branches no amendment to returns filed under section 120 of the Ordinance has been made, hence returns filed are deemed assessments for all the years till tax year 2021.

a) The Taxation Officer had issued show-cause notices under section 221 of the Income Tax Ordinance, 2001 to the Bank last year to withdraw compensation on delayed refunds already given to the Bank, and questioned issuance of refund orders already issued to the Bank in the past several years which had become past and closed transactions and thus legally fall outside the scope of rectification. The amount involved is Rs. 14,874.98 million and Rs. 26,406.58 million respectively. These notices being totally illegal were challenged by the Bank before the Honorable Sindh High Court (SHC) which instructed the taxation officer not to take adverse action. The Honorable SHC has stayed the recovery of tax demands. The Bank as a matter of abundant caution had also filed appeal before Commissioner Inland Revenue (Appeals) (CIR(A)) which has remanded the matter to the taxation officer for re-adjudication for failing to given opportunity of hearing to the Bank. Similar notices have been issued and orders were passed for tax year 2013 during the year cancelling refund compensation aggregating to Rs. 535.91 million which has been challenged before CIR(A) and appeal is pending for hearing.

b) Sindh High Court had quashed the show-cause notices issued in previous round in 2013 for passing orders for tax years 2006 and 2007 under section 161 of the Ordinance on the grounds that these were time-barred in terms of section 174(3) of the Ordinance. Supreme Court on Department’s appeal has subsequently allowed taxation officer to initiate proceedings through fresh notices, subject to certain directions. Orders were passed by taxation officer for tax years 2006 and 2007 last year, treating the Bank as taxpayer-in-default and raising tax demands of Rs. 1,032.18 million and Rs. 1,394.72 million respectively. Bank has filed appeals before CIR(A) primarily on the grounds that Supreme Court’s instructions have been blatantly ignored as cogent reasons for late proceedings were not given and neither amount of tax default nor names of parties were disclosed in the show-cause notices or the orders. The orders are also assailed for being passed in quite arbitrary manner and various legal and factual mistakes are made therein. The appeals have been heard by CIR(A) and decision is awaited.

c) Taxation officer has passed assessment order for tax year 2020 during the year. The Bank has filed appeal before CIR(A) which is pending for hearing. Stay has been granted against tax demand arising out of the assessment order. The Bank has shown the additional tax liability of Rs. 4,298.17 million arising out of the impugned order as contingency based on the tax consultants' expectation that the issues would be decided in Bank's favour.

d) Taxation officer has passed assessment order for tax year 2019 during the year. The Bank has filed appeal before CIR(A) which is pending for hearing. Stay has been granted against tax demand arising out of the assessment order. The Bank has shown the additional tax effect of Rs. 1,772.79 million arising out of the impugned order as contingency based on the tax consultants' expectation that the issues would be decided in Bank's favour.

e) The Additional Commissioner, PRA has passed an order creating the Punjab sales tax liability on the non-withholding of Punjab Sales Tax on the insurance services received by the Bank for the tax periods January 2016-December 2016 and January 2017-December 2017 amounting to Rs. 254.734 million and Rs. 281.774 million respectively. The rectification application has been submitted under section 79 of the Punjab Sales Tax on Services Act, 2012 for the apparent mistake of facts. After the rectification, the net principal exposure would be Rs. 56.621 million and Rs. 50.685 million. Based on the legal and factual position, the Tax Advisor is confident that the ultimate outcome of the proceeding will be decided in the Bank’s favor.

f) The other matters under tax contingencies include allocation of common expenditure between taxable income and exempt / low tax rate income, interest credited to suspense account, reversal of bad debts expense, reversal of provisions of non-performing loans, provisions for diminution in value of investment. Surplus on revaluation of Available for Sale securities disclosed in the Statement of Comprehensive Income in respect of tax year 2013.The aggregate effect of these contingencies as on December 31, 2021, including amount of Rs. 1,982.32 million (December 31, 2020: Rs. 645.97 million) in respect of indirect tax issues, amounts to Rs. 19,964.93 million (December 31, 2020: Rs. 21,163 million). No provision has been made against these contingencies, based on the opinion of tax consultants of the Bank, who expect favorable outcome upon decisions of pending appeals.

25.3.3 Contingencies in respect of employees benefits and related matters

The following are the details of the contingencies arising out of the various legal cases pending adjudication in respect of employees' benefits and related matters. The Bank considers that except for Pensionary benefits note 25.3.3.1, the financial impact of other matters is impracticable to determine with sufficient reliability.

25.3.3.1 Pensionary benefits to retired employees

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

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

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

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

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

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

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

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

In case the above matters are decided unfavorably, the Bank estimates based on the actuarial advice that the financial impact arising from the additional liability would be approximately Rs. 74.4 billion excluding any penal interest / profit payment (if any) due to delayed payment Pension expense for the current year and onward will also increase by Rs.8.4 billion due to this decision. Based on the opinion of legal counsel, no provision has been made in these unconsolidated financial statements for the above-mentioned amount as the Bank is confident about the favorable outcome of the matter.

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

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

25.3.3.3 Litigation related to management trainee program

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

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

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

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

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

25.4 Foreign exchange repatriation case

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

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

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

25.5 Compliance and risk matters relating to anti-money laundering

The Bank operates a branch in New York which is licensed by the New York State Department of Financial Services (NYSDFS) and is also subject to supervision by the Federal Reserve Bank of New York (FRBNY).

The Bank and its New York Branch had entered into a Written Agreement with the FRBNY and NYSDFS (US regulators) in 2016 which inter-alia required the Bank to address certain compliance and risk management matters relating to anti-money laundering and the US bank secrecy law requirements and the implementation of the requisite systems and controls and allocation of adequate resources to ensure full compliance with such requirements.

In February 2022, the Bank has reached agreements with the US Regulators. The agreements include fines totaling US $ 55.4 million equivalent to Rs. 9,778 million focused on historical compliance program weaknesses and delays in making compliance related enhancements.

Under the agreements, the Bank is required to submit status and progress reports at defined frequencies to the US Regulators with respect to the remedial measures being taken in respect of non-compliances at the New York branch. The New York branch has been under new management since May 2020 and has substantially enhanced its compliance program. Management and the Board of Directors of the Bank are committed to ensure compliance with the conditions agreed in the orders given by US Regulators. There were no findings of improper transactions or willful misconduct.

	Note	**2021**	2020
		(Rupees in '000)	
26. MARK-UP / RETURN / INTEREST EARNED			
On:			
a) Loans and advances		**87,346,632**	99,780,695
b) Investments		**139,115,194**	154,040,914
c) Securities purchased under resale agreements		**3,956,776**	2,373,880
d) Balances with banks		**1,464,100**	1,615,526
		231,882,702	257,811,015
27. MARK-UP / RETURN / INTEREST EXPENSED			
Deposits		**87,838,223**	103,380,273
Borrowings		**6,838,985**	6,929,625
Cost of foreign currency swaps against foreign currency deposits / borrowings		**8,018,491**	9,175,328
Finance charge on lease liability against right of use assets		**774,664**	754,180
Securities sold under repurchase agreements		**30,794,533**	33,416,502
		134,264,896	153,655,908
28. FEE AND COMMISSION INCOME			
Branch banking customer fees		**1,211,530**	1,264,985
Consumer finance related fees		**764,985**	771,759
Card related fees (debit cards)		**1,751,172**	1,051,111
Credit related fees		**273,464**	186,655
Investment banking fees		**769,417**	807,481
Commission on trade		**1,947,282**	1,830,680
Commission on guarantees		**459,515**	477,271
Commission on cash management		**95,267**	14,149
Commission on remittances including home remittances		**1,724,239**	1,763,544
Commission on bancassurance		**332,743**	278,406
Commission on government transactions		**8,408,285**	9,652,545
Others		**65,902**	154,960
		17,803,801	18,253,547
29. GAIN / (LOSS) ON SECURITIES - NET			
Realised	29.1	**6,308,994**	7,883,429
Unrealised - held for trading	10.1	**(120,675)**	2,074
		6,188,319	7,885,503

		Note	2021	2020
			------------- (Rupees in '000) -------------	
29.1	**Realised gain on**			
	Federal Government securities		**1,065,169**	5,346,600
	Shares		**5,136,681**	1,868,517
	Ijarah sukuks		**10,809**	8
	Foreign securities		**96,335**	668,304
			6,308,994	7,883,429

30. OTHER INCOME

	Note	2021	2020
Rent on property		**63,480**	36,919
Gain on sale of fixed assets - net		**62,945**	10,775
Postal, SWIFT and other charges recovered		**23,450**	48,071
Claim from insurance company		**4,355**	-
Compensation for delayed tax refunds	30.1	**1,664,879**	3,834,424
Gain on derecognition on right of use assets		**12,378**	-
Tender money		**2,082**	5,836
Others		**10,667**	27,269
		1,844,236	3,963,294

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

31. OPERATING EXPENSES

	Note	2021	2020
		------------- (Rupees in '000) -------------	
Total compensation expenses	31.1	**37,044,928**	40,549,691
Property expenses			
Rent and taxes		**800,290**	778,645
Insurance	31.2	**33,590**	34,734
Utilities cost		**1,363,539**	1,345,619
Security (including guards)		**2,846,980**	2,726,215
Repair and maintenance (including janitorial charges)		**909,994**	965,093
Depreciation		**475,951**	466,348
Depreciation on non banking assets		**15,462**	15,784
Depreciation on Ijarah assets		**72,807**	85,593
Depreciation on ROUA		**1,931,373**	1,883,117
		8,449,986	8,301,148
Information technology expenses			
Software maintenance		**1,353,962**	1,366,196
Hardware maintenance		**87,765**	19,802
Depreciation		**332,791**	247,410
Amortisation		**339,382**	210,961
Network charges		**612,209**	559,235
IT Manage Services		**359,054**	164,897
		3,085,163	2,568,501

	Note	2021	2020
		(Rupees in '000)	
Other operating expenses			
Directors' fees and allowances		**25,431**	36,160
Fees and allowances to Shariah Board		**12,564**	9,407
Legal and professional charges		**1,355,610**	2,150,248
Outsourced services costs	31.3	**640,760**	829,229
Travelling and conveyance		**816,183**	653,230
NIFT clearing charges		**177,432**	189,866
Depreciation		**1,591,362**	1,652,352
Training and development		**62,409**	62,039
Postage and courier charges		**212,943**	213,403
Communication		**339,605**	322,654
Stationery and printing		**1,334,676**	1,128,834
Marketing, advertisement and publicity		**368,095**	317,000
Contributions for other corporate and social responsibility	31.4	**8,197**	85,447
Auditors' remuneration	31.5	**183,610**	198,063
Financial charges on leased assets		**38,300**	30,852
Entertainment		**265,210**	252,132
Clearing charges, verification and licence fee		**293,146**	342,554
Brokerage		**140,233**	121,092
Insurance general		**461,301**	369,473
Vehicle expenses		**173,999**	149,421
Deposit premium expense		**1,571,107**	1,388,248
Repairs and maintenance general		**698,708**	677,533
Others		**306,363**	198,046
		11,077,244	11,377,283
Grand Total		**59,657,321**	62,796,623

31.1 Total compensation expense

	2021	2020
Managerial Remuneration		
i) Fixed	**7,943,984**	12,957,847
of which;		
a) Cash Bonus / Awards etc.	**4,481,382**	4,413,504
Charge for defined benefit plan	**7,406,457**	7,392,388
Rent & house maintenance	**5,305,594**	4,591,965
Utilities	**1,961,619**	1,712,734
Medical	**3,453,565**	3,141,830
Conveyance	**3,359,933**	3,192,648
Club Membership & Subscription	**197,461**	80,796
Education Allowance	**1,455,624**	1,463,449
Insurance	**337,287**	440,776
Honorarium to Staff and Staff Welfare	**251,752**	206,662
Overtime	**44,249**	25,196
Special Duty Allowance	**139**	477
Washing Allowance	**16,590**	15,971
Key Allowance	**72,813**	72,208
Unattractive Area Allowance	**56,898**	57,929
Leave Encashment	**9,775**	9,246
Teaching Allowance	**10,392**	9,199
Incentive on CASA deposits mobilization	**20,473**	6,790
Meal Allowance	**125,580**	126,585
Liveries	**1,265**	1,086
Others	**532,096**	630,405
	37,044,928	40,549,691
	37,044,928	40,549,691

31.2 This includes Rs. 3.422 million (2020: Rs.3.550 million) insurance premium against directors' liability insurance.

31.3 Total cost for the year included in other operating expenses relating to outsourced activities is Rs. 640.8 million (2020: Rs. 829 million). Out of this cost, Rs. 631.7 million (2020: Rs. 821 million) pertains to the payment to companies incorporated in Pakistan and Rs. 9.1 million (2020: Rs. 8 million) pertains to payment to companies incorporated outside Pakistan. Total Cost of outsourced activities for the year given to related parties is Rs. nil (2020: Rs. nil). Outsourcing shall have the same meaning as specified in Annexure-I of BPRD Circular No. 06 of 2017. The material outsourcing arrangements along with their nature of services are as follows:

Name of Company	Nature of Services	2021	2020
		------------- (Rupees in '000)	-------------
HTECH Solutions (Private) Limited	Call center management	**94,770**	97,407
		94,770	97,407

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

31.4 Contributions for Corporate & Social Responsibilities include following amounts exceeding Rs. 500,000:

Description	2021	2020
	------------- (Rupees in '000)	-------------
Karachi Relief Trust (KRT)	**-**	20,000
Rural Community Development Program	**-**	20,000
National Rural Support Program	**-**	25,000
SAFCO Support Program	**-**	5,000
Thardeep Mirco Finance Foundation	**-**	5,000
Agha Khan Rural Support Program	**-**	5,000
Namal Education Foundation	**5,197**	5,200
Pakistan Hindu Council	**1,000**	-
Tehzibul Akhlaq Trust	**2,000**	-
Total	**8,197**	85,200

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

	Yousuf Adil	A.F. Ferguson & Co	Total 2021	Total 2020
	------------------------------------- (Rupees in '000)			-------------------------------------
31.5 Auditors' remuneration				
Audit fee	**6,226**	**6,226**	**12,452**	12,452
Review of interim financial statements	**2,178**	**2,178**	**4,356**	4,356
Fee for audit of domestic branches	**5,060**	**5,060**	**10,120**	10,120
Fee for other statutory certifications	**-**	**-**	**-**	2,500
Special certifications and sundry advisory services	**5,798**	**2,136**	**7,934**	3,104
Tax services	**-**	**-**	**-**	20,000
Sales Tax	**1,900**	**1,608**	**3,508**	4,203
Out-of-pocket expenses	**4,500**	**4,500**	**9,000**	9,000
	25,662	**21,708**	**47,370**	65,735
Fee for audit of overseas branches including advisory services and out-of-pocket expenses	**-**	**-**	**136,240**	132,328
	25,662	**21,708**	**183,610**	198,063

32. OTHER CHARGES

	Note	2021	2020
		(Rupees in '000)	
Penalties imposed by State Bank of Pakistan		**343,698**	310,588
Penalties imposed by other regulatory bodies (Central bank of international branches)		**2,765**	4,719
		346,463	315,307

33. PROVISIONS AND WRITE OFFS - NET

	Note	2021	2020
Provisions for diminution in value of investments	10.3	**663,219**	(126,387)
Provisions against loans and advances	11.4	**11,119,007**	29,320,023
Provision against other assets		**134,157**	1,702,302
		11,916,383	30,895,938

34. TAXATION

	Note	2021	2020
Current	34.1	**26,915,246**	24,898,997
Prior years		**-**	-
Deferred		**(2,062,826)**	(9,233,769)
		24,852,420	15,665,228

34.1 Current taxation includes Rs. Nil (2020: Rs. Nil million) of overseas branches.

34.2 Relationship between tax expense and accounting profit

	2021	2020
	(Rupees in '000)	
Accounting profit before tax	**52,860,408**	46,224,147
Income tax at statutory rate @ 35% (2020: 35%)	**18,501,143**	16,178,451
Increase / (decrease) in taxes resulting from:		
Super tax at statutory rate @ 4% (2020: 4%)	**2,114,416**	1,848,966
Inadmissible items	**3,948,871**	122,970
Enhanced rate on Govt. Securities	**832,181**	65,134
Reduced rate on SME / Housing	**(96,438)**	(27,636)
Impact of tax order	**-**	(2,314,832)
Others	**(447,753)**	(207,825)
Tax charge for current and prior years	**24,852,420**	15,665,228

35. BASIC EARNINGS PER SHARE

	2021	2020
Profit for the year (Rupees in 000's)	**28,007,988**	30,558,919
Weighted average number of ordinary shares (Number in 000's)	**2,127,513**	2,127,513
Basic earnings per share (Rupees)	**13.16**	14.36

36. DILUTED EARNINGS PER SHARE

	2021	2020
Profit for the year (Rupees in 000's)	**28,007,988**	30,558,919
Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares) (Number in 000's)	**2,127,513**	2,127,513
Diluted earnings per share (Rupees)	**13.16**	14.36

37. CASH AND CASH EQUIVALENTS

	Note	2021	2020
		(Rupees in '000)	
Cash and balances with treasury banks	7	**278,747,059**	249,259,590
Balances with other banks	8	**17,667,067**	14,227,355
Call / clean money lendings	9	**21,009,723**	2,040,800
Call borrowings	18	**(46,011,009)**	(2,047,588)
Overdrawn nostro accounts	18	**(26,480)**	(1,236,440)
		271,386,360	262,243,717

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

	2021	
	Lease Obligation	Unclaimed Dividend
	------------- (Rupees in '000) -------------	
Balance as at January 1, 2020	**7,533,691**	**185,516**
Changes from financing cashflows		
Payment of lease obligation / dividend	**(2,450,084)**	**(3,519)**
Total charges from financing activities	**(2,450,084)**	**(3,519)**
Other charges		
Renewed lease during the year	**1,894,476**	**-**
Interest unwinding	**774,664**	**-**
Foreign exchange loss	**141,213**	**-**
Total other charges	**2,810,353**	**-**
Balance as at December 31, 2021	**7,893,960**	**181,997**

	2020	
	Lease Obligation	Unclaimed Dividend
	------------- (Rupees in '000) -------------	
Balance as at January 1, 2019	7,640,188	186,668
Changes from financing cashflows		
Payment of lease obligation / dividend	(2,040,384)	(1,152)
Total charges from financing activities	(2,040,384)	(1,152)
Other charges		
Renewed lease during the year	1,237,488	-
Interest unwinding	754,180	-
Foreign exchange gain	(57,781)	-
Total other charges	1,933,887	-
Balance as at December 31, 2020	7,533,691	185,516

38. STAFF STRENGTH

	2021	2020
	------------- (Numbers) -------------	
Permanent	**10,437**	10,751
On Bank contract	**4,972**	4,358
Bank's own staff strength at the end of the year	**15,409**	15,109

38.1 In addition to the above, 1273 (2020: 1,838) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services. Out of these, 1258 employees are working domestically (2020: 1,825) and 15 (2020: 13) abroad respectively.

39. DEFINED BENEFIT PLAN

39.1 General description

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

39.2 Number of employees under the scheme

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

	2021	2020
	------------- (Numbers) -------------	
Pension fund	**10,437**	10,751
Post retirement medical scheme	**10,437**	10,751
Benevolent scheme	**10,437**	10,751
Gratuity scheme	**4,685**	3,985
Compensated absences	**10,437**	10,751

39.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2021 using the following significant assumptions:

	2021	2020
	(Per annum)	
Discount rate	**11.75%**	9.75%
Expected rate of return on plan assets	**11.75%**	9.75%
Expected rate of salary increase	**11.75%**	9.75%
Expected rate of increase in pension	**29% for next one year, 7.25% onwards**	14.00%
Expected rate of increase in medical benefit	**11.75%**	9.75%

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

	2021						2020					
	Pension fund	**Post retirement medical scheme**	**Benevolent scheme**	**Gratuity scheme**	**Compensated absences**	**Total**	Pension fund	Post retirement medical scheme	Benevolent scheme	Gratuity scheme	Compensated absences	Total
	(Rupees in '000)						(Rupees in '000)					
Present value of obligations	**79,608,695**	**24,516,717**	**1,778,825**	**3,168,258**	**9,952,554**	**119,025,049**	72,742,130	22,282,747	2,054,218	2,711,914	9,251,755	109,042,764
Fair value of plan assets	**(61,773,750)**	**-**	**-**	**-**	**-**	**(61,773,750)**	(57,038,053)	-	-	-	-	(57,038,053)
Payable	**17,834,945**	**24,516,717**	**1,778,825**	**3,168,258**	**9,952,554**	**57,251,299**	15,704,077	22,282,747	2,054,218	2,711,914	9,251,755	52,004,711

39.5 Movement in defined benefit obligations

	2021 Pension fund	2021 Post retirement medical scheme	2021 Benevolent scheme	2021 Gratuity scheme	2021 Compensated absences	2021 Total	2020 Pension fund	2020 Post retirement medical scheme	2020 Benevolent scheme	2020 Gratuity scheme	2020 Compensated absences	2020 Total
Obligations at the beginning of the year	**72,742,130**	**22,282,747**	**2,054,218**	**2,711,914**	**9,251,755**	**109,042,764**	66,473,466	18,333,947	1,749,006	2,206,599	8,344,182	97,107,200
Current service cost	**1,036,822**	**794,194**	**72,381**	**379,017**	**16,194**	**2,298,608**	1,517,934	554,295	61,059	311,438	133,178	2,577,904
Past Service due to early retirement gratuity	**119,800**	**-**	**-**	**-**	**-**	**119,800**	-	-	-	-	-	-
Adjustment against contingency Reserve	**245,833**	**70,731**	**2,939**	**-**	**31,950**	**351,453**	2,338,905	497,146	20,650	-	319,164	3,175,865
Interest cost	**6,939,689**	**2,118,798**	**189,497**	**258,343**	**887,413**	**10,393,740**	7,285,453	1,996,008	183,757	244,487	919,810	10,629,515
Benefits paid by the Bank	**(3,131,668)**	**(1,102,980)**	**(221,326)**	**(124,479)**	**(300,163)**	**(4,880,616)**	(3,427,771)	(1,183,316)	(231,219)	(66,763)	(336,194)	(5,245,263)
Re-measurement loss / (gain) - Profit and loss	**-**	**-**	**-**	**-**	**65,405**	**65,405**	-	-	-	-	(128,385)	(128,385)
Re-measurement loss / (gain) - OCI	**1,656,089**	**353,227**	**(318,884)**	**(56,537)**	**-**	**1,633,895**	(1,445,857)	2,084,667	270,965	16,153	-	925,928
Obligations at the end of the year	**79,608,695**	**24,516,717**	**1,778,825**	**3,168,258**	**9,952,554**	**119,025,049**	72,742,130	22,282,747	2,054,218	2,711,914	9,251,755	109,042,764

39.6 Movement in fair value of plan assets

	2021 Pension fund	2021 Post retirement medical scheme	2021 Benevolent scheme	2021 Gratuity scheme	2021 Compensated absences	2021 Total	2020 Pension fund	2020 Post retirement medical scheme	2020 Benevolent scheme	2020 Gratuity scheme	2020 Compensated absences	2020 Total
Fair value at the beginning of the year	**57,038,053**	**-**	**-**	**-**	**-**	**57,038,053**	51,687,819	-	-	-	-	51,687,819
Interest income on plan assets	**5,471,096**	**-**	**-**	**-**	**-**	**5,471,096**	5,686,646	-	-	-	-	5,686,646
Contribution by the Bank - net	**1,283,178**	**-**	**-**	**-**	**-**	**1,283,178**	1,148,063	-	-	-	-	1,148,063
Benefits paid	**(3,131,668)**	**-**	**-**	**-**	**-**	**(3,131,668)**	(3,427,771)	-	-	-	-	(3,427,771)
Benefits paid on behalf of fund	**1,713,284**	**-**	**-**	**-**	**-**	**1,713,284**	1,783,479	-	-	-	-	1,783,479
Actuarial gain / (loss) on Assets	**(600,193)**	**-**	**-**	**-**	**-**	**(600,193)**	159,817	-	-	-	-	159,817
Fair value at the end of the year	**61,773,750**	**-**	**-**	**-**	**-**	**61,773,750**	57,038,053	-	-	-	-	57,038,053

Movement in (receivable) / payable under defined benefits scheme

	2021 Pension fund	2021 Post retirement medical scheme	2021 Benevolent scheme	2021 Gratuity scheme	2021 Compensated absences	2021 Total	2020 Pension fund	2020 Post retirement medical scheme	2020 Benevolent scheme	2020 Gratuity scheme	2020 Compensated absences	2020 Total
opening balance	**15,704,077**	**22,282,747**	**2,054,218**	**2,711,914**	**9,251,755**	**52,004,711**	14,785,647	18,333,947	1,749,006	2,206,599	8,344,182	45,419,381
Charge / (reversal) for the year	**2,505,415**	**2,912,992**	**261,878**	**637,360**	**969,012**	**7,286,657**	3,116,741	2,550,303	244,816	555,925	924,603	7,392,388
Past Service due to early retirement gratuity	**119,800**	**-**	**-**	**-**	**-**	**119,800**	-	-	-	-	-	-
Adjustment against contingency Reserve	**245,833**	**70,731**	**2,939**	**-**	**31,950**	**351,453**	2,338,905	497,146	20,650	-	319,164	3,175,865
Contribution by the bank - net	**(1,283,178)**	**-**	**-**	**-**	**-**	**(1,283,178)**	(1,148,063)	-	-	-	-	(1,148,063)
Re-measurement loss / (gain) recognised in OCI during the year	**2,256,282**	**353,227**	**(318,884)**	**(56,537)**	**-**	**2,234,088**	(1,605,674)	2,084,667	270,965	16,153	-	766,111
Benefits paid by the Bank	**(1,713,284)**	**(1,102,980)**	**(221,326)**	**(124,479)**	**(300,163)**	**(3,462,232)**	(1,783,479)	(1,183,316)	(231,219)	(66,763)	(336,194)	(3,600,971)
	17,834,945	**24,516,717**	**1,778,825**	**3,168,258**	**9,952,554**	**57,251,299**	15,704,077	22,282,747	2,054,218	2,711,914	9,251,755	52,004,711

39.7 Charge for defined benefit plans

39.7.1 Cost recognised in profit and loss

	2021 Pension fund	2021 Post retirement medical scheme	2021 Benevolent scheme	2021 Gratuity scheme	2021 Compensated absences	2021 Total	2020 Pension fund	2020 Post retirement medical scheme	2020 Benevolent scheme	2020 Gratuity scheme	2020 Compensated absences	2020 Total
Current service cost	**1,036,822**	**794,194**	**72,381**	**379,017**	**16,194**	**2,298,608**	1,517,934	554,295	61,059	311,438	133,178	2,577,904
Past Service due to early retirement gratuity	**119,800**	**-**	**-**	**-**	**-**	**119,800**	-	-	-	-	-	-
Actuarial loss recognized - Profit and Loss	**-**	**-**	**-**	**-**	**65,405**	**65,405**	-	-	-	-	(128,385)	(128,385)
Net interest on defined benefit asset / liability	**1,468,593**	**2,118,798**	**189,497**	**258,343**	**887,413**	**4,922,644**	1,598,807	1,996,008	183,757	244,487	919,810	4,942,869
	2,625,215	**2,912,992**	**261,878**	**637,360**	**969,012**	**7,406,457**	3,116,741	2,550,303	244,816	555,925	924,603	7,392,388

39.7.2 Re-measurements recognised in OCI during the year

	2021 Pension fund	2021 Post retirement medical scheme	2021 Benevolent scheme	2021 Gratuity scheme	2021 Compensated absences	2021 Total	2020 Pension fund	2020 Post retirement medical scheme	2020 Benevolent scheme	2020 Gratuity scheme	2020 Compensated absences	2020 Total
Loss / (gain) on obligation												
- Experience adjustment	**2,256,282**	**353,227**	**(318,884)**	**(56,537)**	**-**	**2,234,088**	(1,605,674)	2,084,667	270,965	16,153	-	766,111
Total re-measurements recognised in OCI	**2,256,282**	**353,227**	**(318,884)**	**(56,537)**	**-**	**2,234,088**	(1,605,674)	2,084,667	270,965	16,153	-	766,111

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		2021	2020
		--------- (Rupees in '000) --------	
39.8	**Components of plan assets - Pension fund**		
	Pakistan investment bonds	**19,320,490**	22,127,729
	Treasury bills	**1,500,000**	1,655,750
	Term finance certificates	**104,000**	104,000
	Mutual funds	**6,697,543**	6,427,374
	Shares	**6,969,297**	7,179,354
	Defence saving certificates	**9,536,176**	8,479,970
	Special saving certificates	**10,888,009**	9,635,360
	PLS - Term Deposit Receipts	**6,625,201**	-
	Cash at bank	**133,034**	1,428,516
		61,773,750	57,038,053

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

39.9 Sensitivity analysis

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

	2021					
	Pension fund	**Post retirement medical scheme**	**Benevolent scheme**	**Gratuity scheme**	**Compensated absences**	**Total**
	-- (Rupees in 000')					--
1% increase in discount rate	**(7,801,671)**	**(3,200,097)**	**(111,278)**	**(350,414)**	**(723,780)**	**(12,187,240)**
1% decrease in discount rate	**9,421,062**	**4,025,246**	**125,533**	**425,462**	**825,806**	**14,823,109**
1 % increase in expected rate of salary increase	**3,902,322**	**1,255,589**	**22,217**	**437,303**	**865,321**	**6,482,752**
1 % decrease in expected rate of salary increase	**(3,524,818)**	**(1,112,159)**	**(21,297)**	**(365,858)**	**(770,514)**	**(5,794,646)**
1% increase in expected rate of pension increase	**5,283,386**	**1,863,193**	**-**	**-**	**-**	**7,146,579**
1% decrease in expected rate of pension increase	**(4,543,855)**	**(1,602,549)**	**-**	**-**	**-**	**(6,146,404)**
1% increase in expected rate of medical benefit increase	**-**	**882,076**	**-**	**-**	**-**	**882,076**
1% decrease in expected rate of medical benefit increase	**-**	**(721,887)**	**-**	**-**	**-**	**(721,887)**

39.10	**Expected contributions to be paid to the funds in the next financial year**	**1,589,502**
39.11	**Expected charge for the next financial year**	**8,622,697**

39.12 Maturity profile

The weighted average duration of the obligation

	Years
Pension fund	10.86
Post retirement medical scheme	14.82
Benevolent scheme	6.66
Gratuity scheme	12.33
Compensated absences	7.79

39.13 Funding Policy

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

Current Assets	**Amount Rupees in '000**	**Percentage**
Cash and cash equivalents - net	**133,034**	**0.2%**
Government securities	**41,244,675**	**66.8%**
Shares	**6,969,297**	**11.3%**
Non-Government debt securities	**104,000**	**0.2%**
PLS - Term Deposit Receipts	**6,625,201**	**10.7%**
Mutual funds	**6,697,543**	**10.8%**
	61,773,750	**100%**

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

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

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

40. DEFINED CONTRIBUTION PLAN

A defined contribution (DC) plan is a type of retirement plan in which the employer, employee or both make contributions on a regular basis. Individual accounts are set up for participants and benefits are based on the amounts credited to these accounts (through employee contributions and, if applicable, employer contributions) plus any investment earnings on the money in the account. In defined contribution plans, future benefits fluctuate on the basis of investment earnings.

Bank currently does not have any defined contribution plan.

41. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

41.1 Total Compensation Expense

	2021					
Items	**Directors**		**Members Shariah Board**	**President / CEO**	**Key Management Personnel**	**Other Material Risk Takers / Controllers**
	Chairman	**Non-Executives**				
	---------- (Rs. in '000) ----------					
Fees and Allowances etc.	**4,874**	**20,557**	**9,981**	**-**	**-**	**-**
Managerial Remuneration						
i) Fixed	**-**	**-**	**-**	**54,000**	**181,256**	**464,281**
ii) Total Variable	**-**	**-**	**-**	**-**	**-**	**-**
of which						
a) Cash Bonus / Awards	**-**	**-**	**774**	**-**	**162,086**	**237,324**
Charge for defined benefit plan	**-**	**-**	**98**	**4,500**	**30,631**	**103,925**
Rent & house maintenance	**-**	**-**	**869**	**-**	**99,691**	**254,784**
Utilities	**-**	**-**	**269**	**-**	**48,007**	**86,030**
Medical	**-**	**-**	**198**	**-**	**23,964**	**78,027**
Conveyance	**-**	**-**	**375**	**-**	**19,536**	**73,588**
Others	**-**	**-**	**-**	**3,970**	**9,463**	**102,454**
Total	**4,874**	**20,557**	**12,564**	**62,470**	**574,634**	**1,400,413**
Number of Persons	**1**	**8**	**5**	**1**	**32**	**138**

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

41.1.1 SBP has issued guidelines and disclosure on governance and remuneration practices through BPRD Circular No. 01 of 2017 dated January 25, 2017 effective from January 01, 2019. No bonus payout has yet been made under the said circular and deferral as per Human Resources Policy will be made at the time of payment.

Performance bonus is accounted for on payment basis.

Items	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non-Executives				
	2020					
	(Rs. in '000)					
Fees and Allowances etc.	4,109	32,050	7,362	-	-	-
Managerial Remuneration						
i) Fixed	-	-	-	54,000	206,031	405,064
ii) Total Variable	-	-	-	-	-	-
of which						
a) Cash Bonus / Awards	-	-	549	-	64,745	175,480
Charge for defined benefit plan	-	-	117	4,500	40,979	104,283
Rent & house maintenance	-	-	683	-	89,343	193,085
Utilities	-	-	211	-	27,615	60,211
Medical	-	-	155	-	24,633	63,510
Conveyance	-	-	330	-	17,234	50,435
Others	-	-	-	3,511	13,709	61,611
Total	4,109	32,050	9,407	62,011	484,289	1,113,679
Number of Persons	1	8	3	1	34	99

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

2021

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

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

2020

S.No.	Name of Director	Meeting Fees and Allowances Paid								
		For Board Meetings	For Board Committees							
			Board Audit Committee	Board Risk & Compliance Committee	Board HR & Remuneration Committee	Board Technology & Digitalization Committee	Board Inclusive Development Committee	Board International Franchises & Remittance Committee	Allowances	Total Amount Paid
		(Rs. in '000)								
1	Mr. Zubyr Soomro	2,100	-	-	1,350	-	-	-	659	4,109
2	Mr. Farid Malik	1,950	-	1,050	1,350	1,350	-	-	1,097	6,797
3	Mr. Tawfiq Asghar Hussain	2,100	1,200	1,050	-	-	-	1,200	-	5,550
4	Mr. Imam Bukhsh Baloch	2,100	-	1,050	-	-	1,050	-	-	4,200
5	Ms. Sadaffe Abid	1,650	-	-	-	1,350	1,050	-	71	4,121
6	Mr. Asif Jooma	1,650	900	-	1,050	-	-	-	-	3,600
7	Mr. Muhammad Sohail Rajput	2,100	900	-	-	-	1,050	-	365	4,415
8	Mr. Zafar Masud	900	-	-	600	450	-	300	-	2,250
9	Mr. Muhammad Naeem	450	300	150	-	-	-	-	218	1,118
	Total Amount Paid	15,000	3,300	3,300	4,350	3,150	3,150	1,500	2,410	36,160

41.3 Remuneration paid to Shariah Board Members

Items	**2021**				2020			
	Chairman	**Resident Member**	**Non-Resident Member(s)**	**Total**	Chairman	Resident Member	Non-Resident Member(s)	Total
	(Rs. in '000)							
Retainer Fee & Fixed Remuneration	**3,462**	**4,163**	**4,939**	**12,563**	3,240	3,287	2,880	9,407
Total Amount Paid	**3,462**	**4,163**	**4,939**	**12,564**	3,240	3,287	2,880	9,407
Total Number of Persons	**1**	**1**	**3**	**5**	1	1	1	3

42. FAIR VALUE MEASUREMENTS

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

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

42.1 Fair value of financial assets

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

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

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

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

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

		2021			
	Carrying Value	Level 1	Level 2	Level 3	Total
On balance sheet financial instruments	(Rupees in '000)				
Financial assets - measured at fair value					
Investments					
Market Treasury Bills	811,893,893	-	811,893,893	-	811,893,893
Pakistan Investment Bonds	592,430,009	-	592,430,009	-	592,430,009
Ijarah Sukuks	13,969,700	-	13,969,700	-	13,969,700
Ordinary shares of listed companies	39,784,637	39,784,637	-	-	39,784,637
Preference shares	1,265,729	1,265,729	-	-	1,265,729
Investments in mutual funds	1,868,184	-	1,868,184	-	1,868,184
Term Finance Certificates / Musharika and Sukuk Bonds	51,224,167	17,059,736	34,164,431	-	51,224,167
GoP Foreign Currency Bonds	20,804,963	-	20,804,963	-	20,804,963
Foreign Government Securities	907,304	-	907,304	-	907,304
Foreign Currency Debt Securities	-	-	-	-	-
Ordinary shares of a bank outside Pakistan	27,524,206	27,524,206	-	-	27,524,206
	1,561,672,792	85,634,308	1,476,038,484	-	1,561,672,792
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	278,747,059	-	-	-	-
Balances with other banks	17,667,067	-	-	-	-
Lending to financial institution	335,466,675	-	-	-	-
Investments					
Pakistan Investment Bonds	324,556,862	-	-	-	-
GoP Foreign Currency Bonds	-	-	-	-	-
Ordinary shares of unlisted companies	1,471,305	-	-	-	-
Market Treasury Bills	-	-	-	-	-
Foreign Government Securities	34,091,600	-	-	-	-
Foreign Currency Debt Securities	680	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	30	-	-	-	-
Bai muajjal with Government of Pakistan	10,914,185	-	-	-	-
Advances	1,113,392,485	-	-	-	-
Other assets	63,484,600	-	-	-	-
	2,179,792,548	-	-	-	-
	3,741,465,340	85,634,308	1,476,038,484	-	1,561,672,792
Off-balance sheet financial instruments - measured at fair value					
Foreign exchange contracts purchase and sale	571,111,340	-	3,058,205	-	3,058,205
Forward government securities transactions	38,255,954	-	(308,328)	-	(308,328)

	Carrying Value	2020 Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Market Treasury Bills	626,248,789	-	626,248,789	-	626,248,789
Pakistan Investment Bonds	473,408,082	-	473,408,082	-	473,408,082
Ijarah Sukuks	6,015,600	-	6,015,600	-	6,015,600
Ordinary shares of listed companies	47,907,782	47,907,782	-	-	47,907,782
Preference shares	1,099,850	1,099,850	-	-	1,099,850
Investments in mutual funds	2,000,170	-	2,000,170	-	2,000,170
Term Finance Certificates / Musharika and Sukuk Bonds	55,860,007	19,911,278	35,948,728	-	55,860,007
GoP Foreign Currency Bonds	10,840,875	-	10,840,875	-	10,840,875
Foreign Government Securities	2,847,176	-	2,847,176	-	2,847,176
Foreign Currency Debt Securities	80,640	-	80,640	-	80,640
Ordinary shares of a bank outside Pakistan	17,652,778	17,652,778	-	-	17,652,778
	1,243,961,749	86,571,688	1,157,390,061	-	1,243,961,749
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	249,259,590	-	-	-	-
Balances with other banks	14,227,355	-	-	-	-
Lending to financial instruments	126,804,675	-	-	-	-
Investments					
Pakistan Investment Bonds	168,422,981	-	-	-	-
GoP Foreign Currency Bonds	-	-	-	-	-
Ordinary shares of unlisted companies	1,455,089	-	-	-	-
Foreign Government Securities	32,328,738	-	-	-	-
Foreign Currency Debt Securities	618	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	7,838	-	-	-	-
Bai muajjal with Government of Pakistan	11,641,133	-	-	-	-
Advances	983,254,527	-	-	-	-
Other assets	63,745,385	-	-	-	-
	1,651,147,929	-	-	-	-
	2,895,109,678	86,571,688	1,157,390,061	-	1,243,961,749
Off-balance sheet financial instruments - measured at fair value					
Foreign exchange contracts purchase and sale	419,327,735	-	(2,918,017)	-	(2,918,017)
Forward government securities transactions	27,625,340	-	52,885	-	52,885

Valuation techniques used in determination of fair valuation of financial instruments within level 1 and level 2

Item	**Valuation approach and input used**
Market Treasury Bills	PKRV (MUFAP)
Pakistan Investment Bonds	PKRV (MUFAP)
Ijarah Sukuks	MUFAP
Ordinary shares of unlisted companies	Breakup value as per latest available audited financial statements
Term Finance Certificates / Musharika and Sukuk Bonds	MUFAP
GoP Foreign Currency Bonds	Reuter page
Foreign Government Securities	Reuter page
Foreign Currency Debt Securities	Reuter page
Investments in mutual funds	MUFAP

42.2 Fair value of non-financial assets

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

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

	Carrying Value	2020 Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
Land & building (fixed assets)	48,764,139	-	-	48,764,139	48,764,139
Non-banking assets acquired in satisfaction of claims	3,968,329	-	-	3,968,329	3,968,329
	52,732,468	-	-	52,732,468	52,732,468

43. SEGMENT INFORMATION

43.1 Segment Details with respect to Business Activities

During the year the Bank changed its internal organisation structure in a manner that changed the composition of its reportable segments, and accordingly the prior year disclosure is restated to reflect the current reportable segments. Branch banking has been bifurcated in to Retail Banking Group and Inclusive Development Group.

	2021									
	Retail Banking Group	Inclusive Development Group	Corporate and Investment Banking	Treasury	International, Financial Institution and Remittance	Aitemaad and Islamic Banking	Head Office / Others	Sub total	Eliminations	Total
	(Rupees in '000)									
Profit and loss account										
Net mark-up / return / profit	(58,755,894)	17,163,761	25,963,957	105,182,793	3,798,879	4,682,056	(417,747)	97,617,806	-	97,617,806
Inter segment revenue - net	111,902,235	(14,376,019)	(22,474,486)	(91,149,527)	-	(577,589)	16,675,387	-	-	-
Non mark-up / return / interest income	13,490,925	406,372	4,153,941	15,434,144	1,284,540	336,316	1,835,379	36,941,617	-	36,941,617
Total income	66,637,266	3,194,114	7,643,412	29,467,410	5,083,419	4,440,783	18,093,019	134,559,423	-	134,559,423
Segment direct expenses	30,900,118	3,031,845	1,121,182	324,271	6,363,529	2,816,952	416,581	44,974,478	-	44,974,478
Inter segment expense allocation	-	-	-	-	-	-	24,808,154	24,808,154	-	24,808,154
Total expenses	30,900,118	3,031,845	1,121,182	324,271	6,363,529	2,816,952	25,224,734	69,782,632	-	69,782,632
Provisions charge / (reversal)	731,529	1,721,582	9,235,188	542,703	(111,737)	121,444	(324,326)	11,916,383	-	11,916,383
Profit / (loss) before tax	35,005,619	(1,559,313)	(2,712,958)	28,600,436	(1,168,373)	1,502,387	(6,807,390)	52,860,408	-	52,860,408
Statement of financial position										
Cash and Bank balances	91,792,092	8,185,926	248,408	131,293,182	58,290,758	6,603,670	90	296,414,126	-	296,414,126
Investments	-	-	26,543,698	1,803,150,092	55,804,559	49,548,759	3,123,533	1,938,170,642	-	1,938,170,642
Net inter segment lending	2,319,442,077	-	-	-	-	-	274,915,854	2,594,357,931	(2,594,357,931)	-
Lendings to financial institutions	2,405,644	-	-	333,061,031	-	-	-	335,466,675	-	335,466,675
Advances - performing	184,159,822	224,303,465	566,367,602	-	80,731,709	42,316,269	9,359,703	1,107,238,569	-	1,107,238,569
Advances - non-performing	4,180,477	21,115,711	61,624,712	-	46,293,148	712,762	64,011,419	197,938,229	-	197,938,229
Provision against advances	(9,024,982)	(18,226,471)	(56,033,619)	-	(44,989,510)	(712,762)	(62,796,969)	(191,784,313)	-	(191,784,313)
Advances - net	179,315,317	227,192,705	571,958,695	-	82,035,347	42,316,269	10,574,153	1,113,392,485	-	1,113,392,485
Others	25,276,052	2,297,783	18,315,585	3,581,004	4,964,806	2,302,955	106,502,357	163,240,541	-	163,240,541
Total assets	2,618,231,182	237,676,414	617,066,386	2,271,085,309	201,095,470	100,771,653	395,115,987	6,441,042,400	(2,594,357,931)	3,846,684,469
Borrowings	-	4,148,727	63,733,341	207,857,704	37,185,334	-	-	312,925,106	-	312,925,106
Deposits and other accounts	2,563,644,125	-	286,586,523	-	75,485,252	84,849,519	8,589,626	3,019,155,045	-	3,019,155,045
Net inter segment borrowing	-	228,687,313	249,365,896	2,016,684,060	85,836,008	13,784,654	-	2,594,357,931	(2,594,357,931)	-
Others	54,587,057	4,840,374	17,044,690	11,549,538	2,536,069	1,543,475	136,300,550	228,401,753	-	228,401,753
Total liabilities	2,618,231,182	237,676,414	616,730,450	2,236,091,302	201,042,663	100,177,648	144,890,176	6,154,839,835	(2,594,357,931)	3,560,481,904
Equity	-	-	335,936	34,994,007	52,807	594,005	250,225,811	286,202,565	-	286,202,565
Total equity and liabilities	2,618,231,182	237,676,414	617,066,386	2,271,085,309	201,095,470	100,771,653	395,115,987	6,441,042,400	(2,594,357,931)	3,846,684,469
Contingencies and commitments	-	81,061,634	1,740,040,766	609,367,294	22,910,804	-	37,123,935	2,490,504,435	-	2,490,504,435

	2020 (Restated)									
	Retail Banking Group	Inclusive Development Group	Corporate & Investment Banking	Treasury	International, Financial Institution and Remittance	Aitemaad & Islamic Banking	Head Office / Others	Sub total	Eliminations	Total
	(Rupees in '000)									
Profit and loss account										
Net mark-up / return / profit	(82,278,559)	19,374,543	45,786,341	113,674,589	2,944,549	5,033,803	(380,160)	104,155,107	-	104,155,107
Inter segment revenue - net	132,329,062	(15,264,205)	(40,287,855)	(86,111,719)	-	(409,849)	9,744,567	-	-	-
Non mark-up / return / interest income	13,606,432	1,333,608	2,934,104	11,968,002	1,933,019	425,941	3,875,801	36,076,908	-	36,076,908
Total income	63,656,935	5,443,946	8,432,590	39,530,872	4,877,568	5,049,895	13,240,209	140,232,015	-	140,232,015
Segment direct expenses	27,928,850	2,851,051	906,172	366,426	6,337,022	2,542,000	405,695	41,337,217	-	41,337,217
Inter segment expense allocation	-	-	-	-	-	-	21,774,714	21,774,714	-	21,774,714
Total expenses	27,928,850	2,851,051	906,172	366,426	6,337,022	2,542,000	22,180,409	63,111,930	-	63,111,930
Provisions charge / (reversal)	670,506	3,818,845	26,216,211	(202,726)	(484,011)	398,979	478,134	30,895,938	-	30,895,938
Profit / (loss) before tax	35,057,580	(1,225,950)	(18,689,793)	39,367,172	(975,444)	2,108,916	(9,418,335)	46,224,147	-	46,224,147
Statement of financial position										
Cash and Bank balances	146,249,864	13,560,025	281,210	49,710,033	47,960,766	5,724,957	89	263,486,945	-	263,486,945
Investments	-	-	31,393,587	1,340,556,530	46,098,046	42,109,641	3,240,273	1,463,398,076	-	1,463,398,076
Net inter segment lending	1,784,038,348	-	-	-	-	-	187,176,073	1,971,214,420	(1,971,214,420)	-
Lendings to financial institutions	-	-	-	126,802,025	-	-	2,650	126,804,675	-	126,804,675
Advances - performing	167,205,416	185,345,489	541,263,835	-	43,633,881	37,546,863	13,584,130	988,579,614	-	988,579,614
Advances - non-performing	4,007,870	22,497,098	47,548,441	-	42,345,094	602,913	54,292,716	171,294,133	-	171,294,133
Provision against Advances	(8,383,514)	(19,538,451)	(52,114,538)	-	(41,266,079)	(602,913)	(54,713,725)	(176,619,220)	-	(176,619,220)
Advances - net	162,829,772	188,304,136	536,697,739	-	44,712,896	37,546,863	13,163,121	983,254,527	-	983,254,527
Others	23,840,339	2,248,427	22,588,501	366,297	3,972,925	3,580,119	114,986,149	171,582,758	-	171,582,758
Total assets	2,116,958,323	204,112,588	590,961,037	1,517,434,885	142,744,633	88,961,580	318,568,356	4,979,741,401	(1,971,214,420)	3,008,526,981
Borrowings	-	3,511,852	46,688,596	86,290,983	2,047,575	-	-	138,539,005	-	138,539,005
Deposits and other accounts	2,070,445,603	-	200,011,969	-	73,225,543	75,268,262	15,102	2,418,966,479	-	2,418,966,479
Net inter segment borrowing	-	196,293,623	326,190,341	1,375,268,749	63,868,561	9,593,146	-	1,971,214,420	(1,971,214,420)	-
Others	46,512,720	4,307,113	17,857,441	12,387,953	3,138,352	3,440,604	95,818,572	183,462,755	-	183,462,755
Total liabilities	2,116,958,323	204,112,588	590,748,347	1,473,947,685	142,280,030	88,302,012	95,833,674	4,712,182,659	(1,971,214,420)	2,740,968,239
Equity	-	-	212,690	43,487,200	464,603	659,569	222,734,682	267,558,742	-	267,558,742
Total equity and liabilities	2,116,958,323	204,112,588	590,961,037	1,517,434,885	142,744,633	88,961,580	318,568,356	4,979,741,401	(1,971,214,420)	3,008,526,981
Contingencies and commitments	-	46,316,642	1,271,383,035	446,953,075	20,577,429	-	35,553,685	1,820,783,867	-	1,820,783,867

43.2 Segment details with respect to geographical locations

	2021					
	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	Total
	(Rupees in '000)					
Profit and loss account						
Net mark-up / return / profit	93,818,927	1,740,068	(275)	198,227	1,860,859	97,617,806
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	35,657,077	396,975	305,048	340,207	242,310	36,941,617
Total income	129,476,004	2,137,043	304,773	538,434	2,103,169	134,559,423
Segment direct expenses	38,673,910	1,701,708	869,557	2,882,547	909,718	45,037,440
Inter segment expense allocation	24,745,192	-	-	-	-	24,745,192
Total expenses	63,419,102	1,701,708	869,557	2,882,547	909,718	69,782,632
Provisions	12,028,120	(218,598)	66,636	4,585	35,639	11,916,383
Profit / (loss) before tax	54,028,782	653,933	(631,420)	(2,348,698)	1,157,812	52,860,408
Statement of financial position						
Cash and Bank balances	238,123,368	16,079,536	12,409,372	28,845,835	956,015	296,414,126
Investments	1,882,366,083	38,444,313	-	2,834,242	14,526,004	1,938,170,642
Net inter segment lendings	85,836,007	-	-	-	-	85,836,007
Lendings to financial institutions	335,466,675	-	-	-	-	335,466,675
Advances - performing	1,026,506,860	20,282,504	494,294	5,025,734	54,929,177	1,107,238,569
Advances - non-performing	151,645,081	38,850,705	1,311,119	-	6,131,324	197,938,229
Provision against advances	(146,794,803)	(38,765,810)	(1,311,119)	(7,489)	(4,905,092)	(191,784,313)
Advances - net	1,031,357,138	20,367,399	494,294	5,018,245	56,155,410	1,113,392,485
Others	158,275,735	3,016,223	164,067	219,828	1,564,688	163,240,541
Total assets	3,731,425,006	77,907,472	13,067,733	36,918,149	73,202,117	3,932,520,476
Borrowings	275,739,772	1,971,822	-	-	35,213,512	312,925,106
Deposits and other accounts	2,943,669,793	37,237,231	8,815,589	7,455,103	21,977,329	3,019,155,045
Net inter segment borrowing	-	37,978,569	4,040,045	28,932,868	14,884,525	85,836,007
Others	225,865,684	831,551	212,099	548,076	944,344	228,401,753
Total liabilities	3,445,275,249	78,019,173	13,067,733	36,936,047	73,019,710	3,646,317,911
Equity	286,149,758	(111,701)	-	(17,897)	182,406	286,202,565
Total equity and liabilities	3,731,425,006	77,907,472	13,067,733	36,918,149	73,202,117	3,932,520,476
Contingencies and commitments	2,467,593,629	2,554,088	3,073,302	8,003,060	9,280,355	2,490,504,435

	2020 (Restated)					
	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	Total
	---------- (Rupees in '000) ----------					
Profit and loss account						
Net mark-up / return / profit	101,210,557	535,456	59,526	421,629	1,927,939	104,155,107
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	34,143,889	509,898	316,191	747,936	358,994	36,076,908
Total Income	135,354,446	1,045,354	375,717	1,169,565	2,286,933	140,232,015
Segment direct expenses	35,000,194	1,598,976	793,919	3,173,426	770,701	41,337,216
Inter segment expense allocation	21,774,714	-	-	-	-	21,774,714
Total expenses	56,774,908	1,598,976	793,919	3,173,426	770,701	63,111,930
Provisions	31,379,949	(308,070)	(117,586)	(32,798)	(25,557)	30,895,938
Profit / (loss) before tax	47,199,589	(245,552)	(300,616)	(1,971,063)	1,541,789	46,224,147
Statement of financial position						
Cash and bank balances	215,526,179	17,402,929	10,399,385	19,076,487	1,081,965	263,486,945
Investments	1,417,300,030	29,778,074	-	2,927,816	13,392,156	1,463,398,076
Net inter segment lendings	63,868,561	-	-	-	-	63,868,561
Lendings to financial institutions	126,804,675	-	-	-	-	126,804,675
Advances - performing	944,945,732	1,891,261	574,741	1,680,370	39,487,510	988,579,614
Advances - non-performing	128,949,039	35,574,078	1,205,975	-	5,565,041	171,294,133
Provision against Advances	(135,353,141)	(35,648,345)	(1,205,975)	(2,306)	(4,409,453)	(176,619,220)
Advances - net	938,541,630	1,816,994	574,741	1,678,064	40,643,098	983,254,527
Others	167,609,833	2,773,901	139,572	183,851	875,601	171,582,758
Total assets	2,929,650,908	51,771,898	11,113,698	23,866,218	55,992,820	3,072,395,542
Borrowings	136,491,430	1,240,487	-	-	807,088	138,539,005
Deposits and other accounts	2,345,740,936	35,384,936	7,278,305	9,204,947	21,357,355	2,418,966,479
Net inter segment borrowing	-	14,344,870	3,643,594	13,051,137	32,828,959	63,868,561
Others	180,324,403	801,605	191,798	1,556,773	588,176	183,462,755
Total liabilities	2,662,556,770	51,771,897	11,113,697	23,812,857	55,581,578	2,804,836,799
Equity	267,094,139	-	-	53,361	411,242	267,558,742
Total equity and liabilities	2,929,650,909	51,771,897	11,113,697	23,866,218	55,992,820	3,072,395,541
Contingencies and commitments	1,800,206,438	3,380,468	3,105,342	7,173,633	6,917,986	1,820,783,867

44. TRUST ACTIVITIES

44.1 Endowment Fund

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

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

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

The amount of the Endowment Funds in investments stands at Rs. 835.770 million as at December 31, 2021 (2020: Rs. 785 million).

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

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

		As at December 31, 2020			
		Securities Held (Face Value)			
Category	**No. of IPS Accounts**	**Market Treasury Bills**	**Pakistan Investment Bonds**	**Government Ijarah Sukuks**	**Total**
		----Rs. in '000----			
Assets Management companies	23	-	-	-	-
Charitable institutions	5	-	-	-	-
Companies	17	34,121,235	92,187,200	-	126,308,435
Employee Funds	62	9,640,385	102,960,700	-	112,601,085
Individuals	853	148,315	70,900	-	219,215
Insurance Companies	7	11,211,270	145,209,700	-	156,420,970
Others	58	66,930,535	143,722,542	-	210,653,077
Total	1,025	122,051,740	484,151,042	-	606,202,782

45. RELATED PARTY TRANSACTIONS

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

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

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

2021 (Rupees in '000)

	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Pension fund (current)	Pension fund (fixed deposit)	Pension fund (N.I.D.A A/c)	Provident fund	Other related parties
Balances with other banks										
In current accounts	-	-	-	-	295,951	-	-	-	-	-
	-	-	-	-	295,951	-	-	-	-	-
Advances										
Opening balance	-	233,267	359,565	2,981,029	-	-	-	-	-	305,117
Addition during the year	-	254,860	100,000	-	-	-	-	-	-	35,589,939
Repaid during the year	-	(36,216)	(33,000)	(46,867)	-	-	-	-	-	(35,253,573)
Transfer in / (out) - net	-	(104,319)	-	-	-	-	-	-	-	-
Closing balance	-	347,592	426,565	2,934,162	-	-	-	-	-	641,483
Provision held against advances	-	-	251,565	2,837,287	-	-	-	-	-	-
Other Assets										
Interest / mark-up accrued	-	-	251,316	1,719,049	-	-	-	-	-	-
Other receivable	-	-	73,280	-	-	-	-	-	-	-
	-	-	324,596	1,719,049	-	-	-	-	-	-
Provision against other assets	-	-	73,280	-	-	-	-	-	-	-
Borrowings										
Opening balance	-	-	-	-	9,111	-	-	-	-	-
Borrowings during the year	-	-	-	-	26,630	-	-	-	-	-
Settled during the year	-	-	-	-	-	-	-	-	-	-
Closing balance	-	-	-	-	35,741	-	-	-	-	-
Deposits and other accounts										
Opening balance	1,320	177,236	1,553,709	-	-	58,871	-	1,369,644	13,282,016	227,967
Received during the year	9,334	777,224	693,981	-	-	27,393	-	-	-	235,269,981
Withdrawn during the year	(8,984)	(763,659)	(1,240,353)	-	-	-	-	(1,322,875)	(427,261)	(196,497,842)
* Transfer in / (out) - net	90	(59,347)	-	-	-	-	-	-	-	4,336,036
Closing balance	1,760	131,454	1,007,337	-	-	86,264	-	46,769	12,854,755	43,336,142
Other Liabilities										
Other payables to subsidiaries	-	-	4,041	-	-	-	-	-	-	-
	-	-	4,041	-	-	-	-	-	-	-
Contingencies and Commitments	-	-	-	-	-	-	-	-	-	-

2020 (Rupees in '000)

	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Pension fund (current)	Pension fund (fixed deposit)	Pension fund (N.I.D.A A/c)	Provident fund	Other related parties
Balances with other banks										
In current accounts	-	-	-	-	232,033	-	-	-	-	-
	-	-	-	-	232,033	-	-	-	-	-
Advances										
Opening balance	-	228,805	414,565	3,046,662	-	-	-	-	-	23,386,325
Addition during the year	-	64,850	-	-	-	-	-	-	-	115,824,347
Repaid during the year	-	(31,840)	(55,000)	(65,633)	-	-	-	-	-	(115,673,058)
Transfer in / (out) - net	-	(28,548)	-	-	-	-	-	-	-	(23,232,497)
Closing balance	-	233,267	359,565	2,981,029	-	-	-	-	-	305,117
Provision held against advances	-	-	284,565	2,837,287	-	-	-	-	-	-
Other Assets										
Interest / mark-up accrued	-	-	233,641	1,720,157	-	-	-	-	-	-
Other receivable	-	-	74,785	-	-	-	-	-	-	-
	-	-	308,426	1,720,157	-	-	-	-	-	-
Provision against other assets	-	-	73,280	-	-	-	-	-	-	-
Borrowings										
Opening balance	-	-	-	-	279,814	-	-	-	-	-
Borrowings during the year	-	-	-	-	-	-	-	-	-	-
Settled during the year	-	-	-	-	(270,703)	-	-	-	-	-
Closing balance	-	-	-	-	9,111	-	-	-	-	-
Deposits and other accounts										
Opening balance	3,835	94,715	1,522,792	-	-	73	-	1,235,120	13,296,883	40,416,083
Received during the year	8,672	713,917	261,901	-	-	47,037,983	-	3,054,527	1,941,908	708,790
Withdrawn during the year	(11,228)	(620,573)	(230,984)	-	-	(46,979,185)	-	(2,920,003)	(1,956,775)	(630,132)
* Transfer in / (out) - net	41	(10,823)	-	-	-	-	-	-	-	(40,266,774)
Closing balance	1,320	177,236	1,553,709	-	-	58,871	-	1,369,644	13,282,016	227,967
Other Liabilities										
Other payables to subsidiaries	-	-	4,308	-	-	-	-	-	-	-
	-	-	4,308	-	-	-	-	-	-	-
Contingencies and Commitments	-	-	-	-	-	-	-	-	-	-

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

RELATED PARTY TRANSACTIONS

	2021								2020							
	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Pension fund	Provident fund	Funds / others	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Pension fund	Provident fund	Funds / others
	(Rupees in '000)															
Income																
Mark-up / return / interest earned	-	-	2,731	9,857	-	-	-	-	-	-	1,948	16,822	9	-	-	-
Debts due by Companies in which Directors of the Bank is interested as Directors	-	-	-	-	-	-	-	8,137	-	-	-	-	-	-	-	15,755
Fee and commission income	-	-	297	-	-	-	-	-	-	-	683	-	-	-	-	-
Dividend income	-	-	82,895	7,009	-	-	-	-	-	-	77,368	-	-	-	-	-
Rent income / Lighting & Power and Bank charges	-	-	22,916	5,109	-	-	-	-	-	-	29,379	4,637	-	-	-	19,447
Expense																
Mark-up / return / interest paid	88	3,873	6,887	-	41	55,888	1,417,701	1,625,178	309	5,087	33,124	-	303	108,346	1,441,640	4,012
Expenses paid to company in which Director of the bank is interested as CEO and director	-	-	-	-	-	-	-	23,387	-	-	-	-	-	-	-	10,712
Commission paid to subsidiaries	-	-	5,323	-	-	-	-	-	-	-	4,661	-	-	-	-	-
Remuneration to key management executives including charge for defined benefit plan	-	637,103	-	-	-	-	-	-	-	546,300	-	-	-	-	-	-
Directors fee & other allowances	25,431	-	-	-	-	-	-	-	36,160	-	-	-	-	-	-	-
Post Retirement Benefit paid to Director cum Ex-employee	-	-	-	-	-	-	-	2,087	-	-	-	-	-	-	-	2,087

45.1 Transactions with Government-related entities

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

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

The Bank also earned commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs. 8,408 million (2020: 9,653 million) for the year ended December 31, 2021. As at the statement of financial position date the loans and advances, deposits and contingencies relating to Government–related entities amounted to Rs. 405,294 million (2020: 337,572 million), Rs. 1,247,457 million (2020: 932,317 million) and Rs. 1,540,238 million (2020: 1,057,896 million) respectively and income earned on advances and investment and profit paid on deposits amounted to Rs. 31,846 million (2020: 40,908 million) and Rs. 51,110 million (2020: 64,149 million) respectively.

46. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

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

- to comply with the capital requirements set by the regulators of the banking markets where the Bank operates;

- to safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and

- to maintain a strong capital base to support the development of its business.

Basel-III instructions comprise the following three capital standards:

i. Minimum Capital Requirement (MCR):

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

ii. Capital Adequacy Ratio (CAR):

The Capital Adequacy Ratio assesses the capital requirement based on the risks faced by the banks / DFIs. The banks / DFIs are required to comply with the minimum requirements as specified by the SBP on standalone as well as consolidated basis. Currently, the required CAR for banks is 11.50% (plus 2.0% for NBP as D-SIB requirement).

iii. Leverage Ratio:

Tier-1 Leverage Ratio of 3% is introduced in response to Basel III Accord as the third capital standard. Bank level disclosure of the leverage ratio and its components has started from December 31, 2015. The Bank has a leverage ratio of 3.47% in the year December 31, 2021 (2020: 4.06%) and Tier-1 capital of Rs. 199,752 million (2020: Rs. 172,896 million).

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

1. Tier 1 Capital (going-concern capital)

• Common Equity Tier 1
• Additional Tier 1

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

2. Tier 2 Capital (gone-concern capital)

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

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

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

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

The paid-up capital of the Bank for the year ended December 31, 2021 stood at Rs. 21,275 million (2020: Rs. 21,275 million) and is in compliance with the SBP requirement for the said year. In addition the Bank has maintained minimum Capital Adequacy Ratio (CAR) of 20.39% (2020: 19.78%).

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

	2021	2020
	---------------- (Rupees in '000) ----------------	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	**21,275,131**	21,275,131
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	**199,752,308**	172,896,361
Eligible Additional Tier 1 (ADT 1) Capital	**-**	-
Total Eligible Tier 1 Capital	**199,752,308**	172,896,361
Eligible Tier 2 Capital	**64,343,019**	55,224,098
Total Eligible Capital (Tier 1 + Tier 2)	**264,095,327**	228,120,459
Risk Weighted Assets (RWAs):		
Credit Risk	**983,659,218**	858,263,350
Market Risk	**82,342,372**	87,765,828
Operational Risk	**229,114,480**	207,071,580
Total	**1,295,116,070**	1,153,100,759
Common Equity Tier 1 Capital Adequacy ratio	**15.42%**	14.99%
Tier 1 Capital Adequacy Ratio	**15.42%**	14.99%
Total Capital Adequacy Ratio	**20.39%**	19.78%
Leverage Ratio (LR):		
Eligible Tier-1 Capital	**199,752,308**	172,896,361
Total Exposures	**5,758,095,315**	4,256,253,296
Leverage Ratio	**3.47%**	4.06%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	**1,362,545,096**	1,200,257,790
Total Net Cash Outflow	**828,459,514**	666,722,922
Liquidity Coverage Ratio	**164%**	180%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	**2,753,443,506**	2,309,310,465
Total Required Stable Funding	**990,042,101**	901,126,786
Net Stable Funding Ratio	**278%**	256%

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

47. RISK MANAGEMENT

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

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

- Identification and assessment of significant material risks.

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

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

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

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

47.1 Risk Governance Structure

Risk Management Group (RMG) operates as an independent group under the supervision of Chief Risk Officer (CRO). RMG's scope and coverage has been enhanced to cater enterprise-wide risk management, credit approvals, and program lending. CRO reports directly to the President with a dotted line reporting to the Board Risk & Compliance Committee (BRCC). The group is responsible to perform the functions pertaining to development and oversight of the risk framework, methodologies and other functions assigned from time to time in line with local / international best practices and under the supervision of SBP's regulations / guidelines.

The Bank's Board is responsible to ensure active oversight over implementation of policies and frameworks so as to prevent any significant financial loss or reductions in shareholders' value that may be suffered by the Bank. Therefore, it is the responsibility of the Board to ensure that policies and frameworks are in place to recognise all significant / material risks to which the Bank is / may be exposed and that the required human resource, culture, practices and systems are adequate to address such risks. The Board and its relevant committee, i.e. Board Risk and Compliance Committee (BRCC) and the senior management along with its relevant committees i.e. Management Credit Committee (MCC), Enterprise Risk Committee (ERC), Asset and Liability Committee (ALCO) etc. are responsible to ensure implementation of risk management framework.

47.2 Risk Management Framework

The Bank's risk management policies are established to identify and analyze the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions, products and services offered.

The Bank implements risk management framework through a 'Three Lines of Defence' model which defines clear responsibilities and accountabilities for various offices and ensures effective and independent oversight and also that the activities take place as intended. RMG together with Compliance Group acts as second line of defence and performs integrated function of oversight and independently challenges the effectiveness of risk management actions taken by business groups, who are the first line of defence. The risk management is further strengthened by the third line of defence, where Board Audit and Compliance Committee and Audit and Inspection Group add value through independent and objective assurance in improving risk management functions of the Bank.

Following paragraphs introduce Bank's exposures to material risks associated with its business activities and explain overall strategies and processes to manage those risks:

47.2.1 Credit Risk

Credit Risk arises from the potential that a customer's or counterparty's willingness or ability to meet such an obligation is impaired, resulting in an economic loss to the bank. NBP's lending activities account for most of the Bank's credit risk which is continuously evolving in various financial activities including loans and advances, commitments to lend, contingent liabilities such as letter of credit and guarantees, and other types of both on and off-balance sheet transactions. The Bank has a dedicated setup led by Chief Risk Officer that ensures the effectiveness of the frameworks for assessment / measurement, review and reporting of credit risk under supervision of Board Risk and Compliance Committee.

The Bank has in place Risk Appetite Framework and Credit Risk Concentration Management Framework to ascertain the levels of credit risk it undertakes by placing limits on exposures in relation to existing or potential obligors, economic groups and to various industry segments. Persistent focus on maintaining a robust risk management framework encompassing structured assessment models, effective pre-disbursement evaluation tools and an array of post disbursement review systems has enabled NBP to effectively manage its credit risk.

The Risk Management function of the Bank is regularly conducting assessments, on perpetual basis, of the credit portfolio to identify borrowers and sectors most likely to get affected due to changes in the business and economic environment locally as well as globally. The Bank is cognizant of the fact that COVID-19 situation is posing challenges for the industry in general, and for the risk management function in particular. Bank is proactively keeping an eye on the delinquency in the accounts, financial position of the counterparty and other relevant information.

Credit review and approval process of the Bank is well-defined and is managed under strict supervision of senior management. For analysis of counterparties within various asset classes / constitutions / economic group, the Bank has in place a statistically validated rating model, which further enhances the credit risk analysis. This creates an integral contribution in decision making by senior management of the Bank. Concentration of exposure / risk in any of counterparty, economic group, or industry is assessed frequently and accordingly limit setting is tailored.

The Bank has also engaged itself towards implementation of IFRS 9 standard, which is currently in parallel-run phase. The standard sets out new model for financial assets, which requires recognition of impairment charge based on an 'Expected Credit Loss' approach rather than the 'Incurred Credit Loss' approach as currently followed.

Moreover, under the leadership of CEO & CRO, the credit approval process was brought in line with global best practices by implementing the delegated approval authorities to Country Credit Officer (CCO) & Senior Credit Officer (SCO). This has vastly improved the turnaround time (TAT) for credit approvals besides a focused approach to asset / loan monitoring. The SCOs have been assigned loan portfolios per their expertise i.e. IDG, CIBG, IFRG & Special Assets (Remedial). Furthermore, the risk team has also started making joint visits with the business teams to customers site which has proved to be very helpful in understanding the ground realities and also supports in making an informed decision.

Retail & Program Lending Group has recently been established within Risk Management umbrella. This Group will strengthen focus on products that are managed on program lending basis and will add controls, governance and risk culture around it. Group has been organized on a Credit Cycle approach, with an end to end credit view. It is engaged in areas of Policy & Portfolio Management, Credit Approvals, Collection & Recovery Oversight, Automation & Risk Technology, MIS & Project Management, Quality & Compliance, etc. To ensure that the group plays a key role, its Group Head has been added to Management Credit Committee as a voting member. Given the overall focus on this area, Retail & Program Lending Risk will play a significant role within larger scheme of Risk Management Group in 2022.

Currently under Basel Framework, Standardized Approach is used to calculate capital charge for credit risk weighted assets, with simple approach for credit risk mitigation. Additionally, stress testing for credit risk is completed on regular basis to evaluate the conceivable effects of scenarios provided by the regulator.

Particulars of the bank's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

47.2.1.1 Lendings to financial institutions

Credit risk by public / private sector	Gross lendings		Non-performing lendings		Provision held	
	2021	2020	**2021**	2020	**2021**	2020
	---------- (Rupees in '000) ----------					
Public / Government	**-**	-	**-**	-	**-**	-
Private	**335,640,825**	126,980,825	**174,150**	176,150	**174,150**	176,150
	335,640,825	126,980,825	**174,150**	176,150	**174,150**	176,150

47.2.1.2 Investment in debt securities

Credit risk by industry sector	Gross investments		Non-performing investments		Provision held	
	2021	2020	**2021**	2020	**2021**	2020
	---- (Rupees in '000) ----					
Cement	**470,168**	470,168	**20,168**	20,168	**20,168**	20,168
Chemical	**2,076,742**	2,073,812	**326,742**	323,812	**326,742**	323,812
Construction	**3,380,824**	3,885,490	**1,633,739**	1,633,739	**1,633,739**	1,633,738
Engineering	**4,842**	4,842	**4,842**	4,842	**4,842**	4,842
Fertilizer	**655,109**	1,040,960	**655,109**	656,831	**655,109**	656,831
Sugar	**709,719**	766,719	**709,719**	766,719	**709,719**	766,719
Textile	**1,079,625**	1,151,054	**651,053**	651,054	**651,053**	651,054
Transport	**-**	-	**-**	-	**-**	-
Financial	**9,734,656**	9,658,543	**201,252**	210,020	**201,252**	141,691
Electronics and electrical appliances	**1,308,738**	1,308,738	**1,308,738**	1,308,738	**1,308,738**	1,308,738
Glass and Ceramics	**11,361**	11,361	**11,361**	11,361	**11,361**	11,361
Leather and Tenneries	**5,288**	5,288	**5,288**	5,288	**5,288**	5,288
Food and Personal Care Products	**11,184**	11,184	**11,184**	11,184	**11,184**	11,184
Pharmaceuticals	**2,413**	2,413	**2,413**	2,413	**2,413**	2,413
Technology and Communication	**11,072**	11,072	**11,072**	11,072	**11,072**	11,072
Vanaspati and Allied Industries	**4,238**	4,238	**4,238**	4,238	**4,238**	4,238
Oil and Gas Marketing	**687**	687	**687**	687	**687**	687
Cable and Electrical Goods	**4,509**	4,509	**4,509**	4,509	**4,509**	4,509
Automobile Parts and Accessories	**1,185**	1,185	**1,185**	1,185	**1,185**	1,185
Power (electricity), Gas, Water, Sanitary	**34,545,470**	37,903,094	**-**	-	**-**	-
Tobacco	**144**	144	**144**	144	**144**	144
Paper and Board	**10,794**	10,794	**10,794**	10,794	**10,794**	10,794
Jute	**7,081**	7,081	**7,081**	7,081	**7,081**	7,081
Metal Products	**500,000**	500,000	**-**	-	**-**	-
Services	**867,239**	890,258	**-**	-	**-**	-
Miscelleneous	**467,203**	891,092	**25,996**	25,992	**25,996**	25,991
	55,870,291	60,614,725	**5,607,314**	5,671,871	**5,607,314**	5,603,540

Credit risk by public / private sector	Gross investments		Non-performing investments		Provision held	
	2021	2020	**2021**	2020	**2021**	2020
	---- Rupees in '000 ----					
Public / Government	**29,853,090**	31,810,714	**7,620**	7,620	**7,620**	7,620
Private	**26,017,201**	28,804,011	**5,599,694**	5,664,251	**5,599,694**	5,595,920
	55,870,291	60,614,725	**5,607,314**	5,671,871	**5,607,314**	5,603,540

47.2.1.3 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2021	2020	**2021**	2020	**2021**	2020
	---- (Rupees in '000) ----					
Agriculture, Forestry, Hunting & Fishing	**71,243,087**	63,054,331	**7,208,158**	6,204,022	**5,192,290**	4,514,299
Mining & Quarrying	**88,334**	282,368	**11,336**	117,449	**11,336**	117,449
Textile	**160,048,253**	132,701,566	**36,876,601**	37,427,234	**36,828,216**	35,611,823
Chemical & Pharmaceuticals	**5,284,057**	4,033,024	**2,731,312**	2,645,492	**2,661,064**	2,634,249
Cement	**32,057,795**	33,124,120	**6,317,887**	6,311,377	**4,094,267**	4,093,767
Sugar	**36,639,278**	35,237,473	**15,354,821**	15,335,077	**15,354,821**	14,335,087
Footwear and Leather garments	**2,016,893**	2,461,054	**892,779**	840,449	**887,472**	840,114
Automobile & Transportation Equipment	**8,567,080**	6,607,421	**940,147**	971,267	**937,466**	966,887
Electronics & Electrical Appliances	**9,684,327**	10,036,223	**2,380,885**	2,232,278	**2,370,272**	2,223,278
Construction	**20,193,083**	12,258,203	**9,643,454**	4,484,629	**6,754,352**	4,481,950
Oil & Gas	**102,762,247**	82,061,196	**20,216,650**	5,413,208	**20,074,535**	4,526,641
Power (electricity), Gas, Water, Sanitary	**198,946,668**	201,168,044	**13,209,849**	7,789,326	**9,311,105**	6,745,325
Wholesale and Retail Trade	**42,441,006**	36,564,735	**10,731,332**	13,444,060	**10,675,368**	12,012,696
Exports / Imports	**1,501,450**	1,687,703	**-**	-	**-**	-
Transport, Storage and Communication	**55,054,905**	55,176,592	**12,774,422**	11,249,115	**10,353,432**	9,169,761
Financial	**32,198,215**	6,093,650	**309,394**	308,375	**309,394**	308,375
Services	**38,096,872**	32,839,062	**4,228,462**	4,452,760	**2,540,822**	2,606,881
Individuals	**198,138,761**	184,020,751	**6,150,291**	5,900,196	**4,300,297**	4,088,882
Fertilizer	**11,602,568**	15,733,123	**2,988,462**	2,947,639	**2,947,541**	2,888,738
Metal Products	**71,007,705**	67,313,392	**25,680,256**	25,111,134	**25,511,029**	24,557,341
Telecommunication	**22,011,036**	17,064,247	**1,136,813**	1,159,350	**1,136,813**	1,159,350
Public Sector Commodity Operations	**77,346,473**	62,413,440	**74,198**	74,198	**74,198**	74,198
Rice Trading & Processing	**37,707,929**	30,685,877	**4,780,678**	4,665,312	**4,555,487**	4,537,360
Food and Tobacco	**16,080,605**	13,995,035	**6,959,780**	5,224,085	**6,338,654**	5,200,684
Glass and Ceramics	**8,070,726**	6,859,290	**389,447**	396,911	**389,447**	396,911
Paper & Board	**2,726,772**	1,601,970	**1,193,719**	1,187,897	**1,193,719**	1,187,897
Engineering	**32,121,933**	33,444,437	**1,422,820**	1,416,959	**1,415,349**	1,410,274
Plastic Products	**2,662,060**	2,627,648	**672,095**	651,199	**670,607**	648,950
Media	**1,529,488**	2,189,495	**381,881**	718,124	**208,971**	293,124
Flour Mills	**2,663,913**	2,713,759	**649,015**	638,998	**585,705**	624,012
Sports Goods	**1,280,713**	978,994	**93,818**	93,818	**93,818**	93,818
Surgical equipments	**824,409**	827,764	**12,151**	64,674	**8,558**	64,674
Others	**2,578,157**	2,017,760	**1,525,315**	1,817,521	**1,525,315**	1,730,678
	1,305,176,798	1,159,873,747	**197,938,229**	171,294,133	**179,311,722**	154,145,472

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2021	2020	**2021**	2020	**2021**	2020
	---- (Rupees in '000) ----					
Public / Government	**420,736,532**	337,572,330	**-**	2,672,432	**-**	2,522,432
Private	**884,440,266**	822,301,417	**197,938,229**	168,621,701	**179,311,722**	151,623,040
	1,305,176,798	1,159,873,747	**197,938,229**	171,294,133	**179,311,722**	154,145,472

47.2.1.4 Contingencies and Commitments

Credit risk by industry sector

	2021	2020
	--------- (Rupees in '000)---------	
Agriculture, Forestry, Hunting and Fishing	**100,504**	170,777
Mining and Quarrying	**1,418,487**	2,605,392
Textile	**25,421,310**	18,571,105
Chemical and Pharmaceuticals	**6,004,090**	9,558,756
Cement	**9,718,289**	4,269,235
Sugar	**592,840**	303,184
Footwear and Leather garments	**182**	162
Automobile and Transportation Equipment	**4,435,897**	11,886,834
Electronics and Electrical Appliances	**2,843,195**	2,959,697
Construction	**9,718,062**	9,036,763
Oil & Gas	**104,645,267**	39,173,307
Power (electricity), Water, Sanitary	**61,808,701**	83,646,557
Wholesale and Retail Trade	**2,346,916**	1,624,388
Exports / Imports	**272,733**	317,066
Transport, Storage and Communication	**47,721,546**	28,020,866
Financial	**719,655,625**	544,516,361
Services	**1,355,079,802**	950,517,287
Individuals	**77,114**	394,092
Fertilizer	**3,652,239**	1,394,690
Metal Products	**15,961,141**	9,828,654
Telecommunication	**25,003,758**	14,070,734
Public Sector Commodity Operations	**8,249,178**	12,565,661
Rice processing and Trading	**20,825**	39,174
Food and Tobacco	**448,128**	376,730
Glass and Ceramics	**1,484,463**	1,007,344
Paper and Board	**2,044,250**	551,469
Engineering	**77,952,489**	43,596,296
Plastic Products	**258,541**	27,432,671
Media	**-**	-
Flour Mills	**-**	-
Sports Goods	**-**	-
Surgical equipments	**19,459**	750
Others	**3,549,404**	2,347,864
	2,490,504,435	1,820,783,867

* Contingent liabilities for the purpose of this note are presented at cost and includes direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities.

Credit risk by public / private sector

Public / Government	**1,402,649,361**	948,334,918
Private	**1,087,855,074**	872,448,949
	2,490,504,435	1,820,783,867

47.2.1.5 Concentration of Advances

The bank's top ten (10) exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 1,474,941 million (2020: Rs. 1,093,518 million) are as following:

	2021	2020
	(Rs in '000)	
Funded	**244,605,208**	250,314,704
Non Funded	**1,230,335,750**	843,203,477
Total Exposure	**1,474,940,958**	1,093,518,181

The sanctioned limits against these top 10 exposures aggregated to Rs. 1,563,667 million (2020: Rs. 1,280,786 million).

Total funded classified therein	**2021**		2020	
	Amount	**Provision held**	Amount	Provision held
	(Rupees in '000)			
Loss	**-**	**-**	2,522,432	2,522,432
Total	**-**	**-**	2,522,432	2,522,432

For the purpose of this note, exposure means outstanding funded facilities and utilised non-funded facilities as at the reporting date.

47.2.1.6 Advances - Province / Region-wise Disbursement & Utilization

	2021						
	Disbursements	**Utilization**					
Province / Region		**Punjab**	**Sindh**	**KPK including FATA**	**Balochistan**	**Islamabad**	**AJK including Gilgit-Baltistan**
	(Rupees in '000)						
Punjab	**227,503,496**	**221,078,413**	**1,855,596**	**3,944,464**	**-**	**11,120**	**613,903**
Sindh	**479,243,405**	**4,500,000**	**466,243,405**	**-**	**-**	**8,500,000**	**-**
KPK including FATA	**11,698,517**	**-**	**-**	**11,698,517**	**-**	**-**	**-**
Balochistan	**3,678,107**	**-**	**-**	**-**	**3,678,107**	**-**	**-**
Islamabad	**62,861,679**	**12,830,357**	**9,892,187**	**3,099,940**	**-**	**37,039,195**	**-**
AJK including Gilgit - Baltistan	**7,310,487**	**-**	**-**	**-**	**-**	**-**	**7,310,487**
Total	**792,295,691**	**238,408,770**	**477,991,188**	**18,742,921**	**3,678,107**	**45,550,315**	**7,924,390**

Province / Region	2020						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	-- (Rupees in '000) --						
Punjab	210,145,408	207,931,532	1,625,942	-	-	-	587,934
Sindh	390,658,220	4,704,206	377,454,014	-	-	8,500,000	-
KPK including FATA	6,176,977	-	-	6,176,977	-	-	-
Balochistan	3,855,924	-	-	-	3,332,924	-	523,000
Islamabad	49,991,187	8,853,922	12,271,029	1,712,540	-	27,153,696	-
AJK including Gilgit-Baltistan	2,798,820	-	-	-	-	-	2,798,820
Total	663,626,536	221,489,660	391,350,985	7,889,517	3,332,924	35,653,696	3,909,754

47.2.2 Market Risk

Market Risk is the value of on and off-balance sheet positions of a financial institution that will be adversely affected by movements in market factors such as interest rates, foreign exchange rates, equity prices, credit spreads and / or commodity prices resulting in a loss to earnings and capital.

The Bank's market risk is managed through Market Risk Management (MRM) Framework approved by the Board which is comprised of related policies / procedures with the objective to mitigate market risk. Bank has in-place scorecards / criteria for various market risk limits. Under the developed Value-at-Risk (VaR) models and policy framework, VaR limits are being monitored with an objective to be used for capital charge calculation under IMA approach in future.

Standardized Approach is used to calculate capital charge for market risk as per Basel framework. Whereas, stress testing for interest rate, equity prices, and exchange rates risks activities is carried out regularly to estimate the impact on the capital of the Bank.

In addition to the regulatory requirements, Bank has devised proprietary market risk stress testing scenarios which are performed on periodic basis to assess the impact on capital of the Bank for Internal Capital Adequacy and Assessment Process (ICAAP). Limits / zones and Management Action Triggers and Management Action Plans corresponding to Liquidity Ratio, Balance Sheet Duration Gap, Government Securities PVBP and Duration have also been developed.

47.2.2.1 Statement of Financial position split by trading and banking books

	2021			2020		
	Banking book	**Trading book**	**Total**	Banking book	Trading book	Total
	-- (Rupees in '000) --					
Cash and balances with treasury banks	**278,747,059**	**-**	**278,747,059**	249,259,590	-	249,259,590
Balances with other banks	**17,667,067**	**-**	**17,667,067**	14,227,355	-	14,227,355
Lendings to financial institutions	**335,466,675**	**-**	**335,466,675**	126,804,675	-	126,804,675
Investments	**1,818,433,016**	**119,737,626**	**1,938,170,642**	1,366,741,891	96,656,185	1,463,398,076
Advances	**1,113,392,485**	**-**	**1,113,392,485**	983,254,527	-	983,254,527
Fixed assets	**54,251,555**	**-**	**54,251,555**	54,413,493	-	54,413,493
Intangible assets	**502,791**	**-**	**502,791**	303,813	-	303,813
Right of use assets	**6,605,400**	**-**	**6,605,400**	6,669,684	-	6,669,684
Deferred tax asset	**1,625,647**	**-**	**1,625,647**	-	-	-
Other assets	**100,255,148**	**-**	**100,255,148**	110,195,768	-	110,195,768
	3,726,946,843	**119,737,626**	**3,846,684,469**	2,911,870,796	96,656,185	3,008,526,981

47.2.2.2 Foreign Exchange Risk

Foreign exchange and translation risk arises from the impact of currency movements on the value of the Bank's cash flows, profits and losses, and assets and liabilities as a result of participation in global financial markets and international operations.

In order to manage currency risk exposure the Bank enters into ready, spot, forward and swaps transactions with the SBP and in the interbank market, financial institutions and corporates. The Bank's foreign exchange exposure comprises of forward contracts, purchases of foreign bills, foreign currencies cash in hand, balances with Banks abroad, foreign placements with the SBP and foreign currencies assets and liabilities. Foreign Exchange exposure is managed within the statutory limits, as fixed by the SBP. Appropriate segregation of duties exists between the front, middle and back office functions.

	2021				2020			
	Foreign currency assets	**Foreign currency liabilities**	**Off-balance sheet items**	**Net foreign currency exposure**	Foreign currency assets	Foreign currency liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in '000)							
United States Dollar	**230,359,433**	**321,577,638**	**87,452,155**	**(3,766,050)**	157,851,413	249,296,809	115,299,103	23,853,707
Great Britain Pound	**5,010,104**	**5,950,831**	**4,303,047**	**3,362,320**	4,236,309	5,613,790	3,235,840	1,858,360
Japanese Yen	**3,938,966**	**3,283,911**	**2,315,294**	**2,970,349**	4,077,289	1,123,760	168,624	3,122,153
Euro	**13,402,801**	**19,043,837**	**7,628,249**	**1,987,213**	8,364,855	10,043,967	3,462,911	1,783,798
Other currencies	**72,736,519**	**18,379,635**	**3,130,155**	**57,487,039**	65,494,170	20,499,909	2,996,887	47,991,148
	325,447,823	**368,235,852**	**104,828,900**	**62,040,871**	240,024,036	286,578,235	125,163,365	78,609,166

	2021		2020	
	Banking book	**Trading book**	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates				
- Profit and loss account	**-**	**-**	-	-
- Other comprehensive income	**-**	**620,409**	-	786,092

47.2.2.3 Equity position Risk

The trading activities also raise risk which occurs resulting in negative fluctuations of daily stock prices specifically in those stocks which are held by the Bank, hence, deplete capital. The Bank's equity position is managed through limits imposed by regulator for both, overall investment and exposure in single scrip. Moreover, internal limits are set to possibly manage overall earnings in the form of placing of stop loss limits and/ or through diversification within the structure of overall equity position portfolio.

	2021		2020	
	Banking book	**Trading book**	Banking book	Trading book
	(Rupees in '000)			
Impact of 5% change in equity prices				
- Profit and loss account	-	-	-	-
- Other comprehensive income	**2,671,767**	-	3,065,915	-

47.2.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

Interest rate risk specifically arises due to adverse movements in yield curve of underlying asset which is being monitored by ALCO with an objective to possibly limiting the potential impact over the profitability of the Bank which may result in instability of market based interest rates and mismatching or gaps in the amount of financial assets and financial liabilities in different maturity time bands. Bank assumes that the sources of IRR are based on following sub-risks.

- Re-pricing risk; arising from changes to the overall level of interest rates and inherent mismatches in the re-pricing term of banking book items.

- Yield curve risk; arising from a change in the relative level of interest rates for different tenors and changes in the slope or shape of the yield curve.

- Basis risk; arising from differences between the actual and expected interest margins on Banking book items over the implied cost of funds of those items.

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in interest rates				
- Profit and loss account	-	368,677	-	131,186
- Other comprehensive income	8,629,166	-	12,965,285	-

47.2.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

			2021									
			Exposed to Yield / Interest risk									
	Effective Yield / Interest rate	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-interest bearing financial instruments
On-balance sheet financial instruments		(Rupees in '000)										
Assets												
Cash and balances with treasury banks	0.1%	278,747,059	25,788,429	-	1,230,868	-	-	-	-	-	-	251,727,762
Balances with other banks	0.6%	17,667,067	3,649,152	514,671	728,951	766,147	-	-	-	-	-	12,008,146
Lendings to financial institutions	10.4%	335,466,675	305,466,675	-	30,000,000	-	-	-	-	-	-	-
Investments	8.2%	1,938,170,642	49,944,777	600,631,710	163,339,043	145,545,216	412,825,053	115,300,016	133,826,520	231,572,946	7,808,110	77,377,251
Advances	7.4%	1,113,392,485	233,082,018	347,474,887	221,335,325	87,266,493	15,422,466	18,353,878	96,696,071	52,224,236	21,686,992	19,850,120
Other assets	0.0%	60,619,899	-	-	-	-	-	-	-	-	-	60,619,899
		3,744,063,827	617,931,050	948,621,268	416,634,187	233,577,857	428,247,519	133,653,895	230,522,591	283,797,182	29,495,102	421,583,177
Liabilities												
Bills payable	0.0%	21,848,270	-	-	-	-	-	-	-	-	-	21,848,270
Borrowings	10.1%	312,925,106	33,593,924	129,395,726	81,758,922	29,616,731	13,099,389	3,634,279	6,463,258	15,362,877	-	-
Deposits and other accounts	4.0%	3,019,155,045	1,606,638,783	92,855,650	64,016,936	72,939,726	18,293,487	79,321,676	4,558,165	588,979	-	1,079,941,642
Lease liability against right of use assets	10.0%	7,893,960	-	20,960	69,732	361,900	643,301	505,176	1,765,289	3,046,610	1,480,992	-
Other liabilities	0.0%	196,114,706	-	-	-	-	-	-	-	-	-	196,114,706
		3,557,937,087	1,640,232,707	222,272,335	145,845,591	102,918,356	32,036,178	83,461,131	12,786,712	18,998,466	1,480,992	1,297,904,618
On-balance sheet gap		186,126,739	(1,022,301,656)	726,348,932	270,788,597	130,659,500	396,211,341	50,192,764	217,735,879	264,798,716	28,014,110	(876,321,441)
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions		1,582,757,532	-	-	-	-	-	-	-	-	-	1,582,757,532
Commitments in respect of:												
- Forward foreign exchange contracts		104,828,900	18,483,677	9,917,130	74,965,217	1,462,876	-	-	-	-	-	-
- Forward government securities transactions		22,180,109	-	(171,626)	-	22,793,079	-	-	(441,343)	-	-	-
Commitments for acquisition of:												
- fixed assets		826,737	344,837	314,748	50,916	116,236	-	-	-	-	-	-
- other commitments		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		1,710,593,278	18,828,514	10,060,252	75,016,133	24,372,191	-	-	(441,343)	-	-	1,582,757,532
Total Yield / Interest Risk Sensitivity Gap			(1,003,473,143)	736,409,184	345,804,730	155,031,691	396,211,341	50,192,764	217,294,536	264,798,716	28,014,110	706,436,091
Cumulative Yield / Interest Risk Sensitivity Gap			(1,003,473,143)	(267,063,958)	78,740,772	233,772,463	629,983,804	680,176,568	897,471,104	1,162,269,819	1,190,283,929	1,896,720,019

	Effective Yield / Interest rate	Total	Exposed to Yield / Interest risk: Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	Non-interest bearing financial instruments
		2020										
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.0%	249,259,590	23,854,603	-	-	3,574,948	-	-	-	-	-	221,830,039
Balances with other banks	8.3%	14,227,355	4,379,959	364,979	455,390	690,430	-	-	-	-	-	8,336,597
Lendings to financial institutions	6.6%	126,804,675	126,804,675	-	-	-	-	-	-	-	-	-
Investments	11.3%	1,463,398,076	165,436,764	466,849,351	45,910,296	104,002,599	93,381,635	139,693,515	124,152,454	237,876,474	10,399,389	75,695,599
Advances	9.0%	983,254,527	228,581,952	354,851,351	140,299,770	66,105,848	16,909,414	48,488,652	72,419,084	28,992,849	25,391,405	1,214,202
Other assets	0.0%	59,030,243	-	-	-	-	-	-	-	-	-	59,030,243
		2,895,974,466	549,057,953	822,065,682	186,665,456	174,373,825	110,291,049	188,182,166	196,571,537	266,869,322	35,790,794	366,106,680
Liabilities												
Bills payable	0.0%	16,795,186	-	-	-	-	-	-	-	-	-	16,795,186
Borrowings	6.6%	138,539,005	10,688,517	10,993,747	56,908,784	42,516,430	2,392,766	3,509,557	6,420,414	5,108,790	-	-
Deposits and other accounts	5.2%	2,418,966,479	1,295,641,079	88,051,369	32,233,664	52,812,308	12,050,442	3,913,846	13,040,142	652,508	-	920,571,121
Lease liability against right of use assets	10.0%	7,533,691	41	21,491	57,673	96,726	804,940	662,691	1,762,735	2,838,255	1,289,139	-
Other liabilities	0.0%	153,918,896	-	-	-	-	-	-	-	-	-	153,918,895
		2,735,753,257	1,306,329,636	99,066,607	89,200,120	95,425,464	15,248,148	8,086,094	21,223,292	8,599,553	1,289,139	1,091,285,202
On-balance sheet gap		160,221,209	(757,271,683)	722,999,075	97,465,336	78,948,361	95,042,901	180,096,072	175,348,246	258,269,769	34,501,655	(725,178,521)
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions		1,096,347,086	-	-	-	-	-	-	-	-	-	1,096,347,086
Commitments in respect of:												
- forward foreign exchange contracts		125,163,364	30,923,782	86,543,418	6,097,820	1,598,344	-	-	-	-	-	-
- forward government securities transactions		(26,632,678)	(26,632,678)	-	-	-	-	-	-	-	-	-
Commitments for acquisition of:												
- fixed assets		632,619	414,641	92,492	32,492	92,994	-	-	-	-	-	-
- other commitments		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		1,195,510,391	4,705,745	86,635,910	6,130,312	1,691,338	-	-	-	-	-	1,096,347,086
Total Yield / Interest Risk Sensitivity Gap			(752,565,938)	809,634,985	103,595,648	80,639,699	95,042,901	180,096,072	175,348,246	258,269,769	34,501,655	371,168,565
Cumulative Yield / Interest Risk Sensitivity Gap			(752,565,938)	57,069,047	160,664,695	241,304,394	336,347,295	516,443,367	691,791,613	950,061,382	984,563,037	1,355,731,601

47.2.2.6 Reconciliation of Financial Assets & Liabilities with Total Assets & Liabilities

	2021	2020
	(Rupees in '000)	
Total Financial Assets as per note 47.2.2.5	**3,744,063,827**	2,895,974,466
Add: Non-Financial Assets		
Fixed Assets	**54,251,555**	54,413,493
Intangible Assets	**502,791**	303,813
Right of Use Assets	**6,605,400**	6,669,684
Deferred Tax Assets	**1,625,647**	-
Other Assets	**39,635,249**	51,165,525
	102,620,642	112,552,515
Total assets as per statement of financial position	**3,846,684,469**	3,008,526,981
Total Financial Liabilities as per note 47.2.2.5	**3,557,937,087**	2,735,753,257
Add: Non-Financial Liabilities		
Deferred Tax Liabilities	**-**	2,978,364
Other Liabilities	**2,544,817**	2,236,620
	2,544,817	5,214,984
Total liabilities as per statement of financial position	**3,560,481,904**	2,740,968,239

Yield Risk is the risk of decline in earnings due to adverse movement of the yield curve. Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

In the case of off-balance sheet financial instruments, disclose information about the extent and nature, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows. Further, disclose the bank's Yield/ Interest risk management objectives and policies.

The repricing profile should be based on the remaining period to the next interest repricing date. Derivatives financial instruments that have been used for asset and liability management purposes to hedge exposure to interest rate risk should be incorporated in the repricing profiles of the related hedge assets and liabilities. The loan provisions has to be deducted from related class of asset.

47.2.3 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risks. To mitigate, operational risk a Operational Risk Management (ORM) Framework has been developed to align the Bank's operations with sound practices of operational risk by Basel framework. ORM Framework provides guidance for setting the operational risk strategy of the Bank, selection and adoption of risk and loss measurement tools, reporting, and establishment of operational risk management processes.

Operational risks are a core component of doing business arising from the day-to-day operational activities of the Bank including launching of new products and services by the bank. Bank realises that operational risks cannot be fully mitigated, it therefore determines an appropriate balance between accepting potential losses and incurring costs of mitigation.

Further, the Bank has adopted a comprehensive Operational Risk Management Strategy and Operational Risk Tolerance limits approved by the Board in-line with Basel framework. Furthermore, the Bank has rolled-out Operational Loss Data Collection Mechanism whereby field functionaries and Groups/Divisions at head office are responsible to report operational losses under their jurisdictions on a certain frequency. Operational loss events are reviewed and appropriate corrective measures are taken on an ongoing basis. Risk Evaluation exercise is carried out for new products, processes and systems as per the operational risk policy of the bank.

The Bank has also conducted analysis of major Operational Risk Incidents covering key control lapses and accordingly suggested recommendations & mitigations. As per Basel regulatory framework, the Bank calculates capital charge for its operational risk using Basic Indicator Approach. This approach is considered most suitable in view of the business model of the bank which relies on an extensive network of branches to offer banking services to its customers.

Moreover, the Bank closely monitored the situation and undertaken required actions to ensure the safety and security of Bank staff and maintenance of service to its customers. The Senior Management of the Bank including the Covid Crises Management Team closely monitored the situation, and took timely decisions to resolve any concerns.

The Bank continued to take measures to ensure the maintenance of their service levels, resolved customer complaints to meet the expectations of its stakeholders.

The Bank's operations stayed highly resilient and the Bank deployed all necessary measures for the health and safety of its employees to prevent them from the pandemic situation.

47.2.4 Information Security Risk

Cyber Security is one of our top priority risks. Considering extensive customer base and increasing digital footprint, mechanism has been devised for upscaling of technology infrastructure and related channels from information security standpoint. Further, due to evolving cyber threat landscape, the Bank has taken appropriate actions to monitor and respond to cybersecurity risks and adopted a heightened state of cybersecurity. We are living in the highly technology dependent environment, where most of the business functions are performed with information technology for storing, processing and sharing information; the information "assets" that are being used to store, process and transmit the information, face various types of threats. If threats get materialized and are able to exploit the vulnerabilities (weaknesses) present in these information assets, the confidentiality, integrity and availability of information get compromised. In order to mitigate the risks, certain controls and counter-measures need to be assessed and implemented. The Bank has devised a governance mechanism to manage related risks through development of Policies and Framework, and deployed security tools to ensure adequate implementation of internal controls and monitoring of security threats within technology infrastructure.

Our staff is first line of defence against any cyber attacks therefore the Bank regularly assesses the information security controls and undertake employees' awareness and trainings. The Bank works with its key technology partners to ensure that potential vulnerable systems are identified and appropriate controls, updates and patches are implemented to secure the systems. The Bank is actively communicating with its customers on interacting with the Bank in a secure manner through its full suite of channels including online and digital banking.

In the late hours of October 29, 2021 and early morning of October 30, 2021, the Bank's IT Infrastructure came under a cyberattack. As a result, NBP's business-critical servers along with several workstations went down which disrupted the business operations. The services primarily running on the Windows operating system were impacted. A committee was formed to keep track of the systems affected and their restorations. The status of the systems that were affected as a result of cyberattack and their restorations was also reported to the State Bank of Pakistan. The management has also taken on board various vendors to assist the Bank in carrying out analysis of the potential lapses that led to the attack and also to take initiatives and develop processes for dealing with such events in future. The systems of the Bank are up and running and as per management's assessment, there is no impact on the Bank's IT infrastructure as a result of cyberattack. The management is cognizant of the fact that cyber security is a top priority risk and the Bank is taking appropriate steps to monitor and respond to it.

47.2.5 Enterprise-wide Risk

In addition to the above mentioned risks, the Bank has a structure to identify residual material risks on periodic basis. The source of these reports includes, but not limited to, the Board approved Internal Capital Adequacy and Assessment Process (ICAAP), which commensurate risks over and above those which directly occurs as a result of daily business and operations of the Bank. These risks include Concentration Risk, Interest Rate Risk in Banking Book (IRRBB), Increase in NPL Categories, Reputational Risk, Strategic Risk, etc.

Moreover, all those brewing risks that are material and arise within the Bank or due to inherent behaviour of country's market and economic conditions, whether in isolation or in combinations are covered under the Bank-wide Recovery Plan. These risks are monitored on certain frequency and corrective actions are taken as and when deemed necessary.

Bank's Stress-testing framework, comprises of tools, to deliver a timely assessment of the resilience of the Bank's capital under stressed conditions to the senior management. It encompasses simplest to sophisticated stress testing methods to capture the abnormal movement of market and economy based indicators and to translate such scenarios into projections of Bank's profitability and capital planning.

This framework paves the way to a quantitative, forward-looking assessment of capital adequacy (movement/ level of Capital Adequacy Ratio (CAR) of the Bank) to provide an indication of how much capital might be needed to absorb losses. It helps in identifying potential vulnerabilities within the Bank and assessing solvency by applying plausible/ past adverse scenarios under extreme conditions.

47.2.6 Liquidity Risk

Liquidity risk is the risk of loss to a bank arising from its inability to meet obligations as they fall due or to fund growth in assets, without incurring unacceptable costs or losses. More simply, liquidity risk is the possibility that a bank will be unable to meet its financial commitment to a customer, creditor, or investor when due, in a timely and cost-effective manner.

To mitigate this risk, Bank has arranged diversified funding sources, manages specific assets with liquidity in mind and monitors liquidity on daily basis. In addition, the Bank maintains statutory deposits with central Banks inside and outside Pakistan. The purpose of liquidity management is to ensure that there are sufficient cash flows to meet all of the Bank's liabilities when due, under both normal and stressed conditions without incurring unacceptable losses, as well as to capitalize on opportunities for business expansion and profitability. This includes the Bank's ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature and to make new loans and investments, as opportunities arise.

Asset and Liability Committee (ALCO) is responsible for ensuring that the Bank has adequate liquidity and monitors liquidity gaps, to execute this responsibility. Mandatory as well as advanced / optional stress testing and ratio based liquidity assessments are performed to proactively identify and manage liquidity position, needs / requirements. Bank has various limits / ratios, triggers and management actions in place to monitor and mitigate liquidity risk. The Bank calculates and monitors, on regular basis, Basel-III Liquidity standards (includes LCR, NSFR and LMTs), liquidity ratios as per SBP parameters besides other internal liquidity measures.

47.2.6.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Bank

2021

	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
	(Rupees in '000)													
Assets														
Cash and balances with treasury banks	278,747,059	275,826,353	-	-	1,689,838	-	-	1,230,868	-	-	-	-	-	-
Balances with other banks	17,667,067	13,841,633	717,364	564,725	533,576	322,264	192,407	728,951	766,147	-	-	-	-	-
Lending to financial institutions	335,466,675	2,405,644	274,914,137	28,146,895	-	-	-	30,000,000	-	-	-	-	-	-
Investments	1,938,170,642	4,515,392	611,150	40,215,196	4,603,040	115,845,326	484,786,384	163,339,043	79,413,300	105,916,554	417,430,271	142,824,222	134,858,789	243,811,976
Advances	1,113,392,485	319,220,013	3,480,102	2,934,122	49,909,626	68,472,193	32,145,072	99,428,026	44,682,449	56,204,507	56,918,407	90,680,852	127,063,315	162,253,800
Fixed assets	54,251,555	-	-	-	-	-	-	-	-	851,344	2,401,684	851,344	1,407,464	48,739,719
Intangible assets	502,791	-	-	-	-	-	-	-	-	167,597	167,597	167,597	-	-
Right of Use Assets	6,605,400	-	-	-	-	17,682	464	53,920	72,810	111,487	588,608	457,559	1,417,863	3,885,007
Deferred tax assets	1,625,647	-	-	-	-	-	-	-	-	-	-	-	1,625,649	-
Other assets	100,255,148	18,172,590	225,894	269,736	316,477	16,646,615	16,984,106	12,596,172	1,388,113	1,369,446	29,022,877	725,138	1,087,707	1,450,276
	3,846,684,469	633,981,626	279,948,646	72,130,673	57,052,557	201,304,080	534,108,434	307,376,980	126,322,820	164,620,935	506,529,444	235,706,713	267,460,788	460,140,779
Liabilities														
Bills payable	21,848,270	21,848,270	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	312,925,106	60,004	2,886,366	27,335,647	3,311,907	108,642,330	20,753,395	81,758,922	26,987,971	2,628,760	13,099,389	3,634,279	6,463,258	15,362,877
Deposits and other accounts	3,019,155,045	2,545,449,917	26,574,946	11,971,222	92,050,654	76,537,717	17,074,721	83,328,141	32,764,725	27,549,127	12,326,386	85,151,041	7,060,714	1,315,732
Liabilities against assets subject to right of use assets	7,893,960	-	-	-	-	20,497	463	69,732	92,367	269,533	643,301	505,176	1,765,289	4,527,602
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	198,659,523	86,095,496	25,335	30,252	35,495	6,118,269	6,118,966	29,279,479	1,828,346	1,826,252	25,961,043	8,538,736	16,576,941	16,224,912
	3,560,481,904	2,653,453,687	29,486,647	39,337,122	95,398,056	191,318,813	43,947,545	194,436,275	61,673,408	32,273,672	52,030,120	97,829,233	31,866,201	37,431,124
Net assets	286,202,565	(2,019,472,061)	250,461,998	32,793,551	(38,345,499)	9,985,267	490,160,889	112,940,705	64,649,412	132,347,263	454,499,324	137,877,480	235,594,587	422,709,655
Share capital	21,275,131													
Reserves	60,371,495													
Unappropriated profit	140,073,817													
Surplus on revaluation of assets	64,482,122													
	286,202,565													

2020

	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 Month	Over 1 to 2 Months	Over 2 to 3 Months	Over 3 to 6 Months	Over 6 to 9 Months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 Years	Over 5 Years
	(Rupees in '000)													
Assets														
Cash and balances with treasury banks	249,259,590	244,470,420	724,224	-	489,997	-	-	-	-	3,574,949	-	-	-	-
Balances with other banks	14,227,355	9,074,765	1,998,152	-	1,643,639	205,127	159,852	455,390	308,490	381,940	-	-	-	-
Lending to financial institutions	126,804,675	-	122,804,675	2,300,000	1,700,000	-	-	-	-	-	-	-	-	-
Investments	1,463,398,076	6,348,903	602,861	128,305,403	30,179,598	230,232,181	236,617,171	45,910,297	113,118,951	39,082,357	97,645,814	157,346,293	125,301,464	252,706,784
Advances	983,254,527	334,192,443	1,929,530	3,454,238	32,300,740	59,593,625	16,337,194	60,035,942	30,309,223	30,130,411	41,668,685	78,281,159	157,289,258	137,732,079
Fixed assets	54,413,493	-	-	-	-	-	-	-	-	724,254	2,878,438	724,254	1,322,411	48,764,136
Intangible assets	303,813	-	-	-	-	-	-	-	-	101,271	101,271	101,271	-	-
Right of Use Assets	6,669,684	-	-	-	201	14,649	5,276	50,071	29,405	66,557	625,524	583,369	1,528,327	3,766,303
Other assets	110,195,768	16,963,066	-	-	-	17,934,892	18,136,013	10,887,402	1,204,142	1,204,142	38,014,615	3,351,081	2,500,415	-
	3,008,526,981	611,049,597	128,059,442	134,059,641	66,314,175	307,980,474	271,255,506	117,339,102	144,970,211	75,265,881	180,934,347	240,387,427	287,941,875	442,969,302
Liabilities														
Bills payable	16,795,186	16,795,186	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	138,539,005	1,966,540	-	5,266,007	3,455,970	4,727,114	6,266,632	56,908,784	41,474,224	1,042,206	2,392,766	3,509,557	6,420,414	5,108,791
Deposits and other accounts	2,418,966,479	2,068,191,047	23,189,505	11,128,935	103,011,653	51,070,288	13,467,529	66,056,859	20,877,326	18,483,104	12,454,175	8,477,921	21,086,963	1,471,174
Liabilities against assets subject to right of use assets	7,533,691	-	-	-	41	15,141	6,349	57,673	25,319	71,406	804,940	662,691	1,762,736	4,127,395
Deferred tax liabilities	2,978,364	-	-	-	-	-	-	-	-	-	-	-	2,978,364	-
Other liabilities	156,155,514	61,589,642	389,647	280,904	420,804	9,300,464	24,852,920	15,226,657	1,210,882	1,141,620	15,947,785	5,339,632	10,377,940	10,076,617
	2,740,968,238	2,148,542,415	23,579,152	16,675,846	106,888,468	65,113,007	44,593,431	138,249,973	63,587,751	20,738,336	31,599,666	17,989,801	42,626,417	20,783,978
Net assets	267,558,742	(1,537,492,818)	104,480,290	117,383,795	(40,574,293)	242,867,467	226,662,076	(20,910,871)	81,382,460	54,527,545	149,334,681	222,397,626	245,315,458	422,185,325
Share capital	21,275,131													
Reserves	56,562,933													
Unappropriated profit	116,021,334													
Surplus on revaluation of assets	73,699,344													
	267,558,741													

47.2.6.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Bank

2021

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	278,747,059	173,681,591	4,354,189	47,906,066	46,675,198	6,130,015	-	-	-	-
Balances with other banks	17,667,067	15,657,298	514,671	728,951	766,147	-	-	-	-	-
Lending to financial institutions	335,466,675	305,466,675	-	30,000,000	-	-	-	-	-	-
Investments	1,938,170,642	62,525,799	644,716,403	139,330,956	156,396,678	415,356,424	142,327,662	134,189,408	231,088,253	12,239,061
Advances	1,113,392,485	308,315,926	184,233,364	91,285,138	92,642,485	56,918,407	90,680,852	127,062,513	89,148,053	73,105,747
Fixed assets	54,251,555	-	-	-	851,344	2,401,684	851,344	1,407,464	-	48,739,719
Intangible assets	502,791	-	-	-	167,597	167,597	167,597	-	-	-
Right of Use Assets	6,605,400	-	18,146	53,920	184,297	588,608	457,559	1,417,863	2,657,819	1,227,188
Deferred tax assets	1,625,647	-	-	-	-	-	-	1,625,647	-	-
Other assets	100,255,148	41,482,788	14,111,487	9,617,316	2,757,559	29,022,877	725,138	1,087,707	1,450,276	-
	3,846,684,469	907,130,076	847,948,261	318,922,346	300,441,306	510,585,611	235,210,152	266,790,603	324,344,401	135,311,714
Liabilities										
Bills payable	21,848,270	11,785,882	526,963	6,702,452	361,471	2,471,502	-	-	-	-
Borrowings	312,925,106	33,593,924	129,395,726	81,758,922	29,616,731	13,099,389	3,634,279	6,463,258	15,362,877	-
Deposits and other accounts	3,019,155,045	763,868,028	185,078,506	296,787,793	462,965,150	413,860,284	486,684,939	408,594,611	1,315,732	-
Liabilities against assets subject to right of use assets	7,893,960	-	20,960	69,732	361,900	643,301	505,176	1,765,289	3,046,610	1,480,992
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	198,659,523	78,524,701	18,508,262	30,670,330	3,654,598	25,961,043	8,538,736	16,576,941	8,112,456	8,112,456
	3,560,481,904	887,772,535	333,530,416	415,989,230	496,959,849	456,035,520	499,363,131	433,400,099	27,837,675	9,593,448
Net assets	286,202,565	19,357,541	514,417,844	(97,066,883)	(196,518,543)	54,550,091	(264,152,979)	(166,609,496)	296,506,726	125,718,266
Share capital	21,275,131									
Reserves	60,371,495									
Unappropriated profit	140,073,817									
Surplus/(Deficit) on revaluation of assets	64,482,122									
	286,202,565									

2020

	Total	Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years
	(Rupees in '000)									
Assets										
Cash and balances with treasury banks	249,259,590	149,866,293	1,763,659	45,629,218	49,204,166	2,796,254	-	-	-	-
Balances with other banks	14,227,355	12,716,556	364,979	455,390	690,430	-	-	-	-	-
Lending to financial institutions	126,804,675	126,804,675	-	-	-	-	-	-	-	-
Investments	1,463,398,076	165,436,765	466,849,352	45,910,297	152,201,308	97,645,814	157,346,293	125,301,464	237,876,475	14,830,309
Advances	983,254,527	303,934,725	149,304,778	55,843,636	59,201,007	41,668,685	78,281,159	157,288,456	86,006,957	51,725,124
Fixed assets	54,413,493	-	-	-	724,254	2,878,438	724,254	1,322,411	-	48,764,136
Intangible assets	303,813	-	-	-	101,271	101,271	101,271	-	-	-
Right of Use Assets	6,669,684	201	19,924	50,071	95,963	625,524	583,369	1,528,327	2,628,348	1,137,957
Other assets	110,195,768	37,069,234	17,542,509	9,309,630	2,408,285	38,014,615	3,351,081	2,500,414	-	-
	3,008,526,981	795,828,449	635,845,201	157,198,242	264,626,684	183,730,601	240,387,427	287,941,072	326,511,780	116,457,526
Liabilities										
Bills payable	16,795,186	8,784,880	499,727	6,439,082	194,485	877,012	-	-	-	-
Borrowings	138,539,005	10,688,517	10,993,746	56,908,784	42,516,430	2,392,767	3,509,557	6,420,414	5,108,790	-
Deposits and other accounts	2,418,966,479	691,675,247	118,540,644	338,032,867	336,495,938	309,364,692	305,388,438	317,997,480	1,471,173	-
Liabilities against assets subject to right of use assets	7,533,691	41	21,491	57,673	96,726	804,940	662,691	1,762,736	2,838,255	1,289,138
Deferred tax liabilities	2,978,364	-	-	-	-	-	-	2,978,364	-	-
Other liabilities	156,155,514	57,220,072	38,310,849	15,603,234	3,279,386	15,947,785	5,339,632	10,377,940	5,038,308	5,038,308
	2,740,968,238	768,368,757	168,366,457	417,041,640	382,582,965	329,387,196	314,900,318	339,536,934	14,456,526	6,327,446
Net assets	267,558,742	27,459,692	467,478,744	(259,843,398)	(117,956,281)	(145,656,595)	(74,512,891)	(51,595,862)	312,055,253	110,130,080
Share capital	21,275,131									
Reserves	56,562,933									
Unappropriated profit	116,021,334									
Surplus/(Deficit) on revaluation of assets	73,699,344									
	267,558,742									

47.2.7 Derivative Risk

A derivative is a contract that derives its value from the performance of an underlying asset which can be an index, interest rate, commodity price, security price, FX rate etc. Derivatives include forwards, futures, foreign currency and interest rate swaps, options etc. In Pakistan, futures and forwards are most commonly traded derivatives.

Currently, the Bank is not an active participant in the Pakistan derivatives market as it does not hold an Authorized Derivative Dealer (ADD) licence to perform derivate contracts. Once acquired, the Bank will carry out the transactions which are permitted under the Financial Derivatives Business Regulations issued by the SBP, which may include Interest rate swaps, forward rate agreements, foreign currency options etc.

Moreover, the Bank may also offer other derivative products to satisfy customer requirements, specific approval of which will be sought from the SBP on a transaction by transaction basis.

48. EVENTS AFTER THE REPORTING DATE

The Board of Directors has proposed a cash dividend of Rs. 1 per share (2020: Rs. Nil per share) amounting to Rs. 2,127.513 million (2020: Rs. Nil) at its meeting held on March 8, 2022 for approval of the members at the annual general meeting to be held on March 30 2022. These unconsolidated financial statements do not reflect this appropriation as explained in note 5.20.

49. CORRESPONDING FIGURES

Certain corresponding figures have been reclassified wherever necessary to confirm to the presentation adopted in the current year.

50. GENERAL

50.1 Figures have been rounded off to the nearest thousand rupees.

51. DATE OF AUTHORIZATION FOR ISSUE

The unconsolidated financial statements were authorized for issue on March 8, 2022 by the Board of Directors of the Bank.

Chairman	President / Chief Executive Officer	Chief Financial Officer	Director	Director

Annexure - I

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2021

Rs. In 000

S. No.	Name & Address of the borrower	Name of Individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/ Mark-up written off.	Other financial relief / waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1	M/S.Qureshi Brothers, Bahawalpur.	Muhammad Ayyub Qureshi 31202-2263837-3 Abdul Samad 31202-1515844-9 Abdul Qayyum 31202-7537115-9 Abdul Rauf 34402-1710024-7 Mst.Sultana Begum 31202-9609925-0 Mst Anjum Shakoor 37405-3577028-0 Mst Shazia Erum 34402-1635588-2	Abdul Shakoor Abdul Shakoor Abdul Shakoor Abdul Shakoor Abdul Shakoor Abdul Shakoor Abdul Shakoor	1,500	1,418	22	2,940	-	-	500	500
2	Khuda Bukhsh City Branch, Liaquatpur	Khuda Bukhsh 31302-5411764-9	Faqir Bukhsh	634	-	-	634	634	-	-	634
3	Syed Waqar Shafaq CITY BRANCH LIAQUATPUR	Syed Waqar Shafaq 31302-8345377-9	Syed Abdullah Ashfaq Ahmed Shafaq	653	-	-	653	653	-	-	653
4	Saifullah Khan Uchsharif Branch (0703)	Saifullah Khan 31201-5382470-9	Hasoor Bukhsh	587	-	-	587	587	-	-	587
5	Shah Zaman Khan Chatter the & distt Muz AK	Shah Zaman Khan 82203-4459614-3	Faqeer Muhammad	600	-	-	600	600	-	-	600
6	Safdar Hussain Kudal shahi Branch, AK (0693)	Safdar Hussain 82202-9207727-5	Muhammad Hussain	563	-	-	563	563	-	-	563
7	Muhammad Aslam(Late) House No. 10-9/381 Mohala Kili Deba Arbab Ali Road Quetta	Muhammad Aslam (Late) 54400-0468311-7	Muhammad Akbar	542	-	-	542	541	-	-	541
8	Ameer Ali Magsi Goth Bujarani Tehsil Jal Magsi.	Ameer Ali Magsi 53302-2093074-5	Sher Muhammad	673	143	-	816	673	-	-	673
9	Late Rab Rakhio S/o Dur Muhammad Mughari Village Pandhi Khan Mughari Taluka Kamber District Kamber -Shahdadkot	Late Rab Rakhio 43202-7530861-9	Dur Muhammad Mughari	511	-	-	511	511	-	-	511
10	Late Ashraf Ali S/o Wahid Behleem Villafe Garhi Sutto P.O Jean Abro Taluka Kamber Ali Khan Distict Kamber - Shahdadkot	Late Ashraf Ali 43202-0732537-5	Wahid Behleem	795	-	-	795	795	-	-	795
11	Late Ameer Ali S/o Muhammad Patoojo Villafe Mahi Makol P.O Mahi Makol Menhoon Taluka KamberAli Khan Distict Kamber - Shahdadkot	Late Ameer Ali 43202-6449204-5	Muhammad Patoojo	818	-	-	818	818	-	-	818
12	Late Ghulam Mustafa S/o Mir Bakhshal Khan Muhall Drib P.O Shahdadkot District Kamber - Shahdakot	Late Ghulam Mustafa 43201-1458511-1	Mir Bakhshal Khan	973	-	-	973	973	-	-	973

S. No.	Name & Address of the borrower	Name of Individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/ Mark-up written off.	Other financial relief / waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
13	Late Muhammad Younis S/o Ahmed Lashari Village Aitbar Khan Chandio P.O Shahdadkot District Kamber - Shahdakot	Late Muhammad Younis 43206-6395654-1	Ahmed Lashari	862	-	-	862	862	-	-	862
14	Late Rehmatullah S/o Bagh Ali Alias Biju Residence of Khanpur road House No.394/41 Muhalla Sanjrani Shikarpur	Late Rehmatullah 43304-649922-7	Bagh Ali Alias Biju	809	-	-	809	809	-	-	809
15	Late Ashique Ali S/o Muhammad Nawaz Juj New Nazar Muhalla Larkana	Late Ashique Ali 43203-5561356-7	Muhammad Nawaz Juj	618	-	-	618	618	-	-	618
16	Late Wazir Ahmed S/O Rasool Bux Panhwar Village Pechoha Dist: Dadu	Late Wazir Ahmed 41201-3227942-5	Rasool Bux Panhwar	814	-	-	814	814	-	-	814
17	Late Abdul Razaq S/O Abdul Qadir Thahem First Famli Line Jacobabad	Late Abdul Razaq 43102--2477711-3	Abdul Qadir Thahem	588	-	-	588	588	-	-	588
18	Late Imdad Hussain S/O Datar Dino Abbasi Near Al Hussani Masjid Muhalla Kalhora Abad Dist Larkana	Late Imdad Hussain 43203-9719026-1	Datar Dino Abbasi	710	-	-	710	710	-	-	710
19	Late Ali Akbar S/O Muhram Khan Sodhar Village Faiz Muhammad Sodhar P.O Warrah	Late Ali Akbar 43207-0172083-9	Muhram Khan Sodhar	835	-	-	835	835	-	-	835
20	Late Zulifqar Ali S/O Roshan Buriro Village Khamiso Kalhoro Warrah Distt: Kamber Shahdadkot	Late Zulifqar Ali 43207-6721647-7	Roshan Buriro	652	-	-	652	652	-	-	652
21	Late: Abdul Razaque S/O Muhammad Umar Leghari Muhalla Jaffarabad Jacobabad	Late: Abdul Razaque 43102-4891098-5	Muhammad Umar Leghari	751	-	-	751	751	-	-	751
22	Late Shoukat Ali Village Raban Wandh Sheranpur P/O Sheranpur Taluka Garhi Yasin	Late Shoukat Ali 43101-6275684-3	Ghous Bux	615	-	-	615	615	-	-	615
23	Late Ghulam Hyder Village Suleman Dool Taluka Thull	Late Ghulam Hyder 43105-4709049-7	Tagio Khan	523	-	-	523	523	-	-	523
24	Late Assadullah Muhalla Galib Nager Taluka & Distt Larkana	Late Assadullah 43203-7645041-1	Ghous Bux Khushk	549	-	-	549	549	-	-	549
25	Late Ghulam Rasool hamidullah Huzoori Mohala Miro Khan Taluka Miro Khan Dist Kamber Ali Khan	Late Ghulam Rasool 43204-1152340-1	Bakshal Kalhoro	752	-	-	752	752	-	-	752
26	Late Aijaz Ali Village Thar Wadho Taluka Miro Khan Dist Kamber Shahdadkot	Late Aijaz Ali 43204-3217325-5	Muhammad Siddiqui Tunio	761	-	-	761	761	-	-	761
27	Mazhar Ali Village P.O Wagan Ghathar Dist Kamber Shahdadkot	Mazhar Ali 43202-9470096-9	Muhram Ali Mirbahar	697	-	-	697	697	-	-	697
28	Peeral Village War Wara Mullan Kakar Taluka K.N Shah	Peeral 41203-7987437-9	Ghulam Hyder Paryo	839	-	-	839	839	-	-	839
29	M. Ibrahim Village Faqir Muhammad P.O kakar Taluka K.N Shah	M. Ibrahim 41203-1643237-5	Kando Birahmani	623	-	-	623	623	-	-	623
30	Ali Hassan Shahan Jo Padar Muhalla Lahori Larkana	Ali Hassan 43203-6939277-5	Rasool Bux Memon	576	-	-	576	576	-	-	576
31	Abdul Rauf VIP Road House No.09 Stret No.04 Muhalla Police Head Quarter Larkana	Abdul Rauf 43203-8203081-9	Haji Ahmed Abbasi	594	-	-	594	594	-	-	594
32	Syed Raham Shah Village Khairo Khan Jatoi P.O Wagan Dist Qamber Shahdadkot	Syed Raham Shah 43207-5448381-7	Himat Ali Shah	562	-	-	562	562	-	-	562

S. No.	Name & Address of the borrower	Name of Individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/ Mark-up written off.	Other financial relief / waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
33	Ghulam Muhammad Village Muhalla Ali Abad Larkana	Ghulam Muhammad 43203-1357392-3	Darya Khan Khoso	545	-	-	545	545	-	-	545
34	GUL MOHAMMAD Village Dodani Panhwar Makhdoom Bilawal Dadu	GUL MOHAMMAD 41201-7161285-1	Ali Bux Panhwar	719	-	-	719	719	-	-	719
35	RIAZ AHMED	RIAZ AHMED 43406-0339589-1	Sawan Khan Bhatti	526	-	-	526	526	-	-	526
36	AIJAZ ALI Nanik Wara Muhalla Malik City Kandhkot	AIJAZ ALI 43103-6689918-1	Rahim Bux Malik	654	-	-	654	654	-	-	654
37	GHULAM SARWAR Bhittal Rice Mill Qadri Muhalla Thull	GHULAM SARWAR 43105-4405674-5	Abdul Latif Buriro	563	-	-	563	563	-	-	563
38	NADIR HUSSAIN Village Shangoo Rahoojo P.O Madeji Taluka Garhi Yasin Dist Shikarpur	NADIR HUSSAIN 43301-9495399-7	Ghulam Muhammad Abro	870	-	-	870	870	-	-	870
39	MUHAMMAD SADIQUE Muhalla Nazar Larkana	MUHAMMAD SADIQUE 43102-6489792-9	Sohrab Khan Phulpoto	864	-	-	864	864	-	-	864
40	GHULAM RASOOL Village Daro Napar Taluka Lakhi Ghulam Shah	GHULAM RASOOL 43105-4405674-5	Muhammad Anwar Abro	771	-	-	771	771	-	-	771
41	Late Muhammad Murad Village Deedar P.O Kamber	Late Muhammad Murad 43202-9836503-7	Muhammad Umar Siyal	754	-	-	754	754	-	-	754
42	Late Shabir Ali Village Wali Muhammad Gorar P.O Taluka Mehar	Shabir Ali 41205-3402887-1	Muhammad Panah Chandio	872	-	-	872	872	-	-	872
43	Late Qamaruddin Village Lal Bux Noonari Taluka Thull Dist Jacobabad	Qamaruddin Lashari 43103-8210721-1	Ali Muhammad Lashari	883	-	-	883	883	-	-	883
44	Late Riaz Ahmed Village Lal Bux Noonari Taluka Thull Dist Jacobabad	Riaz Ahmed 43203-2514340-9	Allah Dino soomro	534	-	-	534	534	-	-	534
45	Late Asadullah Village Naou Sobho Khan Jatoi Johi Belo P.O Madeji Taluka Garhi Yasin Dist Shikarpur	Late Asadullah 43202-0732537-5	Shah Bux Jatoi	653	-	-	653	653	-	-	653
46	Late Abdul Khalique Air Port Road Muhalla Allah Abad Larkana	Late Abdul Khalique 43203-6543586-5	Bakhshal khan Shaikh	581	-	-	581	581	-	-	581
47	Late Ghulam Yaseen Muhalla Galib Nager Taluka & Distt Larkana	Late Ghulam Yaseen 43201-4571317-9	Azizullah Soomro	986	-	-	986	986	-	-	986
48	Messrs New Mannan Medical & General Store Mr. Muhammad Rafi, Deceased Partner (CNIC NO.38403-3360023-7) S/o Muhammad Shafi & Mr. Muhammad Raees, alive Partner (CNIC # 38403-5409957-1)S/o Muhammad Rafi	Muhammad Rafi 38403-3360023-7 Muhammad Raees 38403-5409957-1	Muhammad Shafi Muhammad Rafi	3,000	-	3,089	6,089	-	-	1,018	1,018
49	Khalid Hussain Ansari, House No.A-1408/47, KRI Quarter Old Sukkur	Khalid Hussain Ansari, 45504-9949954-1	Nisar Hussain	900	-	-	900	900	-	-	900
50	Mushtaque Hyder S/O Muhammad Malook, ward No. 04 Karim Shah Colony Kandiaro Taluka Kandiaro Distt: N. Feroze	Mushtaque Hyder 45302-8368240-1	Muhammad Malook	1,717	-	-	1,717	1,717	-	-	1,717
51	Muhammad Kawish, Arain Wahan Mailsi 36302-1607593-9	Muhammad Kawish 36302-1607593-9	Ashiq Muhammad	2,900	1,603	10	4,513	-	-	534	534
52	Atta Ullah Near Chitti Kothi,Khanewal	Atta Ullah 36302-1607593-9	Imam Bukhsh	638	-	-	638	638	-	-	638

S. No.	Name & Address of the borrower	Name of Individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/ Mark-up written off.	Other financial relief / waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
53	Qazi Naveed Akhtar H # CD-148, Muhallah Ghaziabad, Dhoke Syedan, Rawalpindi	Qazi Naveed Akhtar 37405-6372365-3	Qazi Walaiat Hussain	509	-	-	509	509	-	-	509
54	Ghulam Mustafa Nadeem H.No.CB-316, Street # 9D, Aslam Market, Rawalpindi Cantt.	Ghulam Mustafa Nadeem 35303-2058532-7	Aashiq Hussain	596	-	-	596	596	-	-	596
55	Muhammad Akram Leghari S/o Manzoor Ahmed Khan Leghari House no 477-C,Street no 178,G-7/3-1,Islamabad	Muhammad Akram Leghari 61101-7386959-3	Manzooor Ahmed Khan	1,445	95	-	1,540	1,445	-	-	1,445
56	Israr Hussain Shah S/o Sakbar Ali Shah PO Jahala,Lehtrar Bala,Tehsil Kahuta, District Rawalpindi	Israr Hussain Shah 37402-2172503-5	Sakbar Ali Shah	535	-	-	535	535	-	-	535
57	Sheikh Anwar Jamal Houst No.72, Ward No8-M, Street No.02, Mohalla Chah Bohar Wala Multan	Sheikh Anwar Jamal 36302-0386241-9	Sheikh Jamal ud din	602	23	-	625	602	-	-	602
58	Ejaz Hussain P.O. Khas, Mauza Salar Wahan Nau, Kabirwala	Ejaz Hussain 36102-55882240-3	Muhammad Buksh	723	40	-	763	723	-	-	723
59	Riaz Hussain QTR # 3, Ratan Preedy Police, Karachi	Riaz Hussain 42301-0421147-1	Syed Nisar Hussain	677	-	-	677	677	-	-	677
60	Raja Tariq Nawaz (House No.2675 Street #21 Sector I-9 Islamabad)	Raja Tariq Nawaz 61101-2000580-9	Raja Rabnawaz Khan	1,298	55	-	1,353	545	-	-	545
61	UNITED AGRO ENGINEERS ADDRESS: OPPOSITE TELEPHONE EXCHANGE, CIRCULAR ROAD DASKA	Mr. Mirza Yasir 34601-1140979-3 Mr. Muhammad Nasir 34601-5833439-9 Mr. Muhammad Amir 34601-6478093-9 Mr. Muhammad Tayyab Ali 34601-5997769-1	Muhammad Younis Muhammad Younis Muhammad Younis Muhammad Younis	-	75	6	81	-	-	603	603
62	Muhammad Nawaz S/o Muhammed Sharif House # P-223, St - 1, Mohalla Eid gah Jaranwala	Muhammad Nawaz 33104-2248318-5	Muhammed Sharif	878	18	-	896	878	-	-	878
63	SYED SIBAT UL HASSAN Botala Sharam Singh Tehsil & District Gujranwala	SYED SIBAT UL HASSAN 34101-1167496-3	SYED AKBAR SHAH	678	-	-	678	678	-	-	678
64	AGHA DILSHAD HUSSAIN Amin pur Syedan P/o Doburjee Baga Tehsil & District Gujranwala	AGHA DILSHAD HUSSAIN 34101-0984183-9	SYED ASGHAR ALI SHAH	564	-	-	564	564	-	-	564
65	Sajjad Ahmed Moh. Khandaq, Kot Najeeb Ullah, Thesil & Distt: Haripur	Sajjad Ahmed 13302-3230010-1	Muhammad Aslam	551	-	-	551	551	-	-	551
66	SAEE MUHAMMAD S/O MUTTAL MONG M.B.DIN	Saee Muhammad 34402-4507559-3	Muttal	549	-	-	549	549	-	-	549
67	GHULAM RASOOL KHAN S/O ABDUL QADIR KHAN AMINABAD GUJRANWALA	Ghulam Rasool Khan 34101-2211426-9	Abdul Qadir Khan	576	-	-	576	576	-	-	576
68	PACE CORPORATION House#69, Road#19, Rupnagar, Mirpur- 01	Mir Salauddin NID No: 3612676893391	Mir Mozzamel Haque	100,091	21,446	209,543	331,080	48,123	21,446	209,543	279,113
69	PACE CORPORATION House#69, Road#19, Rupnagar, Mirpur- 01	Mir Salauddin NID No: 3612676893391	Mir Mozzamel Haque	2,508	523	5,480	8,511	1,280	195	5,480	6,956
70	PACE CORPORATION House#69, Road#19, Rupnagar, Mirpur- 01	Mir Salauddin NID No: 3612676893391	Mir Mozzamel Haque	617	129	1,348	2,093	315	48	1,348	1,711
71	PACE CORPORATION House#69, Road#19, Rupnagar, Mirpur- 01	Mir Salauddin NID No: 3612676893391	Mir Mozzamel Haque	16,253	4,197	36,977	57,427	7,974	1,982	36,977	46,933
72	Fortuna Fried Chicken 95/A ROAD#7, SEC# 4 UTTARA, Dhaka	Md Fazle Taher NID No: 258779982969	Md. Abu Taher	31,731	34,634	99,150	165,516	-	-	99,150	99,150

S. No.	Name & Address of the borrower	Name of Individuals/ Partners/ Directors (with CNIC No.)	Fathers/Husband's name	Outstanding liabilities at beginning of year				Principal written-off	Interest/ Mark-up written off.	Other financial relief / waiver provided	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
73	Propel International Ltd. House-53,55 Road # 03, Block # B, Niketan,Gulshan-1, Dhaka	Md.Shawquat Azim NID No: 2650898233300	Late Najir Ahmed	93,885	20,114	11,343	125,342	-	-	11,343	11,343
				297,774	**84,513**	**366,969**	**749,257**	**102,228**	**23,672**	**366,497**	**492,397**

Annexure - II

ISLAMIC BANKING BUSINESS

The bank is operating 189 (2020: 191) Islamic banking branches and no Islamic banking windows at the year ended December 31, 2021.

		2021	2020
		----------- (Rupees in '000) -----------	
ASSETS			
Cash and balances with treasury banks		**6,591,139**	5,713,009
Balances with other banks		**12,531**	11,948
Investments	1	**49,548,760**	42,109,641
Islamic financing and related assets - net	2	**42,316,209**	37,546,704
Fixed assets		**100,620**	148,884
Right of use assets (ROUA)		**641,973**	755,116
Other assets		**1,686,568**	2,676,118
Total Assets		**100,897,800**	88,961,420
LIABILITIES			
Bills payable		**388,351**	339,103
Deposits and other accounts	3	**84,849,520**	75,268,262
Due to head office		**7,635,926**	4,124,758
Lease liability against right of use assets		**826,081**	903,196
Other liabilities		**455,249**	2,198,144
		94,155,127	82,833,463
NET ASSETS		**6,742,673**	6,127,957
REPRESENTED BY			
Islamic Banking Fund		**4,646,000**	3,360,000
Surplus on revaluation of assets		**594,005**	659,569
Unappropriated / Unremitted profit	5	**1,502,668**	2,108,388
		6,742,673	6,127,957

The profit and loss account of the Bank's Islamic banking branches for the year ended December 31, 2021 is as follows:

		2021	2020
		----------- (Rupees in '000) -----------	
Profit / return earned	6	**7,212,495**	7,994,894
Profit / return expensed	7	**(3,180,849)**	(3,456,533)
Net profit / return		**4,031,646**	4,538,361
Other income			
Fee and commission income		**285,694**	367,852
Foreign exchange income		**37,404**	56,745
Other income		**13,218**	1,344
Total other income		**336,316**	425,941
Total income		**4,367,962**	4,964,302
Other expenses			
Operating expenses		**(2,742,428)**	(2,453,894)
Other charges		**(1,516)**	(2,512)
Total other expenses		**(2,743,944)**	(2,456,406)
Profit before provisions		**1,624,018**	**2,507,896**
Provisions and write offs - net		**(121,350)**	(399,508)
Profit before taxation		**1,502,668**	2,108,388
Taxation		**-**	-
Profit after taxation		**1,502,668**	2,108,388

1	Investments by segments:	2021 Cost / Amortised cost	2021 Provision for diminution	2021 Surplus / (Deficit)	2021 Carrying Value	2020 Cost / Amortised cost	2020 Provision for diminution	2020 Surplus / (Deficit)	2020 Carrying Value
		---------- Rupees in '000 ----------							
	Federal Government Securities:								
	- Ijarah Sukuks	**14,000,979**	**-**	**(31,279)**	**13,969,700**	6,000,000	-	15,600	6,015,600
	- Others (Bai Muajjal with GOP @ 13.30%)	**10,914,185**	**-**	**-**	**10,914,185**	11,641,133	-	-	11,641,133
		24,915,164	**-**	**(31,279)**	**24,883,885**	17,641,133	-	15,600	17,656,733
	Non Government Debt Securities								
	- Listed	**8,200,000**	**-**	**340,000**	**8,540,000**	8,400,000	-	311,741	8,711,741
	- Unlisted	**15,970,398**	**(130,807)**	**285,284**	**16,124,875**	15,539,747	(130,807)	332,228	15,741,168
		24,170,398	**(130,807)**	**625,284**	**24,664,875**	23,939,747	(130,807)	643,969	24,452,909
	Total Investments	**49,085,562**	**(130,807)**	**594,005**	**49,548,760**	41,580,880	(130,807)	659,569	42,109,641

2	Islamic financing and related assets	Note	2021	2020
			---- Rupees in '000 ----	
	Ijarah	2.1	**95,075**	168,788
	Murabaha	2.2	**903,901**	3,464,401
	Diminishing Musharaka		**21,834,074**	17,614,309
	Istisna		**-**	50,000
	Other Islamic Modes (Wakala tul Istismar)		**8,500,000**	8,500,000
	Advances against Islamic assets (Ijarah, Murbaha, DM, Istisna)		**11,226,981**	8,076,678
	Inventory related to Islamic financing (Istisna)		**469,000**	275,600
	Gross Islamic financing and related assets		**43,029,031**	38,149,776
	Less: provision against Islamic financings			
	- Specific		**(712,763)**	(602,913)
	- General		**(59)**	(159)
			(712,822)	(603,072)
	Islamic financing and related assets - net of provision		**42,316,209**	37,546,704

2.1 Ijarah

	2021						
	Cost			Accumulated Depreciation			Book Value as at December 31, 2021
	At January 1, 2021	Additions / (deletions)	As at December 31, 2021	At January 1, 2021	Charge / Adjustment for the year	As at December 31, 2021	
	Rupees in '000						
Plant & Machinery	**249,123**	**-**	**245,257**	**175,050**	**35,566**	**207,075**	**38,182**
		(3,866)			**(3,541)**		
Vehicles	**239,219**	**-**	**209,727**	**144,504**	**37,241**	**152,834**	**56,893**
		(29,492)			**(28,911)**		
Total	**488,342**	**-**	**454,984**	**319,554**	**72,807**	**359,909**	**95,075**
		(33,358)			**(32,452)**		

	2020						
	Cost			Accumulated depreciation			Book Value as at December 31, 2020
	At January 01, 2020	Additions / (deletions)	As at December 31, 2020	At January 01, 2020	Charge / Adjustment for the year	As at December 31, 2020	
	Rupees in '000						
Plant & Machinery	255,075	-	249,123	137,966	42,760	175,050	74,073
		(5,952)			(5,676)		
Vehicles	277,812	-	239,219	139,282	42,832	144,504	94,715
		(38,593)			(37,610)		
Total	532,887	-	488,342	277,248	85,592	319,554	168,788
		(44,545)			(43,286)		

Future Ijarah payments receivable

	2021				2020			
	Not later than 1 year	Later than 1 year & less than 5 years	Over five years	Total	Not later than 1 year	Later than 1 year & less than 5 years	Over five years	Total
	Rupees in '000							
Ijarah rental receivables	**71,589**	**54,398**	**-**	**125,987**	85,318	91,290	-	176,608

2.2 Murabaha

	Note	2021	2020
		Rupees in '000	
Murabaha financing	2.2.1	**903,901**	3,464,401
Advances for Murabaha		**1,285,000**	1,199,500
		2,188,901	4,663,901

		Note	2021	2020
			------------ Rupees in '000 ------------	
2.2.1	Murabaha receivable - gross	2.2.2	**982,249**	3,629,825
	Less: Deferred murabaha income	2.2.4	**25,980**	47,306
	Less: Profit receivable shown in other assets		**52,368**	118,118
	Murabaha financings		**903,901**	3,464,401
2.2.2	The movement in Murabaha financing during the year is as follows:			
	Opening balance		**3,629,825**	1,835,295
	Sales during the year		**7,905,588**	10,600,101
	Adjusted during the year		**10,553,164**	8,805,571
	Closing balance		**982,249**	3,629,825
2.2.3	Murabaha sale price		**7,905,588**	10,600,101
	Murabaha purchase price		**7,739,500**	9,901,022
			166,088	699,079
2.2.4	Deferred murabaha income			
	Opening balance		**47,306**	71,105
	Arising during the year		**184,383**	287,727
	Less: Recognised during the year		**205,709**	311,526
	Closing balance		**25,980**	47,306

3 Deposits

	2021			2020		
	In Local currency	**In Foreign currencies**	**Total**	In Local currency	In Foreign currencies	Total
	---------- Rupees in '000 ----------					
Customers						
Current deposits	**21,520,192**	**264,535**	**21,784,727**	26,363,269	111,710	26,474,979
Savings deposits	**42,730,234**	**-**	**42,730,234**	33,051,442	-	33,051,442
Term deposits	**8,148,745**	**-**	**8,148,745**	10,129,005	-	10,129,005
	72,399,171	**264,535**	**72,663,706**	69,543,716	111,710	69,655,426
Financial Institutions						
Current deposits	**700,103**	**-**	**700,103**	778,039	-	778,039
Savings deposits	**6,064,983**	**-**	**6,064,983**	3,633,797	-	3,633,797
Term deposits	**5,420,728**	**-**	**5,420,728**	1,201,000	-	1,201,000
	12,185,814	**-**	**12,185,814**	5,612,836	-	5,612,836
	84,584,985	**264,535**	**84,849,520**	75,156,552	111,710	75,268,262

		2021	2020
		------------- Rupees in '000 ------------	
3.1	**Composition of deposits**		
	- Individuals	**41,007,219**	36,485,509
	- Government / Public Sector Entities	**21,697,189**	23,406,681
	- Banking Companies	**6,873,275**	2,698,853
	- Non-Banking Financial Institutions	**5,312,539**	2,913,983
	- Private Sector	**9,959,298**	9,763,236
		84,849,520	75,268,262

3.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 43,701 million (2020: Rs. 39,137 million).

4 Charity Fund

	2021	2020
Opening Balance	**621**	10,911
Additions during the period		
Received from customers on account of delayed payment	**79**	710
Profit on charity saving account	**14**	-
	714	**11,621**
Payments / utilization during the period		
Education	**-**	1,500
Health	**650**	9,500
	650	11,000
Closing Balance	**64**	621

	2021	2020
Charity amount exceeding Rs. 0.5 million paid to the following organizations.		
The Indus Hospital	**-**	3,000
Network of Organizations Working with People with Disabilities, Pakistan (NOWPDP)	**325**	-
The Prime Minister’s Covid-19 Pandemic Relief Fund - 2020	**-**	5,000
Shaukat Khanum Memorial Trust	**-**	1,000
Institute of Business Administration (IBA)	**-**	1,500
Abaseen Institute of Medical Science (AIMS)	**325**	-
Green Cresent Trust (GCT)	**-**	500
	650	11,000

5 Islamic Banking Business Unappropriated/ Unremitted Profit

	2021	2020
Opening Balance	**2,108,388**	2,039,140
Add: Islamic Banking profit for the year	**1,502,668**	2,108,388
Less: Transferred / remitted to Head Office	**(2,108,388)**	(2,039,140)
Closing Balance	**1,502,668**	2,108,388

		2021	2020
		------------- Rupees in '000 ------------	
6	**Profit / Return Earned on Financing, Investments and Placement**		
	Profit earned on:		
	Financing	**3,157,329**	3,991,541
	Investments	**2,819,221**	2,714,544
	Placements	**560**	30,245
	Others (Bai Muajjal)	**1,235,385**	1,258,564
		7,212,495	7,994,894
7	**Profit on Deposits and other Dues Expensed**		
	Deposits and other accounts	**2,520,353**	2,956,946
	Amortisation of lease liability against - ROUA	**82,908**	89,738
	Others (General Account)	**577,588**	409,849
		3,180,849	3,456,533

8 Pool Management

NBP-AIBG has managed following pools for profit and loss distribution.

a) General depositor pool

The General pool consists of all other remunerative deposits. NBP Aitemaad (the Mudarib) accept deposits on the basis of Mudaraba from depositors (Rab ul Maal). The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. The entire net return after paying equity share to Mudarib is considered as distributable profit of the pool.

b) Special depositor pools (Total 78 during the year and 44 as at December 31, 2021)

Special pool(s) are created where the customers desire to invest in high yield assets. These pool(s) rates are higher than the general pool depending on the assets. In case of loss in special pool, the loss will be borne by the special pool members. The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. From the net return, and after allocation of share of profit to commingled equity, profit is paid to the Mudarib in the ratio of the Mudarib's equity in the pool to the total pool. The balance represents the distributable profit.

c) Equity pool

Equity pools include AIBG's fund and current account deposits. The equity pool may have constructive liquidation every month and risk associated with assets of pool includes operational, market, equity, return and Shariah.

Key features and risk & reward characteristics

Deposits are accepted from customers on the basis of Qard (current accounts) and Mudarabah (Saving and term deposits). No profit or loss is passed on to current account depositors.

For deposits accepted on Mudarabah basis from depositors (Rab ul Maal) the Bank acts as Manager (Mudarib) and invests the funds in the Shariah Compliant modes of financings. Rab ul Maal share is distributed among depositors according to weightages declared for a month before start of the period.

In case of loss in a pool during the profit calculation period, the loss is distributed among the depositors (remunerative) according to their ratio of investment.

For all pools, the Mudarib's share is deducted from the distributable profit to calculate the profit to be allocated to depositors. The allocation of the profit to various deposit categories is determined by the amount invested in that category relative to the total pool, as well as by the weightage assigned to the various deposit categories.

The assets, liabilities, equities, income and expenses are segregated for each of the pool. No pool investment is intermingled with each other. The risk associated with each pool is thus equally distributed among the pools.

Avenues / sectors of economy / business where Modaraba based deposits have been deployed.

	2021	**2020**
Sector	**Percentage**	
Fertilizer	**1.12%**	1.54%
Textile	**4.60%**	3.21%
Fuel & energy	**40.71%**	48.01%
Leasing/Modarbas	**0.34%**	0.21%
Sugar	**7.94%**	6.51%
Cement	**7.43%**	9.00%
Gas	**0.91%**	1.58%
Financial	**1.59%**	2.00%
Federal Government	**24.61%**	19.68%
Real Estate	**2.98%**	2.20%
Agriculture	**0.34%**	-
Others	**7.43%**	6.06%
Total	**100%**	100%

Parameters for profit allocation and charging expenses

Profit of the pools has been distributed between Mudarib and Rab-ul-Mall by using preagreed profit sharing ratios. The share of Rab-ul-Mall's profit has been distributed among different customers using the various weightages assigned to the different categories of the pool.

No provision against any non performing asset of the pool is passed on to the pool except on the actual loss / write off of such non performing asset. Administrative expense are borne by mudarib and not charged to Mudaraba pool.

	31-Dec-21
Mudarib Share	**Rupees in '000**
Gross Distributable Income	**4,749,885**
Mudarib (Bank) share of profit before Hiba	**1,899,055**
Mudarib Share in percentage	**40%**

Hiba from Mudarib Share

Mudarib (Bank) share of profit before Hiba	**1,899,055**
Hiba from bank's share to depositors	**230,892**
Hiba from bank's share to depositors in percentage	**12%**

Profit rates

During the year ended December 31, 2021 the average profit rate earned by NBP Islamic Banking Group is 8.98% and the profit rate distributed to the depositors is 4.93%.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Directors' Report to the Shareholders
Consolidated Financial Statements

Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present the Directors' Review together with audited consolidated financial statement of National Bank of Pakistan "the Bank" and its Group Companies for the year ended December 31, 2021.

Consolidated after-tax profit for the year ended December 31, 2021 amounted to PKR 28.76 Bn, being 6.0% lower than PKR 30.59 Bn earned for the corresponding year 2020. During the year, the Bank's subsidiaries contributed a net profit of PKR 388.95 Mn (2020: PKR 328.06 Mn) towards the Group's profitability, and the share of profits from associates was PKR 23.06 Mn (2020: PKR 42.81 Mn). A share of profit of PKR 217.51 Mn (2020: loss of PKR 219.39 Mn) was however recorded on account of UNBL, a UK based Joint Venture in which NBP has 45% shareholding. Accordingly, consolidated EPS for the year 2021 stood at PKR 13.44 as compared to PKR 14.33 for the corresponding year. As of December 31, 2021, consolidated assets of the Bank amounted to PKR 3,857.03 Bn i.e. 27.8% higher than December 31, 2020 level of PKR 3,017.21 Bn.

Profit for the year ended December 31, 2021 after carry forward of accumulated profit of 2020 is proposed to be appropriated as follows:

	(PKR 'Mn)
After-tax profit for the year ended December 31, 2021	28,760.38
Unappropriated profit brought forward	120,631.78
Other comprehensive income - net of tax	(1,326.99)
Non-controlling interest	(159.92)
Transfer from surplus on revaluation of fixed assets	208.09
	119,352.96
Profit available for appropriations	148,113.35
Appropriation:	
Transfer to statutory reserve	(2,800.80)
Unappropriated profit carried forward	**145,312.55**

For and on behalf of the Board of Directors

Arif Usmani
President & CEO
Karachi
Date: March 08, 2022

Zubyr Soomro
Chairman

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

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

INDEPENDENT AUDITOR'S REPORT

To the members of National Bank of Pakistan

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of **National Bank of Pakistan and its subsidiaries (the Group)**, which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated profit and loss account, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Emphasis of Matter

We draw attention to note 26.3.3.1 to the consolidated financial statements which explains the contingency in relation to the pension obligation of the Group. The Group, based on the opinion of its legal counsel, is confident about a favorable outcome on this matter and hence, no provision has been made in these consolidated financial statements. Our opinion is not qualified in respect of this matter.

Key Audit Matters

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

Following are the Key audit matters:

S.No.	Key Audit Matters	How the matters were addressed in our audit
1.	**Provision against advances** **(Refer notes 5.8 and 11.4 to the consolidated financial statements)**	
	The Group makes provision against advances extended in Pakistan on a time-based criteria that involves ensuring that all non-performing advances are classified in accordance with the ageing criteria specified in the Prudential Regulations (PRs) issued by the State Bank of Pakistan (SBP).	Our audit procedures to verify provision against domestic advances included, amongst others, the following: ▪ Obtained an understanding of the management process to record provision and ensure that it is consistent with the requirement of PRs; and

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S.No.	Key Audit Matters	How the matters were addressed in our audit
	In addition to the above time-based criteria, the PRs require a subjective evaluation of the credit worthiness of borrowers to determine the classification of advances. The PRs also require the creation of general provision for certain categories of advances. Provision against advances of overseas branches is made as per the requirements of the respective regulatory regimes. The Group has recognised a net provision against advances amounting to Rs. 11,003 million in the consolidated profit and loss account in the current year. As at December 31, 2021, the Group holds a provision of Rs 192,127 million against advances. Moreover, the Group has recognised a general provision against the underperforming portfolio on a prudent basis. The determination of provision against advances based on the above criteria remains a significant area of judgement and estimation. Because of the significance of the impact of these judgements / estimations and the materiality of advances relative to the overall consolidated financial statements of the Group, we considered the area of provision against advances as a key audit matter.	▪ Evaluated the design and tested the operating effectiveness of the relevant controls established by the Group to identify loss events and for determining the extent of provisioning required against non-performing advances. We selected a sample of loan accounts and performed the following substantive procedures to evaluate the appropriateness of specific and general provision: ▪ Checked credit documentation, repayments of loan / mark-up instalments, tested classification of non-performing advances based on the number of days overdue; ▪ Evaluated the management's assessment for classification of a customer's loan facilities as performing or non-performing based on review of repayment pattern, inspection of credit documentation and thorough discussions with the management; ▪ In case of restructured loans, we reviewed the detailed documentation of restructuring including approvals, legal opinions, terms of restructuring, payment records and any other relevant documents to ensure that restructuring was made in accordance with the PRs; ▪ We also reviewed minutes of the meeting of credit and audit committee to identify risky exposures; and ▪ We had discussions with management to challenge assumptions and judgements used in recording provisions. We issued instructions to auditors of those overseas branches and a joint venture which were selected for audit, highlighting 'Provision against advances' as a significant risk. The auditors of those branches and joint venture performed audit procedures to check compliance with regulatory requirements and reported the results thereof to us. We, as auditors of the Group, evaluated the work performed by the component auditors and the results thereof.
2.	**Valuation of listed equity shares, units of mutual funds and term finance certificates classified as available-for-sale** (Refer notes 5.4 and 10.1 to the consolidated financial statements)	
	The Group has significant investments in equity shares, units of mutual funds and term finance certificates (TFCs) classified as Available for Sale (AFS). As per the Group's policy, listed equity shares and units of mutual funds are required to be considered for impairment when	On a sample basis, we have performed the following procedures: ▪ each investment's cost was compared to its market value wherever available to determine decline / surplus in valuation;

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S.No.	Key Audit Matters	How the matters were addressed in our audit
	there is a significant or prolonged decline in the fair value of investments. Further, TFCs are required to be assessed for impairment as per the SBP's Prudential Regulations which involves subjective criteria. The significance of the investment amount, subjectivity involved and assumptions used in impairment make it significant to the consolidated financial statements. Therefore, we have considered this as a key audit matter.	▪ checked whether, in case of listed equity shares and units of mutual funds classified as available for sale, impact of significant or prolonged decline was recognized consistently as per the policy of the Group as disclosed in note 5.26(c); and ▪ For TFCs, checked that listed TFCs were valued as per the quoted prices and for unlisted TFCs, we checked that these were valued at cost less provision. Further, on sample basis, TFCs were also evaluated based on evidence of deterioration in the financial health of the investee and repayment pattern.
3.	**Regulatory Matters in respect of New York Branch** (Refer note 26.5 to the consolidated financial statements)	
	The Group operates a branch in New York which is licensed by the New York State Department of Financial Services (NYSDFS) and is also subject to supervision by the Federal Reserve Bank of New York (FRBNY). In February 2022, the Group has reached agreements with FRBNY and NYSDFS, the US Regulators of NBP's New York Branch. The agreements include fines totaling US $ 55.4 million equivalent to Rs. 9,778 million and focused on historical compliance program weaknesses and delays in making compliance related enhancements. Under the agreements, the Group is required to submit status and progress reports at defined frequencies to the Regulators with respect to the remedial measures being taken. The above action taken by the US Regulators, including the amount of penalties imposed is a significant event and has been considered as a key audit matter.	Our audit procedures included the following: ▪ Discussed with the senior management and the Board Audit Committee to obtain their views on the status of the regulatory matters; ▪ Reviewed relevant regulatory correspondence with State Bank of Pakistan on the compliance matters raised with respect to New York Branch; ▪ Reviewed the orders issued by the US Regulators in which fines were imposed on the Group; ▪ Reviewed the minutes of meetings of the Board of Directors in which deliberations relevant to compliance matters raised by the US Regulators with respect to New York Branch took place; and Evaluated the adequacy of disclosure in accordance with the applicable financial reporting framework.

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

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Matter

The consolidated financial statements of the Group as at and for the year ended December 31, 2020 were audited by Yousuf Adil, Chartered Accountants and Grant Thornton Anjum Rahman, Chartered Accountants, who had expressed an unmodified opinion on those statements vide their report dated February 25, 2021.

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

Yousuf Adil

Yousuf Adil
Chartered Accountants
Karachi
Dated: March 8, 2022
UDIN: AR202110091ts8EUqLVc

Afferguson&Co

A. F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: March 8, 2022
UDIN: AR202110068odhSaWepV

NATIONAL BANK OF PAKISTAN
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

2020	2021		Note	2021	2020
(US Dollars in '000)				(Rupees in '000)	
		ASSETS			
1,416,150	**1,579,872**	Cash and balances with treasury banks	7	**278,868,736**	249,969,566
85,066	**108,837**	Balances with other banks	8	**19,211,237**	15,015,366
718,385	**1,900,516**	Lendings to financial institutions	9	**335,466,675**	126,804,675
8,307,610	**11,006,190**	Investments	10	**1,942,741,191**	1,466,405,373
5,573,916	**6,307,246**	Advances	11	**1,113,314,128**	983,871,421
312,083	**310,649**	Fixed assets	12	**54,833,801**	55,086,809
5,791	**6,637**	Intangible assets	13	**1,171,446**	1,022,143
39,753	**40,172**	Right of use assets	14	**7,090,980**	7,017,020
-	**10,780**	Deferred tax assets	15	**1,902,811**	-
634,612	**580,318**	Other assets	16	**102,433,942**	112,017,619
17,093,366	**21,851,217**			**3,857,034,947**	3,017,209,992
		LIABILITIES			
95,150	**123,777**	Bills payable	17	**21,848,270**	16,795,186
784,864	**1,772,811**	Borrowings	18	**312,925,106**	138,539,005
13,703,929	**17,098,679**	Deposits and other accounts	19	**3,018,147,709**	2,418,928,469
1,117	**757**	Liabilities against assets subject to finance lease	20	**133,598**	197,224
44,582	**47,366**	Lease liability against right of use assets	21	**8,360,755**	7,869,355
16,617	**-**	Deferred tax liabilities	15	**-**	2,933,124
892,540	**1,136,435**	Other liabilities	22	**200,596,128**	157,545,347
15,538,799	**20,179,825**			**3,562,011,566**	2,742,807,710
1,554,567	**1,671,392**	**NET ASSETS**		**295,023,381**	274,402,282
		REPRESENTED BY			
120,530	**120,530**	Share capital	23	**21,275,131**	21,275,131
326,272	**353,668**	Reserves	24	**62,427,269**	57,591,417
419,162	**368,215**	Surplus on revaluation of assets	25	**64,994,980**	73,987,802
683,414	**823,237**	Unappropriated profit		**145,312,547**	120,631,784
1,549,378	**1,665,650**	Total Equity attributable to the equity holders of the Bank		**294,009,927**	273,486,134
5,189	**5,742**	Non-controlling interest		**1,013,454**	916,148
1,554,567	**1,671,392**			**295,023,381**	274,402,282

CONTINGENCIES AND COMMITMENTS 26

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

Chairman | President / Chief Executive Officer | Chief Financial Officer | Director | Director

NATIONAL BANK OF PAKISTAN
CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2021

2020	2021		Note	2021	2020
-------- (US Dollars in '000) --------				---------- (Rupees in '000) ----------	
1,461,822	**1,314,643**	Mark-up / return / interest earned	27	**232,052,245**	258,031,378
870,483	**760,761**	Mark-up / return / interest expensed	28	**134,284,644**	153,651,948
591,339	**553,882**	Net mark-up / interest income		**97,767,601**	104,379,430
		NON MARK-UP / INTEREST INCOME			
110,362	**108,776**	Fee and commission income	29	**19,200,385**	19,480,452
10,397	**25,582**	Dividend income		**4,515,634**	1,835,129
24,600	**38,827**	Foreign exchange income		**6,853,433**	4,342,201
44,828	**35,139**	Gain on securities - net	30	**6,202,525**	7,912,766
(1,243)	**1,232**	Share of profit / (loss) from joint venture - net of tax	10.4	**217,507**	(219,389)
243	**131**	Share of profit from associates - net of tax	10.4	**23,057**	42,813
22,466	**10,516**	Other income	31	**1,856,263**	3,965,483
211,653	**220,203**	Total non-markup / interest income		**38,868,804**	37,359,455
802,992	**774,085**	Total income		**136,636,405**	141,738,885
		NON MARK-UP / INTEREST EXPENSES			
363,293	**345,918**	Operating expenses	32	**61,059,172**	64,126,064
-	**-**	Workers welfare fund		**-**	-
1,793	**1,966**	Other charges	33	**346,979**	316,439
365,086	**347,884**	Total non-markup / interest expenses		**61,406,151**	64,442,503
437,906	**426,201**	Profit before provisions		**75,230,254**	77,296,382
175,125	**66,053**	Provisions and write offs - net	34	**11,659,325**	30,911,976
-	**55,400**	Extra ordinary item	26.5	**9,778,848**	-
262,781	**304,748**	**PROFIT BEFORE TAXATION**		**53,792,081**	46,384,406
89,503	**141,812**	Taxation	35	**25,031,700**	15,798,487
173,278	**162,936**	**PROFIT AFTER TAXATION**		**28,760,381**	30,585,919
		Attributable to:			
172,733	**162,030**	Equity holders of the Bank		**28,600,461**	30,489,753
545	**906**	Non-controlling interest		**159,920**	96,166
173,278	**162,936**			**28,760,381**	30,585,919
------------- (US Dollars) -------------				--------------- (Rupees) ---------------	
0.08	**0.08**	**Basic earnings per share**	36	**13.44**	14.33
0.08	**0.08**	**Diluted earnings per share**	37	**13.44**	14.33

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

Chairman	President / Chief Executive Officer	Chief Financial Officer	Director	Director

NATIONAL BANK OF PAKISTAN
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

2020	2021		2021	2020
------- (US Dollars in '000) ------			--------- (Rupees in '000) --------	
173,278	**162,936**	Profit after taxation for the year	**28,760,381**	30,585,919
		Other comprehensive income		
		Items that may be reclassified to profit and loss account in subsequent periods:		
7,222	**11,529**	Exchange gain on translation of net assets of foreign branches, subsidiaries and joint venture	**2,035,053**	1,274,736
16,981	**(49,278)**	Movement in surplus on revaluation of investments - net of tax	**(8,698,153)**	2,997,432
24,203	**(37,749)**		**(6,663,100)**	4,272,168
		Items that will not be reclassified to profit and loss account in subsequent periods:		
(2,821)	**(7,721)**	Remeasurement loss on defined benefit obligations - net of tax	**(1,362,794)**	(497,972)
3,671	**(1,049)**	Movement in surplus on revaluation of operating fixed assets - net of tax	**(185,241)**	647,924
1,214	**559**	Movement in surplus on revaluation of non-banking assets - net of tax	**98,660**	214,238
-	**203**	Share of remeasurement gain on defined benefit obligations of joint venture - net of tax	**35,807**	-
2,064	**(8,008)**		**(1,413,568)**	364,190
199,545	**117,179**	**Total comprehensive income**	**20,683,713**	35,222,277
		Total comprehensive income attributable to:		
199,000	**116,273**	Equity holders of the Bank	**20,523,793**	35,126,111
545	**906**	Non-controlling interest	**159,920**	96,166
199,545	**117,179**		**20,683,713**	35,222,277

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

Chairman	President / Chief Executive Officer	Chief Financial Officer	Director	Director

NATIONAL BANK OF PAKISTAN
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021

	Share capital	Reserves					Surplus on revaluation of assets			Unappropriated profit	Sub Total	Non-Controlling Interest	Total
		Exchange translation	Statutory reserve	General loan loss reserve	Revenue general reserve	Total	Investments	Fixed / non-banking assets	Total				
	(Rupees in '000)												
Balances as at December 31, 2019	21,275,131	11,570,596	33,168,855	8,000,000	521,338	53,260,789	25,253,452	45,105,135	70,358,587.00	93,465,516	238,360,023.00	862,532	239,222,555
Profit after taxation for the year ended December 31, 2020	-	-	-	-	-	-	-	-	-	30,489,753	30,489,753.00	96,166	30,585,919
Other comprehensive income - net of tax	-	1,274,736	-	-	-	1,274,736	2,997,432	862,162	3,859,594.00	(497,972)	4,636,358.00	-	4,636,358
Transfer to statutory reserve	-	-	3,055,892	-	-	3,055,892	-	-	-	(3,055,892)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(230,379)	(230,379.00)	230,379	-	-	-
Transactions with owners, recorded directly in equity													
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(42,550)	(42,550)
Balance as at December 31, 2020	**21,275,131**	**12,845,332**	**36,224,747**	**8,000,000**	**521,338**	**57,591,417**	**28,250,884**	**45,736,918**	**73,987,802**	**120,631,784**	**273,486,134.00**	**916,148**	**274,402,282**
Profit after taxation for the year ended December 31, 2021	-	-	-	-	-	-	-	-	-	28,600,461	28,600,461	159,920	28,760,381
Other comprehensive income - net of tax	-	2,035,053	-	-	-	2,035,053	(8,698,153)	(86,581)	(8,784,734)	(1,326,987)	(8,076,668)	-	(8,076,668)
Transfer to statutory reserve	-	-	2,800,799	-	-	2,800,799	-	-	-	(2,800,799)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(208,088)	(208,088)	208,088	-	-	-
Transactions with owners, recorded directly in equity													
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(62,614)	(62,614)
Balance as at December 31, 2021	**21,275,131**	**14,880,385**	**39,025,546**	**8,000,000**	**521,338**	**62,427,269**	**19,552,731**	**45,442,249**	**64,994,980**	**145,312,547**	**294,009,927**	**1,013,454**	**295,023,381**

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

Chairman	**President / Chief Executive Officer**	**Chief Financial Officer**	**Director**	**Director**

NATIONAL BANK OF PAKISTAN
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2021

2020	2021		Note	2021	2020
------- (US Dollars in '000) ---------				---------- (Rupees in '000) ----------	
		CASH FLOW FROM OPERATING ACTIVITIES			
262,781	304,748	Profit before taxation		53,792,081	46,384,406
(10,397)	(25,582)	Less: Dividend income		(4,515,634)	(1,835,129)
252,384	279,166			49,276,447	44,549,277
		Adjustments:			
26,370	26,750	Depreciation		4,721,808	4,654,608
1,354	2,429	Amortization		428,807	238,932
175,125	66,053	Provision and write-offs	34	11,659,325	30,911,976
(131)	(406)	Gain on sale of fixed assets - net		(71,702)	(23,053)
4,644	4,791	Finance charges on leased assets		845,616	819,777
(60)	690	Unrealized loss / (gain) on revaluation of investments classified as held-for-trading		121,834	(10,556)
42,191	42,274	Charge for defined benefit plans - net		7,461,902	7,447,274
1,243	(1,232)	Share of (profit) / loss from joint venture - net of tax		(217,507)	219,389
(243)	(131)	Share of profit from associates - net of tax		(23,057)	(42,813)
250,493	141,218			24,927,026	44,215,534
502,877	420,384			74,203,473	88,764,811
		(Increase) / Decrease in operating assets			
53,681	(1,074,655)	Lendings to financial institutions		(189,691,077)	9,475,335
(342,783)	(133,088)	Held-for-trading securities		(23,491,840)	(60,505,845)
(35,124)	(820,280)	Advances		(144,790,548)	(6,199,885)
279,356	35,534	Others assets (excluding advance taxation)		6,272,244	49,310,051
(44,870)	(1,992,489)			(351,701,221)	(7,920,344)
		Increase / (Decrease) in operating liabilities			
(17,405)	28,627	Bills payable		5,053,084	(3,072,238)
(1,665,491)	745,737	Borrowings from financial institutions		131,632,640	(293,981,639)
1,251,711	3,394,750	Deposits		599,219,240	220,943,896
(182,491)	221,388	Other liabilities		39,077,967	(32,212,081)
(613,676)	4,390,502			774,982,931	(108,322,062)
(4,644)	(4,791)	Financial charges paid		(845,616)	(819,777)
(121,221)	(126,878)	Income tax adjusted / paid	16.6	(22,395,757)	(21,397,144)
(10,297)	(17,178)	Benefits paid		(3,032,126)	(1,817,492)
(291,831)	2,669,550	Net cash flow generated from / (used in) operating activities		471,211,684	(51,512,008)
		CASH FLOW FROM INVESTING ACTIVITIES			
(449,783)	(1,736,575)	Net investments in available-for-sale securities		(306,529,009)	(79,392,691)
742,147	(889,382)	Net investments in held-to-maturity securities		(156,987,867)	130,999,035
10,397	25,582	Dividends received		4,515,634	1,835,129
(11,902)	(13,121)	Investments in operating fixed assets		(2,316,063)	(2,100,884)
546	781	Proceeds from sale of operating fixed assets		137,839	96,316
7,222	11,529	Effect of translation of net investment in foreign branches		2,035,053	1,274,736
298,627	(2,601,186)	Net cash flow (used in) / generated from investing activities		(459,144,413)	52,711,641
		CASH FLOW FROM FINANCING ACTIVITIES			
(493)	(493)	Payments of finance lease obligations		(86,992)	(86,992)
(12,386)	(15,105)	Payments of lease liability against right of use assets		(2,666,257)	(2,186,264)
(7)	(20)	Dividend paid		(3,519)	(1,152)
(12,886)	(15,618)	Net cash flow used in financing activities	38.1	(2,756,768)	(2,274,408)
(6,090)	52,746	**Increase / (Decrease) in cash and cash equivalents**		9,310,503	(1,074,775)
1,500,262	1,494,173	Cash and cash equivalents at beginning of the year		263,741,704	264,816,479
1,494,172	1,546,919	Cash and cash equivalents at end of the year	38	273,052,207	263,741,704

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

Chairman	President / Chief Executive Officer	Chief Financial Officer	Director	Director

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" consists of:

Holding Company

- National Bank of Pakistan (the Bank)

Subsidiary Companies	Percentage Holding 2021 %	2020 %
- CJSC Subsidiary Bank of NBP in Kazakhstan	100.00	100.00
- CJSC Subsidiary Bank of NBP in Tajikistan	100.00	100.00
- NBP Exchange Company Limited, Pakistan	100.00	100.00
- National Bank Modaraba Management Company Limited, Pakistan	100.00	100.00
- First National Bank Modaraba, Pakistan	30.00	30.00
- Taurus Securities Limited, Pakistan	58.32	58.32
- NBP Fund Management Limited, Pakistan	54.00	54.00
- Cast-N-Link Products Limited (Note 10.15.1)	76.51	76.51

The subsidiary company of the Group, National Bank Modaraba Management Company Limited, Pakistan exercises control over First National Bank Modaraba, Pakistan as its management company and also has a direct economic interest in it. The Group has consolidated the financial statements of the modaraba as the ultimate holding company.

The Group is principally engaged in commercial banking, modaraba management, brokerage, leasing, foreign currency remittances, asset management, exchange transactions and investment advisory asset. Brief profile of the Holding Company and subsidiaries is as follows:

National Bank of Pakistan

National Bank of Pakistan (the Bank) was incorporated in Pakistan under the National Bank of Pakistan Ordinance, 1949 and is listed on Pakistan Stock Exchange (PSX). Its registered and head office is situated at I.I. Chundrigar Road, Karachi. The Bank is engaged in providing commercial banking and related services in Pakistan and overseas. The Bank also handles treasury transactions for the Government of Pakistan (GoP) as an agent to the State Bank of Pakistan (SBP). The Bank operates 1,513 (2020: 1,514) branches in Pakistan including 189 (2020: 191) Islamic Banking branches and 19 (2020: 21) overseas branches (including the Export Processing Zone branch, Karachi). The Bank also provides services in respect of Endowment Fund for students loan scheme.

CJSC Subsidiary Bank of NBP in Kazakhstan

CJSC Subsidiary Bank of NBP in Kazakhstan (JSCK) is a joint-stock bank, which was incorporated in the Republic of Kazakhstan in 2001. CJSC conducts its business under license number 252 dated December 27, 2007 (initial license was dated December 14, 2001) and is engaged in providing commercial banking services. The registered office of JSCK is located at 105, Dostyk Ave, 050051, Almaty.

CJSC Subsidiary Bank of NBP in Tajikistan

CJSC Subsidiary Bank of NBP in Tajikistan (JSCT) is a joint-stock bank, which was incorporated in the Republic of Tajikstan in 2012. JSCT obtained its license on March 20, 2012 and is engaged in providing commercial banking services. The registered office of JSCT is located at 48 Ayni Street, Dushanbe, Republic of Tajikistan.

NBP Exchange Company Limited, Pakistan

NBP Exchange Company Limited (NBPECL) is a public unlisted company, incorporated in Pakistan on September 24, 2002 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). NBPECL obtained license for commencement of operations from State Bank of Pakistan (SBP) on November 25, 2002 and commencement of business certificate on December 26, 2003 from the Securities and Exchange Commission of Pakistan (SECP). The registered office of NBPECL is situated at Shaheen Complex, M.R. Kiryani Road, Karachi. NBPECL is engaged in foreign currency remittances and exchange transactions. NBPECL has 21 branches (2020: 21 branches) and 1 booth (2020: 1).

National Bank Modaraba Management Company Limited, Pakistan

National Bank Modaraba Management Company Limited (NBMMCL) is a public unlisted company, incorporated in Pakistan on August 6, 1992 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The purpose of the NBMMCL is to float and manage modaraba funds. NBMMCL at present is managing First National Bank Modaraba. Its registered office is situated at Ground Floor, National Bank of Pakistan, Regional Headquarters Building, 26-Mc Lagon Road, Lahore.

First National Bank Modarba, Pakistan

First National Bank Modaraba (the Modaraba) is a multi-purpose, perpetual and multi-dimensional Modaraba formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Rules framed thereunder. The Modaraba is managed by National Bank Modaraba Management Company Limited (a wholly owned subsidiary of National Bank of Pakistan), incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and registered with the Registrar of Modaraba Companies. The registered office of the Modaraba is situated at Ground Floor, National Bank of Pakistan, Regional Headquarters Building, 26-Mc Lagon Road, Lahore. The Modaraba is listed at Pakistan Stock Exchange Limited. It commenced its operations on December 04, 2003 and is currently engaged in various Islamic modes of financing and operations including ijarah, musharaka and murabaha arrangements.

Taurus Securities Limited, Pakistan

Taurus Securities Limited (TSL) is a public unquoted company, incorporated in Pakistan on June 27, 1993 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017). The registered office of TSL is situated at 6th Floor, Progressive Plaza, Beaumont Road, Civil Lines, Karachi. It is engaged in the business of stock brokerage, investment counselling, and fund placements. TSL holds a Trading Right Entitlement (TRE) Certificate from Pakistan Stock Exchange Limited.

NBP Fund Management Limited, Pakistan

NBP Fund Management Limited, Pakistan - NBP Funds, was incorporated in Pakistan as public limited company on August 24, 2005 under the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and obtained certificate for commencement of business on December 19, 2005. The main sponsors of NBP Funds are National Bank of Pakistan and Baltoro Growth Fund. Baltoro Growth Fund has acquired shareholding of NBP Funds which was previously held by Alexandra Fund Management Private Limited on October 08, 2018. NBP Funds is mainly involved in the business of asset management and investment advisory services. NBP Funds has been issued license by the Securities and Exchange Commission of Pakistan (SECP) to carry out business of asset management services and investment advisory services as a Non-Banking Finance Company (NBFC) under section 282C of the repealed Companies Ordinance, 1984 (now Companies Act, 2017) and under the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The principal / registered office of the company is situated at 7th Floor, Clifton Diamond Building, Block No. 4, Scheme No. 5, Clifton, Karachi.

As at December 31, 2021 NBP Funds is managing the following funds and discretionary portfolio;

	Type of Fund
- NBP Income Opportunity Fund	Open end Fund
- NBP Savings Fund	Open end Fund
- NBP Islamic Savings Fund	Open end Fund
- NBP Islamic Sarmaya Izafa Fund	Open end Fund
- NBP Balanced Fund	Open end Fund
- NBP Stock Fund	Open end Fund
- NBP Financial Sector Income Fund	Open end Fund
- NBP Government Securities Liquid Fund	Open end Fund
- NBP Sarmaya Izafa Fund	Open end Fund

	Type of Fund
- NBP Mahana Amdani Fund	Open end Fund
- NBP Riba Free Savings Fund	Open end Fund
- NBP Money Market Fund	Open end Fund
- NBP Government Securities Savings Fund	Open end Fund
- NBP Islamic Stock Fund	Open end Fund
- NBP Islamic Active Allocation Equity Fund	Open end Fund
- NBP Islamic Energy Fund	Open end Fund
- NBP Islamic Money Market Fund	Open end Fund
- NBP Financial Sector Fund	Open end Fund
- NBP Islamic Mahana Amdani Fund	Open end Fund
- NBP Islamic Regular Income Fund	Open end Fund
- NAFA Islamic Active Allocation Fund-I	Open end Fund
- NAFA Islamic Active Allocation Fund-II	Open end Fund
- NAFA Islamic Active Allocation Fund-III	Open end Fund
- NAFA Pension Fund	Open end Fund
- NAFA Islamic Pension Fund	Open end Fund
- NBP Islamic Daily Dividend Fund	Open end Fund
- NBP Islamic Income Fund	Open end Fund
- NBP Pakistan Growth Exchange Traded Fund	Open end Fund

1.2 Basis of consolidation

- The consolidated financial statements include the financial statements of the Bank (Holding Company) and its subsidiary companies together - "the Group".

- Subsidiary companies are fully consolidated from the date on which more than 50% of voting rights are transferred to the Group or power to control the company is established and excluded from consolidation from the date of disposal or when the control is lost.

- The assets, liabilities, income and expenses of subsidiary companies have been consolidated on a line by line basis.

- Income and expenses of subsidiaries acquired during the year are included in the consolidated statement of the comprehensive income from the effective date of acquisition.

- Non-Controlling interest / (minority interest) in equity of the subsidiary companies are measured at fair value for all the subsidiaries acquired from period beginning on or after January 1, 2010 whereas minority interest of previously acquired subsidiaries are measured at the proportionate net assets of subsidiary companies attributable to interest which is not owned by holding company.

- Material intra-group balances and transactions have been eliminated.

2. BASIS OF PRESENTATION

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

Key financial figures of the Islamic banking branches of the Bank have been disclosed in note annexure-II of these consolidated financial statements.

2.2 The US Dollar amounts shown on the statement of financial position, profit and loss account, statement of comprehensive income and cash flow statement are stated as additional information solely for the convenience of readers. For the purpose of conversion to US Dollars, the rate of Rs. 176.5135 to 1 US Dollar has been used for 2021 and 2020 as it was the prevalent rate as on December 31, 2021.

3. STATEMENT OF COMPLIANCE

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

- International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

- Islamic Financial Accounting Standards (IFAS), issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Act, 2017;

- Provisions of and directives issued under the Banking Companies Ordinance, 1962 and the Companies Act, 2017; and

- Directive issued by the State Bank of Pakistan (SBP) and the Securities and Exchange Commission of Pakistan (SECP);

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

3.2 SBP has deferred the applicability of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement' and IAS 40, 'Investment Property' for Banking Companies through BSD Circular Letter No. 10 dated August 26, 2002. Further, according to the notification of SECP dated April 28, 2008, the IFRS - 7 "Financial Instruments: Disclosures" has not been made applicable for banks. Accordingly, the requirements of these standards have not been considered in the preparation of these consolidated financial statements. However, investments have been classified and valued in accordance with the requirements of various circulars issued by the SBP.

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

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

3.5.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended December 31, 2021

The following standards, amendments and interpretations are effective for the year ended December 31, 2021. These standards, amendments and interpretations are either not relevant to the Bank's operations or are not expected to have significant impact on the Bank's consolidated financial statements other than certain additional disclosures:

- Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions. Effective from accounting period beginning on or after June 01, 2020.

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16). Effective from accounting period beginning on or after January 01, 2021.

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

3.5.2 New accounting standards, amendments and IFRS interpretations that are not yet effective

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

	Effective from accounting period beginning on or after
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022

	Effective from accounting period beginning on or after
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022
International Financial Reporting Standard - 9 "Financial Instruments"	January 01, 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)	January 01, 2022
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023
Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely

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

3.5.3 As per SBP's BPRD Circular Letter no. 24 of 2021, IFRS 9 'Financial Instruments' is applicable to banks in Pakistan effective January 1, 2022. The aforementioned circular letter required banks to submit IFRS 9 compatible pro forma financial statements for the year ended December 31, 2021 and perform parallel run of IFRS 9 on quarterly basis. Further, it was stated that final instructions will be issued subsequently based on the results of parallel reporting of banks.

The Banks in Pakistan through the Pakistan Banks Association (PBA) have submitted their comments on instructions issued for parallel reporting and requested that those are addressed in the final instructions to be issued. The matters raised include retaining some relaxations given presently in the Prudential Regulations, prescription of macro-economic variables, retaining local regulatory requirements pertaining to IFRS 9 related areas on overseas branches, impact on Capital Adequacy Ratio (CAR), guidance on Significant Increase in Credit Risk (SICR) criteria, future tax impacts of any reversals, recording of Expected Credit Loss (ECL) on Government securities denominated in local currency, including further clarifications required in certain areas.

Due to the fact that final instructions have not yet been issued and there are a large number of reservations on the draft instructions, the banks are collectively of the opinion that impact on initial application of IFRS 9 cannot be determined as at December 31, 2021.

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

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

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

4. BASIS OF MEASUREMENT

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit and loss account as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit and loss account as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the Group's net assets in the event of liquidation is measured at fair value at the date of the acquisition.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit and loss account.

5.2 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the subsidiary company.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or entities of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit and loss account. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

5.3 Cash and cash equivalents

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

5.4 Investments

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

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

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

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

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

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

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

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

Associates – Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for under the equity method of accounting. However, in case where associates are considered as fully impaired and financial statements are not available, these investments are stated at cost less provision.

Under the equity method, the Group’s share of its associates’ post-acquisition profits or losses is recognized in the consolidated profit and loss account, its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Joint venture - The Group has interests in joint venture which is jointly controlled entity. A joint venture is contractual arrangement whereby two or more parties undertake in economic activity that is subject to a joint control and includes a jointly controlled entity that involves the establishment of separate entity in which each venturer has an interest. The Group accounts for its interest in joint venture using the equity method of accounting.

The carrying values of investments are reviewed for impairment when indications exist that the carrying value may exceed the estimated recoverable amount. Provision is made for impairment in value, if any.

5.5 Repurchase and resale agreements

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

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

5.6 Derivative financial instruments

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

5.7 Financial instruments

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

5.8 Advances

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

5.8.1 Islamic financing and related assets

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

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

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

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

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

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

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

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

5.9 Fixed assets and depreciation

5.9.1 Property and equipment

5.9.1.1 Owned assets

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

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

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

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

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

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

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

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

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

5.9.1.2 Leased assets (as lessee)

Assets subject to finance lease are accounted for by recording the asset and the related liability. These are recorded at lower of fair value and the present value of minimum lease payments at the inception of lease and subsequently stated net of accumulated depreciation. Depreciation is charged on the basis similar to the owned assets. Financial charges are allocated over the period of lease term so as to provide a constant periodic rate of financial charge on the outstanding liability.

5.9.1.3 Ijarah (as lessor)

Assets leased out under 'Ijarah' are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Assets under Ijarah are depreciated over the period of lease term. However, in the event the asset is expected to be available for re-Ijarah, depreciation is charged over the economic life of the asset using straight line basis.

Ijarah income is recognised on a straight line basis over the period of Ijarah contract.

5.9.2 Capital work-in-progress

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

5.9.3 Impairment

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

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

5.10 Lease liability and right-of-use assets

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

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

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

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

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

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

5.11 Intangible assets

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

Intangible assets with indefinite useful life are carried at cost less impairment losses, if any.

5.12 Non-banking assets acquired in satisfaction of claims

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

5.13 Deposits and their cost

Deposits are recorded at the fair value of proceeds received.

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

5.14 Taxation

5.14.1 Current

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

5.14.2 Deferred

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

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

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

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

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

5.15 Employee benefits

5.15.1 Defined benefit plans

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

5.15.2 Other employee benefits

Employees' compensated absences

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

5.15.3 Retirement and other benefit obligations

In respect of CJSC Subsidiary Bank of NBP in Kazakhstan (CJSC)

The CJSC withholds amounts of pension contributions from employee salaries and pays them to state pension fund. The requirements of the Kazakhstan's legislation state pension system provides for the calculation of current payments by the employer as a percentage of current total payments to staff. This expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by pension funds selected by employees.

5.16 Revenue recognition

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

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

Fee, brokerage and commission income other than commission on letter of credit and guarantees and remuneration for trustee services are recognized upon performance of services.

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

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

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

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

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

5.17 Net investment in finance lease

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

5.18 Foreign currencies translation

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

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

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

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

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

5.19 Provision for off balance sheet obligations

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

5.20 Off setting

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

5.21 Fiduciary assets

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

5.22 Dividend and other appropriations

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

5.23 Earnings per share

The Group presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any. There were no dilutive potential ordinary shares in issue at December 31, 2021.

5.24 Bai Muajjal

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

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

5.25 Segment reporting

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

During the year the Group changes its organizational structure in a manner that causes the composition of its reportable segments to change, and accordingly the prior year disclosure is restated to reflect the current reportable segments in note 44.

Business segments

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

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

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

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

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

V. **International Financial Institution and Remittance** segment includes the results of all international branches, correspondent banking business and global remittances. This represents Group’s operations in 14 countries including Pakistan and 19 branches including one branch in export processing zone in Pakistan.

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

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

Geographical segments

The Group is operating following geographic lines for monitoring and reporting purpose:

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

5.26 Accounting estimates and judgments

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

a) Provision against non-performing loans and advances

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

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

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

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

b) Fair value of derivatives

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

c) Impairment of available-for-sale investments

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

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

d) Held-to-maturity investments

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

e) Income taxes

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

f) Fixed asset and intangible assets, revaluation, depreciation and amortization

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

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

g) Employees' benefit plans

The liabilities for employees' benefits plans are determined using actuarial valuations. The actuarial valuations involve assumptions about discount rates, expected rates of return on assets, future salary increases, future inflation rates and future pension increases as disclosed in note 40. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

h) Provision against contingencies

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

i) Determination of control over investees

The Group's management applies its judgement to determine whether the control exists over the investee entities.

6. CLOSURE OF FOREIGN SUBSIDIARIES AND OPERATIONS

The Board of Directors (BoD) of the Bank, in their meeting held on January 20 and 21, 2020, have decided for closure of their two overseas Subsidiaries in Almaty (Kazakhstan) and Dushanbe (Tajikistan) along with three overseas branches in Baku (Azerbaijan), Bishkek (Kyrgyzstan) and Asghabat (Turkmenistan) so their carrying amount will be recovered principally through continuing use. With regards to regulatory approval, the Bank applied to ministry of finance and State Bank of Pakistan for their endorsements and accordingly received their approval, with respect to the BoD decision, on April 07, 2020 and April 24, 2020 respectively.

Further, it has been decided by BoD to restrict their country operations in Afghanistan (Jalalabad) and Bangladesh (Sylhet, Chittagong and Gulshan) to one branch in each country located in Kabul and Dhaka respectively.

As of December 31, 2021, Bank has closed down its operations in Tashkent (Uzbekistan), Jalalabad (Afghanistan) and Sylhet (Bangladesh). The licenses of Ashgabat (Turkmenistan), Dushanbe (Tajikistan) and Almaty (Kazakhstan) have been cancelled and these locations are under closure process. Further, as of January 17, 2022, the BoD has approved the closure of its operation of Paris branch.

	As at December 31, 2021						
Particulars	**CJSC Subsidiary Bank of NBP in Kazakhstan (Almaty)**	**CJSC Subsidiary Bank of NBP in Tajikistan (Dushanbe)**	**Baku (Azerbaijan)**	**Bishkek (Kyrgyzstan)**	**Ashgabat (Turkmenistan)**	**Paris (France)**	**Total**
	---------- Subsidiaries ----------		-----------------------Branches -----------------------				
	--------Rs in '000'--------						
Total Assets	-	-	981,309	1,714,063	352,392	3,329,382	6,377,146
Total Liabilities	-	-	60,027	4,101	-	2,776,326	2,840,454
Profit / (Loss) for the year	-	-	(34,466)	12,527	(21,624)	(408,935)	9,217,600

7. CASH AND BALANCES WITH TREASURY BANKS

	Note	2021	2020
		---------------- (Rupees in '000) ----------------	
In hand:			
Local currency		**56,039,638**	48,499,942
Foreign currency		**6,924,389**	6,925,688
		62,964,027	55,425,630
With State Bank of Pakistan in:			
Local currency current accounts	7.1	**133,688,708**	125,017,412
Foreign currency current accounts	7.2	**11,738,428**	10,209,399
Foreign currency deposit accounts	7.2	**24,098,591**	21,022,297
Foreign currency collection accounts		**1,226,824**	1,618,084
		170,752,551	157,867,192
With other central banks in:			
Foreign currency current accounts	7.3	**40,265,103**	29,581,326
Foreign currency deposit accounts	7.3	**2,920,706**	4,789,170
		43,185,809	34,370,496
Prize bonds		**1,966,349**	2,306,248
		278,868,736	249,969,566

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

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

7.3 These balances pertain to the foreign branches and are held with central banks of respective countries. These include balances to meet the statutory and regulatory requirements in respect of liquidity and capital requirements of respective countries. The deposit accounts carry interest at the rate of 0% to 6.30% per annum (2020: 0% to 3.50% per annum).

8. BALANCES WITH OTHER BANKS

	Note	2021	2020
		(Rupees in '000)	
In Pakistan:			
In current accounts		**171,930**	33,502
In deposit accounts	8.1	**595,236**	394,071
		767,166	427,573
Outside Pakistan:			
In current accounts		**12,797,681**	8,708,983
In deposit accounts	8.2	**5,646,390**	5,878,810
		18,444,071	14,587,793
		19,211,237	15,015,366

8.1 These include various deposits with banks and carry interest at rates ranging from 2.5% to 8% per annum (2020: 2% to 8% per annum).

8.2 These include various deposits with correspondent banks outside Pakistan and carry interest at rates ranging from 0% to 1.5% per annum (2020: 0% to 2.5% per annum).

9. LENDINGS TO FINANCIAL INSTITUTIONS

	Note	2021	2020
		(Rupees in '000)	
Call / clean money lendings	9.1	**21,009,723**	2,040,800
Repurchase agreement lendings (Reverse Repo)	9.2 & 9.8	**282,051,308**	124,763,875
Musharaka Lending	9.3	**30,000,000**	-
Placements with State Bank of Pakistan	9.4	**2,405,644**	-
Letters of placement	9.5	**174,150**	176,150
	9.6	**335,640,825**	126,980,825
Less: provision held against lendings to financial institutions	9.7 & 9.9	**(174,150)**	(176,150)
Lendings to financial institutions - net of provision		**335,466,675**	126,804,675

9.1 This includes zero rate lendings to a financial institution Rs. 9.7 million (2020: Rs. 40.8 million) which is guaranteed by the SBP.

9.2 These carry mark-up at rates ranging from 8.75% to 10.7% per annum (2020: 6% to 7.29% per annum) with maturities ranging from January 4, 2022 to January 14, 2022.

9.3 This represents Musharaka agreements entered into with Meezan Bank Limited and carrying profit at the rate of 10.65% (2020: nil) per annum.

9.4 These represent placements made with the SBP as a result of shortfall in respect of time-based mandatory targets of disbursements under Government's scheme "Mera Pakistan Mera Ghar". These placements are for a period of six months to one year and carry no mark-up.

9.5 These are overdue placements and full provision has been made against these placements as at December 31, 2021.

9.6 Particulars of lending

	2021	2020
	(Rupees in '000)	
In local currency	**335,640,825**	126,980,825
In foreign currencies	**-**	-
	335,640,825	126,980,825

9.7 Movement in provision held against lendings is as follows:

	2021	2020
Opening balance	**176,150**	176,150
Reversal for the year	**(2,000)**	-
Closing balance	**174,150**	176,150

9.8 Securities held as collateral against lendings to financial institutions

	2021			2020		
	Held by Group	**Further given as collateral**	**Total**	Held by Group	Further given as collateral	Total
	(Rupees in '000)					
Market Treasury Bills	**163,594,180**	**-**	**163,594,180**	91,230,121	-	91,230,121
Pakistan Investment Bonds	**118,457,128**	**-**	**118,457,128**	33,533,754	-	33,533,754
Total	**282,051,308**	**-**	**282,051,308**	124,763,875	-	124,763,875

9.8.1 Market value of the securities under repurchase agreement lendings amounts to Rs. 279,633 million (2020: Rs. 125,094 million).

9.9 Category of classification

	2021		2020	
	Classified Lending	**Provision held**	Classified Lending	Provision held
	(Rupees in '000)			
Domestic				
Loss	**174,150**	**174,150**	176,150	176,150
Total	**174,150**	**174,150**	176,150	176,150

10. INVESTMENTS

10.1 Investments by type:

	Note	2021 Cost / Amortised Cost	2021 Provision for diminution	2021 Surplus / (Deficit)	2021 Carrying Value	2020 Cost / Amortised cost	2020 Provision for diminution	2020 Surplus / (Deficit)	2020 Carrying Value
		(Rupees in '000)							
Held-for-trading securities									
Market Treasury Bills		**90,744,281**	**-**	**(55,659)**	**90,688,622**	96,157,306	-	3,529	96,160,835
Pakistan Investment Bonds		**29,114,020**	**-**	**(65,016)**	**29,049,004**	496,805	-	(1,455)	495,350
Ordinary shares of listed companies		**139,329**	**-**	**-**	**139,329**	157,217	-	-	157,217
Investment in mutual funds		**451,492**	**-**	**(1,160)**	**450,332**	282,361	-	8,482	290,843
Foreign Government Securities		**1,374,638**	**-**	**-**	**1,374,638**	1,105,840	-	-	1,105,840
		121,823,760	**-**	**(121,835)**	**121,701,925**	98,199,529	-	10,556	98,210,085
Available-for-sale securities									
Market Treasury Bills		**721,736,763**	**-**	**(430,492)**	**721,306,271**	529,397,138	-	690,817	530,087,955
Pakistan Investment Bonds		**571,528,321**	**-**	**(8,147,316)**	**563,381,005**	470,136,168	-	2,776,564	472,912,732
Ijarah Sukuks		**14,000,979**	**-**	**(31,279)**	**13,969,700**	6,000,000	-	15,600	6,015,600
Ordinary shares of listed companies	10.13 & 10.14	**34,150,987**	**(6,110,939)**	**11,765,469**	**39,805,517**	33,242,726	(5,568,236)	20,257,485	47,931,975
Ordinary shares of unlisted companies		**1,882,198**	**(410,893)**	**-**	**1,471,305**	1,865,982	(410,893)	-	1,455,089
Preference shares		**1,706,823**	**(539,708)**	**98,614**	**1,265,729**	1,445,308	(539,708)	194,250	1,099,850
Term Finance Certificates / Musharika and Sukuk Bonds		**55,505,182**	**(5,200,180)**	**959,516**	**51,264,518**	60,250,294	(5,196,406)	856,659	55,910,547
GoP Foreign Currency Bonds		**20,778,528**	**-**	**26,435**	**20,804,963**	10,429,632	-	411,243	10,840,875
Foreign Government Securities		**880,932**	**-**	**26,372**	**907,304**	2,795,017	-	52,159	2,847,176
Foreign Currency Debt Securities		**-**	**-**	**-**	**-**	79,438	-	1,202	80,640
Investments in mutual funds		**619,646**	**(41,167)**	**1,289,705**	**1,868,184**	619,646	(41,167)	1,421,691	2,000,170
Ordinary shares of a bank outside Pakistan	10.7	**463,294**	**-**	**27,060,912**	**27,524,206**	463,295	-	17,189,483	17,652,778
		1,423,253,653	**(12,302,887)**	**32,617,936**	**1,443,568,702**	1,116,724,644	(11,756,410)	43,867,153	1,148,835,387
Held-to-maturity securities	10.6.1								
Market Treasury Bills		**-**	**-**	**-**	**-**	-	-	-	-
Pakistan Investment Bonds		**324,726,185**	**-**	**-**	**324,726,185**	168,676,415	-	-	168,676,415
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates		**407,164**	**(407,134)**	**-**	**30**	- 414,972	- (407,134)	- -	7,838
Bai Muajjal with Government of Pakistan		**10,914,185**	**-**	**-**	**10,914,185**	11,641,133	-	-	11,641,133
Foreign Government Securities		**34,091,600**	**-**	**-**	**34,091,600**	32,418,809	-	-	32,418,809
Foreign Currency Debt Securities		**680**	**-**	**-**	**680**	618	-	-	618
		370,139,814	**(407,134)**	**-**	**369,732,680**	213,151,947	(407,134)	-	212,744,813
Associates	10.9 & 10.10	**1,271,766**	**(674,785)**	**-**	**596,981**	1,259,067	(697,984)	-	561,083
Joint Venture	10.12	**7,140,903**	**-**	**-**	**7,140,903**	6,054,005	-	-	6,054,005
Subsidiaries	10.15	**1,245**	**(1,245)**	**-**	**-**	1,245	(1,245)	-	-
Total Investments		**1,923,631,141**	**(13,386,051)**	**32,496,101**	**1,942,741,191**	1,435,390,437	(12,862,773)	43,877,709	1,466,405,373

10.2 Investments by segments:

	Note	2021 Cost / Amortised cost	2021 Provision for diminution	2021 Surplus / (Deficit)	2021 Carrying Value	2020 Cost / Amortised cost	2020 Provision for diminution	2020 Surplus / (Deficit)	2020 Carrying Value
		(Rupees in '000)							
Federal Government Securities:									
Market Treasury Bills		**812,481,044**	**-**	**(486,151)**	**811,994,893**	625,554,444	-	694,346	626,248,790
Pakistan Investment Bonds		**925,368,526**	**-**	**(8,212,332)**	**917,156,194**	639,309,388	-	2,775,109	642,084,497
Bai Muajjal Government of Pakistan		**10,914,185**	**-**	**-**	**10,914,185**	11,641,133	-	-	11,641,133
Ijarah Sukuks		**14,000,979**	**-**	**(31,279)**	**13,969,700**	6,000,000	-	15,600	6,015,600
		1,762,764,734	**-**	**(8,729,762)**	**1,754,034,972**	1,282,504,965	-	3,485,055	1,285,990,020
Shares									
Listed Companies	10.13/10.14	**34,290,316**	**(6,110,939)**	**11,765,469**	**39,944,846**	33,399,943	(5,568,236)	20,257,485	48,089,192
Unlisted Companies		**1,882,198**	**(410,893)**	**-**	**1,471,305**	1,865,982	(410,893)	-	1,455,089
		36,172,514	**(6,521,832)**	**11,765,469**	**41,416,151**	35,265,925	(5,979,129)	20,257,485	49,544,281
Non Government Debt Securities Term Finance Certificates/Musharka/Bonds/ Debentures and Sukuk Bonds									
Listed		**17,232,822**	**(1,092,251)**	**405,860**	**16,546,431**	20,713,777	(1,031,475)	405,860	20,088,162
Unlisted		**38,679,524**	**(4,515,063)**	**553,656**	**34,718,117**	39,951,489	(4,572,065)	450,799	35,830,223
		55,912,346	**(5,607,314)**	**959,516**	**51,264,548**	60,665,266	(5,603,540)	856,659	55,918,385
Foreign Securities									
GoP Foreign Currency Bonds		**20,778,528**	**-**	**26,435**	**20,804,963**	10,429,632	-	411,243	10,840,875
Foreign Government Securities		**36,347,170**	**-**	**26,372**	**36,373,542**	36,319,666	-	52,159	36,371,825
Foreign Currency Debt Securities		**680**	**-**	**-**	**680**	80,056	-	1,202	81,258
		57,126,378	**-**	**52,807**	**57,179,185**	46,829,354	-	464,604	47,293,958
Preference shares		**1,706,823**	**(539,708)**	**98,614**	**1,265,729**	1,445,308	(539,708)	194,250	1,099,850
Investments in mutual funds		**1,071,138**	**(41,167)**	**1,288,545**	**2,318,516**	902,007	(41,167)	1,430,173	2,291,013
Ordinary shares of a bank outside Pakistan	10.7	**463,294**	**-**	**27,060,912**	**27,524,206**	463,295	-	17,189,483	17,652,778
Associates	10.10								
- Listed									
First Credit and Investment Bank Limited		**211,537**	**(17,229)**	**-**	**194,308**	210,505	(28,830)	-	181,675
Land Mark Spinning Mills Limited		**39,710**	**(39,710)**	**-**	**-**	39,710	(39,710)	-	-
SG Allied Businesses Limited		**218,534**	**(218,534)**	**-**	**-**	218,534	(218,534)	-	-
Nina Industries Limited		**49,060**	**(49,060)**	**-**	**-**	49,060	(49,060)	-	-
Agritech Limited	10.8	**-**	**-**	**-**	**-**	-	-	-	-
NBP Stock Fund		**512,401**	**(109,728)**	**-**	**402,673**	500,734	(121,326)	-	379,408
	10.9	**1,031,242**	**(434,261)**	**-**	**596,981**	1,018,543	(457,460)	-	561,083

	Note	2021				2020			
		Cost/ Amortised cost	**Provision for diminution**	**Surplus / (Deficit)**	**Carrying Value**	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
		(Rupees in '000)							
- Unlisted									
Pakistan Emerging Venture Limited		**50,565**	**(50,565)**	**-**	**-**	50,565	(50,565)	-	-
National Fructose Company Limited		**6,500**	**(6,500)**	**-**	**-**	6,500	(6,500)	-	-
National Assets Insurance Company Limited		**44,815**	**(44,815)**	**-**	**-**	44,815	(44,815)	-	-
Dadabhoy Energy Supply Company Limited		**32,105**	**(32,105)**	**-**	**-**	32,105	(32,105)	-	-
Pakistan Mercantile Exchange Limited		**106,539**	**(106,539)**	**-**	**-**	106,539	(106,539)	-	-
	10.11	**240,524**	**(240,524)**	**-**	**-**	240,524	(240,524)	-	-
		1,271,766	**(674,785)**	**-**	**596,981**	1,259,067	(697,984)	-	561,083
Joint Venture									
United National Bank Limited	10.12	**7,140,903**	**-**	**-**	**7,140,903**	6,054,005	-	-	6,054,005
Subsidiaries									
Cast-N-Link Products Limited	10.15	**1,245**	**(1,245)**	**-**	**-**	1,245	(1,245)	-	-
Total Investments		**1,923,631,141**	**(13,386,051)**	**32,496,101**	**1,942,741,191**	1,435,390,437	(12,862,773)	43,877,709	1,466,405,373

10.2.1 Investments given as collateral

	2021	2020
	(Rupees in '000)	
Pakistan Investment Bonds	**30,682,290**	2,300,000
Market Treasury Bills	**96,128,050**	3,000,000
	126,810,340	5,300,000

	Number of shares	Percentage of holding	Country of Incorporation	Based on the financial statements as at	Assets	Liabilities	Revenue	Profit / (loss) after taxation	Total comprehensive income
					(Rupees in '000)				
10.2.2 Associates									
Listed									
First Credit and Investment Bank Limited	20,000,000	30.77	Pakistan	June 30, 2021	2,272,038	1,522,087	145,063	20,535	11,620
National Fibres Limited	17,030,231	20.19	Pakistan	-	-	-	-	-	-
Land Mark Spining Mills Limited	3,970,859	32.79	Pakistan	June 30, 2020	174,448	252,160	-	(16,925)	(16,925)
SG Allied Businesses Limited	3,754,900	25.03	Pakistan	June 30, 2021	1,166,565	475,775	16,903	(11,922)	(11,907)
Nina Industries Limited	4,906,000	20.27	Pakistan	-	-	-	-	-	-
Agritech Limited	106,014,565	27.01	Pakistan	December 31, 2020	67,176,554	60,735,890	5,699,723	(4,296,900)	(4,295,428)
NBP Stock Fund	31,347,444	2.69	Pakistan	June 30, 2021	21,132,632	438,759	5,805,098	4,980,935	4,980,935
Unlisted									
Pakistan Emerging Venture Limited	12,500,000	33.33	Pakistan	June 30, 2019	1,194	345	96	(175)	(175)
National Fructose Company Limited	1,300,000	39.50	Pakistan	-	-	-	-	-	-
Venture Capital Fund Management	33,333	33.33	Pakistan	-	-	-	-	-	-
Kamal Enterprises Limited	11,000	20.37	Pakistan	-	-	-	-	-	-
Mehran Industries Limited	37,500	32.05	Pakistan	-	-	-	-	-	-
National Assets Insurance Company Limited	4,481,500	8.96	Pakistan	December 31, 2020	689,888	7,813	64,505	22,828	22,427
Tharparkar Sugar Mills Limited	2,500,000	21.52	Pakistan	-	-	-	-	-	-
Youth Investment Promotion Society	644,508	25.00	Pakistan	-	-	-	-	-	-
Dadabhoy Energy Supply Company Limited	9,900,000	23.11	Pakistan	-	-	-	-	-	-
K-Agricole Limited	5,000	20.00	Pakistan	-	-	-	-	-	-
New Pak Limited	200,000	20.00	Pakistan	-	-	-	-	-	-
Pakistan Mercantile Exchange Limited	10,653,860	33.98	Pakistan	June 30, 2021	2,663,957	2,614,291	301,213	8,674	8,674
Prudential Fund Management Limited	150,000	20.00	Pakistan	-	-	-	-	-	-
10.2.3 Joint Venture									
United National Bank Limited	20,250,000	45.00	United Kingdom	December 31, 2020	132,418,446	115,791,392	2,564,653	(459,068)	(351,298)
10.2.4 Subsidiaries									
Cast-N-Link Products Limited	1,245,000	76.51	Pakistan	N/A*	-	-	-	-	-

* Not available

	2021	2020
	----------- (Rupees in '000) -----------	
10.3 Provision for diminution in value of investments		
Opening balance	**12,862,773**	12,895,866
Charge / (reversals)		
Charge for the year	**1,242,251**	1,258,140
Reversals for the year	**(718,973)**	(1,291,233)
	523,278	(33,093)
Closing Balance	**13,386,051**	12,862,773

10.3.1 Particulars of provision against debt securities	**2021**		2020	
Category of classification	**NPI**	**Provision**	NPI	Provision
	-------------------------------- (Rupees in '000) --------------------------------			
Domestic				
Doubtful	**-**	**-**	119,133	59,567
Loss	**5,607,314**	**5,607,314**	5,552,738	5,543,973
Total	**5,607,314**	**5,607,314**	5,671,871	5,603,540

10.4 Movement Schedule for Associates and Joint Venture

2021

	Opening balance	Addition	Disposal	Dividend paid	Share of profit / (loss) for the year - net of tax	Exchange transalation reserve	Surplus / (deficit) on revaluation properties	Surplus / (deficit) on revaluation securities	Share of other comprehensive income	Closing balance
	(Rupees in '000)									
Joint Venture										
United National Bank Limited	6,054,005	-	-	-	217,507	601,092	309,500	(77,008)	35,807	7,140,903
	6,054,005	-	-	-	217,507	601,092	309,500	(77,008)	35,807	7,140,903
Associates										
Unlisted										
Pakistan Emerging Venture Limited	50,565	-	-	-	-	-	-	-	-	50,565
National Fructose Company Limited	6,500	-	-	-	-	-	-	-	-	6,500
National Assets Insurance Company	44,815	-	-	-	-	-	-	-	-	44,815
Dadabhoy Energy Supply Company Limited	32,105	-	-	-	-	-	-	-	-	32,105
Pakistan Mercantile Exchange Limited	106,539	-	-	-	-	-	-	-	-	106,539
Listed										
First Credit and Investment Bank Limited	210,505	-	-	-	4,381	-	-	(3,349)	-	211,537
Land Mark Spining Mills Limited	39,710			-	-	-	-	-	-	39,710
SG Allied Business Limited	218,534	-	-	-	-	-	-	-	-	218,534
Nina Industries Limited	49,060	-	-	-	-	-	-	-	-	49,060
Agritech Limited	-	-		-	-	-	-	-	-	-
NBP Stock Fund	500,734	-		(7,009)	18,676		-	-	-	512,401
	1,259,067	-	-	(7,009)	23,057	-	-	(3,349)	-	1,271,766

2020

	Opening Balance	Addition	Disposal	Dividend paid	Share of profit / (loss) for the year - net of tax	Exchange transalation reserve	Surplus / (deficit) on Revaluation Properties	Surplus / (deficit) on Revaluation Securities	Share of other comprehensive income	Closing Balance
	(Rupees in '000)									
Joint Venture										
United National Bank Limited	5,827,985	-	-	-	(219,389)	303,896	18,516	122,997	-	6,054,005
	5,827,985	-	-	-	(219,389)	303,896	18,516	122,997	-	6,054,005
Associates										
Unlisted										
Pakistan Emerging Venture Limited	50,565	-	-	-	-	-	-	-	-	50,565
National Fructose Company Limited	6,500	-	-	-	-	-	-	-	-	6,500
National Assets Insurance Company	44,815	-	-	-	-	-	-	-	-	44,815
Dadabhoy Energy Supply Company Limited	32,105	-	-	-	-	-	-	-	-	32,105
Pakistan Mercantile Exchange Limited	106,539	-	-	-	-	-	-	-	-	106,539
Listed										
First Credit and Investment Bank Limited	208,089	-	-	-	9,242	-	-	(6,826)	-	210,505
Land Mark Spining Mills Limited	39,710			-	-	-	-	-	-	39,710
SG Allied Business Limited	218,534	-	-	-	-	-	-	-	-	218,534
Nina Industries Limited	49,060	-	-	-	-	-	-	-	-	49,060
Agritech Limited	-	-	-	-	-	-	-	-	-	-
NBP Stock Fund	467,163	-	-	-	33,571	-	-	-	-	500,734
	1,223,080	-	-	-	42,813	-	-	(6,826)	-	1,259,067

10.5 Quality of available for sale securities

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

	2021	2020
	(Rupees in '000)	
Federal government securities - government guaranteed		
Market Treasury Bills	**721,736,763**	529,397,138
Pakistan Investment Bonds	**571,528,321**	470,136,168
Ijarah Sukuks	**14,000,979**	6,000,000
Cost	**1,307,266,063**	1,005,533,306

Shares

Listed companies sector-wise

	2021	2020
Automobile Assembler	**614,233**	536,303
Automobile Parts and Accessories	**1,113,967**	843,923
Cable and Electrical Goods	**269,669**	211,166
Cement	**2,919,974**	1,882,741
Chemical	**788,003**	753,684
Commercial Banks	**3,648,181**	3,896,815
Engineering	**1,096,335**	855,646
Fertilizer	**1,929,148**	2,457,103
Food and Personal Care	**1,218,036**	1,393,503
Glass and Ceramics	**72,522**	203,855
Insurance	**1,642,720**	1,713,756
Investment Banks / Investment companies / Securities companies	**513,566**	513,840
Leasing Companies	**13,738**	21,890
Leather and Tanneries	**297,568**	189,470
Modarabas	**-**	120
Oil and Gas Exploration Companies	**2,702,776**	2,408,733
Oil and Gas Marketing Companies	**6,117,686**	5,954,784
Paper and Board	**675,319**	402,039
Pharmaceuticals	**995,798**	512,974
Power Generation and Distribution	**3,000,787**	2,988,617
Real Estate Investment Trust	**305,972**	586,526
Refinery	**447,422**	900,998
Sugar and Allied Industries	**260,476**	288,528
Synthetic and Rayon	**32,622**	91,980
Technology and Communication	**754,027**	960,033
Textile Composite	**1,552,549**	1,890,534
Textile Spinning	**655,364**	638,440
Textile Weaving	**25,854**	25,854
Transport	**32,068**	32,385
Miscellaneous	**454,607**	86,486
Cost	**34,150,987**	33,242,726

	2021		2020	
Unlisted companies	**Cost**	**Breakup value**	Cost	Breakup value
	(Rupees in '000)			
Digri Sugar Mills Limited	**4,063**	**135,585**	4,063	135,585
JDM Textile Mills Limited	**-**	**-**	4,784	324,651
Gelcaps Pakistan Limited	**4,665**	**8,842**	4,665	8,842
Pakistan Agriculture Storage Service Corporation	**5,500**	**1,623**	5,500	1,623

Unlisted companies	2021 Cost	2021 Breakup value	2020 Cost	2020 Breakup value
	------ (Rupees in '000) ------			
Al Ameen Textile	**327**	**N/A***	327	N/A*
Professional Management Modaraba (Formerly Al Zamin Modarba Management (Private) Limited)	**1,000**	**2,134**	1,000	2,134
AMZ Venture Limited Class A	**121**	**N/A**	121	N/A
Arabian Sea Country Club	**6,500**	**(6,810)**	6,500	(6,640)
Atlas Power Limited	**375,000**	**1,544,905**	375,000	1,328,000
Attock Textile Mills Limited	**200**	**N/A**	200	N/A
Pakistan Mortgage Refinance Company Limited	**600,000**	**1,006,700**	600,000	770,195
F.T.C. Management Company Private Limited	**250**	**40,094**	250	46,998
Fauji Akbar Portia Marines Terminal Limited	**321,076**	**570,681**	321,076	570,680
Fauji Oil Terminals and Distribution Limited	**10,886**	**119,741**	10,886	99,059
First Women Bank Limited	**21,100**	**79,733**	21,100	71,946
Fortune Securities Limited	**5,000**	**11,411**	5,000	7,574
Frontier Textile Mills Limited	**500**	**272**	500	272
Gulistan Power Generation Limited	**2,200**	**8,096**	2,200	8,096
Hazara Woolen Mills Limited	**200**	**N/A**	200	N/A
Industrial Development Bank of Pakistan	**107**	**N/A**	107	N/A
Inter Asia Leasing Company Limited	**500**	**N/A**	500	N/A
ISE Towers REIT Management Company Limited	**30,346**	**50,902**	30,346	46,890
Junaid Cotton Mills Limited	**327**	**N/A**	327	N/A
Kaisar Arts and Krafts Limited	**8,395**	**N/A**	8,395	N/A
Kaytex Mills Limited	**3,778**	**N/A**	3,778	N/A
Mian Mohammad Sugar Mills Limited	**15**	**N/A**	15	N/A
Muslim Ghee Mills Limited	**1,810**	**N/A**	1,810	N/A
Myfip Video Industries Limited	**5,373**	**N/A**	5,373	N/A
National Asset Leasing Corporation Limited	**14**	**N/A**	14	N/A
National Construction Limited	**250**	**597**	250	597
National Institution of Facilitation Technology (Private) Limi	**1,526**	**35,899**	1,526	74,484
National Investment Trust Limited	**100**	**1,003,283**	100	830,782
National Woolen Mills Limited	**183**	**N/A**	183	N/A
Natover Lease and Refinance	**2,602**	**N/A**	2,602	N/A
Nowshehra Engineering Works Limited	**41**	**N/A**	41	N/A
Pakistan Export Finance Guarantee Agency Limited	**11,529**	**1,152**	11,529	1,152
Pakistan Paper Corporation Limited	**373**	**N/A**	373	N/A
Pakistan Telephone Cables	**143**	**N/A**	143	N/A
Pakistan Textile City	**100,000**	**12,410**	100,000	12,410
Pakistan Tourism Development Corporation	**100**	**82**	100	82
People Steel Mills Limited	**3,276**	**N/A**	3,276	N/A
Qadri Textile Mills Limited	**500**	**N/A**	500	N/A
Rehman Cotton Mills Limited	**16,958**	**107,895**	16,958	107,895
Refrigerator Manufacturing Company Limited	**4,589**	**N/A**	4,589	N/A
Rousch Power Pakistan Limited	**132,888**	**1,503,561**	132,888	1,322,458
Ruby Rice and General Mills Limited	**750**	**N/A**	750	N/A
Sahrish Textile Mills	**21**	**N/A**	21	N/A
Shoaib Capital	**272**	**544**	272	544
SME Bank Limited	**26,950**	**(318)**	26,950	(318)
South Asia Regional Fund	**287**	**N/A**	287	N/A
Star Salica Industries Limited	**267**	**N/A**	267	N/A
Syed Match Industries	**2**	**N/A**	2	N/A
Union Insurance Company of Pakistan	**4**	**N/A**	4	N/A
Unity Modaraba	**28**	**N/A**	28	N/A
Zafar Textiles Mills Limited	**257**	**N/A**	257	N/A

* Not available

Unlisted companies	2021 Cost	2021 Breakup value	2020 Cost	2020 Breakup value
	---------------------------------- (Rupees in '000)			----------------------------------
Zulsham Engineering Works Limited	**330**	**N/A***	330	N/A*
Information System Associates Limited	**1,719**	**N/A**	1,719	N/A
1 Link (Guarantee) Limited	**50,000**	**267,895**	50,000	139,362
Pakistan Corporate Restructuring Company Limited	**96,000**	**N/A**	96,000	N/A
Pakvitae (Private) Limited	**21,000**	**N/A**	-	-
	1,882,198		1,865,982	

* Not available

	2021	2020
	----------- (Rupees in '000)	-----------
Non Government Debt Securities		
Listed		
- AAA	**42,055**	1,597,751
- AA+, AA, AA-	**9,265,030**	11,049,399
- A+, A, A-	**833,334**	966,667
- Unrated	**7,073,222**	7,072,012
Cost	**17,213,641**	20,685,829
Unlisted		
- AAA	**22,132,940**	19,792,681
- AA+, AA, AA-	**4,010,113**	5,212,557
- A+, A, A-	**2,745,811**	2,850,000
- BBB+, BBB, BBB-	**299,760**	299,820
- Unrated	**9,102,917**	11,409,407
Cost	**38,291,541**	39,564,465

Foreign Securities

Government Securities	2021 Cost	2021 Rating	2020 Cost	2020 Rating
	(Rupees in '000)		(Rupees in '000)	
USA	**880,932**	**AA+**	2,795,017	AA+

	2021	2020
	----------- (Rupees in '000)	-----------
Non Government Debt Securities - Cost		
Listed		
- A+	**-**	79,438

	2021	2020
	---------- (Rupees in '000) ----------	
10.6 Particulars relating to Held to Maturity securities are as follows:		
Federal Government Securities - Government guaranteed		
Pakistan Investment Bonds	**324,726,185**	168,676,415
Bai Muajjal with Government of Pakistan	**10,914,185**	11,641,133
	335,640,370	180,317,548
Non Government Debt securities		
Listed		
- Unrated	**19,181**	27,948
	19,181	27,948
Unlisted		
- Unrated	**387,983**	387,025
	387,983	387,025

Foreign Securities

	2021		2020	
	Cost	Rating	Cost	Rating
	(Rupees in '000)		(Rupees in '000)	
Government Securities				
Azerbaijan	**204,494**	**BB+**	646,649	BB+
Bangladesh	**29,672,064**	**Ba3**	27,277,984	BB-
Kyrgyzstan	**841,944**	**B2**	1,118,290	B2
Kingdom of Saudi Arabia	**2,631,097**	**A**	2,551,243	A+
Korea	**742,001**	**AA**	734,572	AA
	34,091,600		32,418,809	

	2021	2020
	---------- (Rupees in '000) ----------	
Non Government Debt Securities		
Listed		
- Unrated - Cost	**680**	618

10.6.1 The market value of securities classified as held-to-maturity as at December 31, 2021 amounted to Rs. 366,869 million (2020: Rs. 218,678 million).

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

The Bank holds 30,333,333 (2020: 30,333,333) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 3.7% (2020: 3.7%) holding in total equity of BAJ. The investment has been marked to market using closing price as quoted on the Saudi Stock Exchange in accordance with SBP concurrence vide letter No. BSD/SU-13/331/685/2006 dated February 17, 2006. BAJ's Viability Rating is F2 with short term and long term IDR at BBB+ by Fitch Rating Agency.

10.8 The 94,273,510 (2020: 94,273,510) shares of Agritech Limited were acquired from Azgard Nine Limited as part of multiple agreements including the Master Restructuring Agreement (MRA). These shares were acquired at an agreed price of Rs. 35 per share. The market value of these shares at December 31, 2021 amounted to Rs. 3.79 per share resulting in an impairment of Rs. 3,264 million (2020: Rs. 3,124 million) which has been fully recorded in these consolidated financial statements.

There is a put option available to Azgard Nine Limited, under which Azgard Nine Limited has the right to sell 58.29 million preference shares of Agritech Limited to the Bank at a price of Rs. 5.25 per share subject to the occurrence of certain events under the agreement.

10.9 Aggregate market value of investment in associates (quoted) on the basis of quoted prices amounts to Rs. 1,880 million (2020: Rs. 1,456 million).

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

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

	Year / Period ended	Break-up value Rupees in '000
National Assets Insurance Limited	December 31, 2020	61,114
Pakistan Emerging Venture Limited	June 30, 2019	283
Mehran Industries Limited	June 30, 2001	5,681
Tharparkar Sugar Mills Limited	September 30, 2001	(83,140)
Prudential Fund Management	June 30, 2007	(2,482)
Dadabhoy Energy Supply Company Limited	June 30, 2007	103,952
Pakistan Mercantile Exchange Limited	June 30, 2021	16,876

	Note	**2021**	2020
		---------- (Rupees in '000) ----------	
10.12 Investment in joint venture			
United National Bank Limited (UNBL) (Incorporated in United Kingdom)	10.1 / 10.2 / 10.12.1	**7,140,903**	6,054,005

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

10.13 The investments in shares include shares of Pakistan State Oil Company Limited, Sui Northern Gas Pipeline Limited and Pakistan Engineering Company with cost of Rs. 4,603 million (2020: Rs. 4,603 million) that have been frozen by the Government of Pakistan for sale in the equity market due to their proposed privatization.

10.14 The investments also include shares acquired under tri-partite consent agreement dated June 29, 2011. These strategic investments comprise of the shares of Pakistan State Oil (38,055,247 shares), shares of Sui Northern Gas Pipeline Limited (18,805,318 shares) and Pakistan Engineering Company (135,242). The cost of these shares amounts to Rs. 4,603 million and market value as at December 31, 2021 amounts to Rs. 7,606 million. These shares can not be sold without concurrence of privatization commission.

	2021	2020
	---------- (Rupees in '000) ----------	
10.15 Investments in subsidiaries		
Cast-N-Link Products Limited	**1,245**	1,245
Less: provision for diminution in value of investments	**(1,245)**	(1,245)
	-	-

10.15.1 The financial statements of Cast-N-Link Products Limited (CNL) are not available since the year 1997. Accordingly, the management of the Group had applied to the Securities and Exchange Commission of Pakistan (SECP) for the exemption from the requirements of section 228 of the Companies Act, 2017 (the Act) in respect of consolidating its subsidiary CNL. The SECP, vide its letter EMD/233/627/2002-103 dated November 18, 2019, has not acceded the Bank's request from the exemption from consolidation of CNL in its consolidated financial statements for the year ended December 31, 2019 and further directed to comply with the requirement of section 228 of the Act. However the Bank, based on the fact that investment of the Group in CNL is not material and comprise of 0.000032% of the total assets of the Bank and the investment have been fully provided for, has not consolidated the financial statements of CNL.

11. ADVANCES

	Note	Performing 2021	Performing 2020	Non Performing 2021	Non Performing 2020	Total 2021	Total 2020
		(Rupees in '000)					
Loans, cash credits, running finances, etc.		**1,045,532,093**	932,517,097	**183,456,102**	160,534,747	**1,228,988,195**	1,093,051,844
Islamic financing and related assets		**42,316,269**	37,546,863	**712,762**	602,913	**43,029,031**	38,149,776
Net Investment in finance lease	11.1	**47,548**	58,239	**28,944**	28,944	**76,492**	87,183
Bills discounted and purchased		**19,199,730**	18,998,127	**14,147,881**	10,646,008	**33,347,611**	29,644,135
Advances - gross	11.2	**1,107,095,640**	989,120,326	**198,345,689**	171,812,612	**1,305,441,329**	1,160,932,938
Provision against advances							
- Specific		**-**	-	**179,654,610**	154,587,769	**179,654,610**	154,587,769
- General		**12,472,591**	22,473,748	**-**	-	**12,472,591**	22,473,748
	11.4	**12,472,591**	22,473,748	**179,654,610**	154,587,769	**192,127,201**	177,061,517
Advances - net of provision		**1,094,623,049**	966,646,578	**18,691,079**	17,224,843	**1,113,314,128**	983,871,421

11.1 Net Investment in Finance Lease

	2021 Not later than one year	2021 Later than one and upto five years	2021 Over five years	2021 Total	2020 Not later than one year	2020 Later than one and upto five years	2020 Over five years	2020 Total
	(Rupees in '000)							
Lease rentals receivable	**51,796**	**64**	**-**	**51,860**	61,751	556	-	62,307
Residual value	**48,804**	**185**	**-**	**48,989**	48,804	815	-	49,619
Minimum lease payments	**100,600**	**249**	**-**	**100,849**	110,555	1,371	-	111,926
Less: Financial charges for future periods	**24,356**	**1**	**-**	**24,357**	24,710	32	-	24,742
Present value of minimum lease payments	**76,244**	**248**	**-**	**76,492**	85,845	1,339	-	87,183

The leases executed are for a term of 1 to 5 years. Security deposit is generally obtained upto 10% of the cost of leased assets at the time of disbursement. The Group requires the lessee to insure the leased assets in favour of the Group. Additional surcharge is charged on delayed rentals. The average return implicit ranges from 10.19% to 14.85% (2020: 10.19% to 17.30%) per annum.

11.2 Particulars of advances (Gross)

	2021	2020
	(Rupees in '000)	
In local currency	**1,178,144,911**	1,071,981,593
In foreign currencies	**127,296,418**	88,951,345
	1,305,441,329	1,160,932,938

11.3 Advances include Rs. 198,346 million (2020: Rs. 171,813 million) which have been placed under non-performing status as detailed below:

Category of Classification	2021 Non Performing Loans	2021 Provision	2020 Non Performing Loans	2020 Provision
	(Rupees in '000)			
Domestic				
Other Assets Especially Mentioned	**1,950,183**	**94,550**	1,626,950	45,392
Substandard	**5,245,094**	**1,230,458**	5,418,693	1,336,002
Doubtful	**17,048,217**	**8,455,999**	15,816,861	7,881,223
Loss	**127,537,486**	**124,864,376**	106,261,071	103,917,273
	151,780,980	**134,645,383**	129,123,575	113,179,889
Overseas				
Not past due but impaired	**-**	**-**	-	-
Overdue by:				
Upto 90 days	**-**	**-**	11,666	9,183
91 to 180 days	**-**	**-**	-	-
181 to 365 days	**286,746**	**143,373**	-	-
> 365 days	**46,277,963**	**44,865,854**	42,677,371	41,398,697
	46,564,709	**45,009,227**	42,689,037	41,407,880
Total	**198,345,689**	**179,654,610**	171,812,612	154,587,769

11.4 **Particulars of provision against advances**

	Note	2021 Specific	2021 General	2021 Total	2020 Specific	2020 General	2020 Total
		(Rupees in '000)					
Opening balance		**154,587,769**	**22,473,748**	**177,061,517**	134,688,966	9,005,951	143,694,917
Exchange adjustments		**4,293,544**	**50,984**	**4,344,528**	1,462,567	15,535	1,478,102
Charge for the year		**15,680,535**	**513,602**	**16,194,137**	19,001,917	13,707,207	32,709,124
Reversals		**(4,238,039)**	**(952,785)**	**(5,190,824)**	(3,138,355)	(321,795)	(3,460,150)
		11,442,496	**(439,183)**	**11,003,313**	15,863,562	13,385,412	29,248,974
Amounts written off	11.5.1	**(171,425)**	**-**	**(171,425)**	(89,494)	-	(89,494)
Amounts charged off- agriculture financing	11.4.1.3	**(110,733)**	**-**	**(110,733)**	(193,807)	-	(193,807)
Transfer from general to specific provision		**9,612,958**	**(9,612,958)**	**-**	2,855,975	66,850	2,922,825
Closing balance		**179,654,610**	**12,472,591**	**192,127,201**	154,587,769	22,473,748	177,061,517

11.4.1 Particulars of provision against advances

	2021			2020		
	Specific	**General**	**Total**	Specific	General	Total
	---------- (Rupees in '000) ----------					
In local currency	**134,645,382**	**12,220,749**	**146,866,131**	113,179,889	22,274,089	135,453,978
In foreign currencies	**45,009,228**	**251,843**	**45,261,071**	41,407,880	199,659	41,607,539
	179,654,610	**12,472,591**	**192,127,201**	154,587,769	22,473,748	177,061,517

11.4.1.1 General provision includes provision amounting to Rs. 5,618 million (2020: Rs. 5,196 million) against consumer & SME finance portfolio as required by the Prudential Regulations issued by the SBP. General provision also includes Rs. 252 million (2020: Rs. 200 million) pertaining to overseas advances to meet the requirements of regulatory authorities of the respective countries in which the Group operates.

The Group has also maintained general provision of Rs. 6,603 million (2020: Rs. 17,078 million) in respect of its underperforming portfolio on prudent basis.

11.4.1.2 The SBP has allowed specific relaxation to the Bank for non-classification of overdue loans of certain Public Sector Entities (PSEs) which are guaranteed by Government of Pakistan as non-performing loans up till December 31, 2021. No provision is required against these loans; however, mark-up is being suspended as required by the Prudential Regulations.

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

		Note	2021	2020
			---------- (Rupees in '000) ----------	
11.5	**Particulars of write-offs**			
11.5.1	Against provisions	11.5.2	**171,425**	89,494
11.5.2	Write-offs of Rs. 500,000 and above			
	- Domestic		**44,536**	40,260
	- Overseas		**57,692**	-
		11.6	**102,228**	40,260
	Write-offs of below Rs. 500,000		**69,197**	49,234
			171,425	89,494

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

In terms of sub-section (3) of Section 33A of the Banking Companies Ordinance, 1962 the Statement in respect of written-off loans or any other financial relief of rupees five hundred thousand or above allowed to a person(s) during the year ended December 31, 2021 is given in Annexure-I to the consolidated financial statements. (except where such disclosure is restricted by overseas regulatory authorities).

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

		Note	2021	2020
			---------- (Rupees in '000) ----------	
12.	**FIXED ASSETS**			
	Capital work-in-progress	12.1	**1,628,810**	2,232,001
	Property and equipment	12.2	**53,204,991**	52,854,808
			54,833,801	55,086,809

12.1 Capital work-in-progress

	2021	2020
Civil works	**1,335,603**	2,040,456
Equipment	**10,825**	10,825
Advances to suppliers and contractors	**58,985**	59,000
Software implementation in progress	**223,397**	121,720
	1,628,810	2,232,001

12.2 Property and equipment

2021

	Freehold land	Leasehold land	Building on Freehold land	Building on Leasehold land	Furniture and fixture	Computer and peripheral equipment	Electrical, office equipment	Vehicles	Assets held under finance lease - Vehicles	Assets held under finance lease - Office Equipment	Assets held under Ijarah - Machinery	Assets held under Ijarah - Vehicle	Total
	(Rupees in '000)												
At January 1, 2021													
Cost / revalued amount	20,370,446	19,673,159	6,499,638	4,381,195	6,793,647	4,587,414	6,320,774	1,316,025	450,232	9,627	96,571	299,418	70,798,146
Accumulated depreciation	-	-	(1,242,781)	(911,172)	(4,734,748)	(4,343,448)	(5,220,437)	(923,581)	(244,651)	(2,415)	(42,808)	(277,297)	(17,943,338)
Net book value	20,370,446	19,673,159	5,256,857	3,470,023	2,058,899	243,966	1,100,337	392,444	205,581	7,212	53,763	22,121	52,854,808
Year ended December 2021													
Opening net book value	20,370,446	19,673,159	5,256,857	3,470,023	2,058,899	243,966	1,100,337	392,444	205,581	7,212	53,763	22,121	52,854,808
Additions	-	-	26,900	71,046	545,315	527,110	532,614	865,250	46,007	-	-	-	2,614,242
Cost -Adjustments	-	-	-	712,882	42,560	-	841,822	-	-	-	-	-	1,597,264
Accmulated Depreciation - Adjustments	-	-	-	(132,235)	(34,048)	-	(685,393)	-	-	-	-	-	(851,677)
Movement in surplus on assets revalued	-	(193,330)	-	-	-	-	-	-	-	-	-	-	(193,330)
Disposals	-	-	-	-	(25,841)	(24,670)	(10,397)	(167,874)	(41,286)	-	(988)	(6,612)	(277,668)
Depreciation charge	-	-	(280,879)	(196,061)	(643,298)	(366,707)	(653,369)	(338,800)	(63,393)	(962)	(233)	(13)	(2,543,715)
Depreciation adjustment - disposal	-	-	-	-	19,883	19,154	7,848	134,976	23,300	-	988	5,383	211,532
Exchange rate adjustments	-	-	-	(18,900)	46,337	26,726	2,726	1,977	-	-	-	-	58,866
Other adjustments / transfers - cost	-	(14,086)	-	-	(278,791)	67,695	(34)	(47)	-	-	96,511	(278,439)	(407,191)
Other adjustments / transfers - depreciation	-	-	2	12	6	733	786	(157)	-	-	(130,289)	270,768	141,861
Closing net book value	20,370,446	19,465,743	5,002,880	3,906,767	1,731,022	494,006	1,136,939	887,769	170,209	6,250	19,752	13,208	53,204,991
At December 31, 2021													
Cost / revalued amount	20,370,446	19,465,743	6,526,538	5,146,223	7,123,227	5,184,275	7,687,505	2,015,331	454,953	9,627	192,094	14,367	74,190,329
Accumulated depreciation	-	-	(1,523,658)	(1,239,456)	(5,392,205)	(4,690,268)	(6,550,565)	(1,127,562)	(284,744)	(3,377)	(172,342)	(1,159)	(20,985,337)
Net book value	20,370,446	19,465,743	5,002,880	3,906,767	1,731,022	494,006	1,136,939	887,769	170,209	6,250	19,752	13,208	53,204,991
Rate of depreciation (percentage)	Nil	Nil	5% on book value	5% on book value	20% on cost	33.33% on cost	20% on cost	20% on cost	20% on cost	20% on book value	25% to 33% on cost	20% on book value	

2020

	Free hold land	Lease hold land	Building on Free hold land	Building on Lease hold land	Furniture and fixture	Computer and peripheral equipment	Electrical, office equipment	Vehicles	Assets held under finance lease - Vehicles	Assets held under finance lease - Office Equipment	Assets held under Ijarah - Machinery	Assets held under Ijarah - Vehicle	Total
	(Rupees in '000)												
At January 1, 2020													
Cost / revalued amount	20,108,882	19,362,870	6,467,259	4,325,158	5,959,314	4,246,166	5,821,542	1,315,119	390,175	9,628	97,261	301,379	68,404,753
Accumulated depreciation	-	-	(949,326)	(738,900)	(4,069,050)	(4,073,149)	(4,588,702)	(710,448)	(200,334)	(1,522)	(41,220)	(275,523)	(15,648,174)
Net book value	20,108,882	19,362,870	5,517,933	3,586,258	1,890,264	173,017	1,232,840	604,671	189,841	8,106	56,041	25,856	52,756,579
Year ended December 2020													
Opening net book value	20,108,882	19,362,870	5,517,933	3,586,258	1,890,264	173,017	1,232,840	604,671	189,841	8,106	56,041	25,856	52,756,579
Additions	-	-	3,622	46,509	862,190	314,363	531,086	196,439	76,083	-	-	-	2,030,292
Movement in surplus on assets revalued	261,564	310,289	28,757	59,670	-	-	-	-	-	-	-	-	660,280
Disposals	-	-	-	(1,753)	(35,996)	(12,072)	(9,320)	(199,509)	(14,928)	-	(690)	(1,961)	(276,229)
Depreciation charge	-	-	(293,455)	(173,990)	(683,657)	(278,073)	(638,313)	(374,030)	(51,851)	(963)	(2,274)	(3,727)	(2,500,333)
Depreciation adjustment - disposal	-	-	-	1,713	17,337	7,133	5,873	161,764	6,506	-	686	1,953	202,965
Exchange rate adjustments	-	-	-	(38,834)	(763)	39,551	(21,661)	3,249	-	-	-	-	(18,458)
Other adjustments / transfers - cost	-	-	-	(9,555)	8,902	(594)	(873)	727	(1,098)	(1)	-	-	(2,492)
Other adjustments / transfers - depreciation	-	-	-	5	622	641	705	(867)	1,028	70	-	-	2,204
Closing net book value	20,370,446	19,673,159	5,256,857	3,470,023	2,058,899	243,966	1,100,337	392,444	205,581	7,212	53,763	22,121	52,854,808
At December 31, 2020													
Cost / revalued amount	20,370,446	19,673,159	6,499,638	4,381,195	6,793,647	4,587,414	6,320,774	1,316,025	450,232	9,627	96,571	299,418	70,798,146
Accumulated depreciation	-	-	(1,242,781)	(911,172)	(4,734,748)	(4,343,448)	(5,220,437)	(923,581)	(244,651)	(2,415)	(42,808)	(277,297)	(17,943,338)
Net book value	20,370,446	19,673,159	5,256,857	3,470,023	2,058,899	243,966	1,100,337	392,444	205,581	7,212	53,763	22,121	52,854,808
Rate of depreciation (percentage)	Nil	Nil	5% on book value	5% on book value	20% on cost	33.33% on cost	20% on cost	20% on cost	20% on cost	20% on book value	25% to 33% on cost	20% on book value	

12.2.1 Revaluation of Properties

Desktop revaluation of the Group's properties was last carried out in a phase manner in 2019 and 2020. The revaluation was carried out by an independent professional valuer, RBS Associates Private Limited (PBA registered valuer) on the basis of professional assessment of present market values. The total surplus against revaluation of fixed assets as at December 31, 2021, amounts to Rs. 44,320 million. Had there been no revaluation, the carrying amount of the revalued assets at December 31, 2021, would have been follows :

	Rupees in '000
Freehold land	1,132,637
Leasehold land	890,025
Building on freehold land	820,613
Building on leasehold land	1,575,994
	4,419,269

12.2.2 Carrying amount of temporarily idle property of the Group **4,795,453.73**

12.2.3 The cost of fully depreciated assets still in use

Furniture and fixtures	280,030
Computer and peripheral equipment	1,067,019
Electrical and office equipment	662,467
Vehicles	1,093,896
	3,103,412

12.3 Details of disposals of fixed assets to related parties

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

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Buyers name
	-------------------------(Rupees in '000)-----------------------						
Vehicles	1,858	186	186	-	As per Entitlement	Ex-Employee	DR. QADIR BAKSH
Vehicles	1,673	335	335	-	As per Entitlement	Employee	MUHAMMAD ZAHEER ABBAS
Vehicles	1,673	335	335	-	As per Entitlement	Employee	SYED KHURRAM HUSSAIN
Vehicles	1,893	379	379	-	As per Entitlement	Employee	SYED MUHAMMAD ALI ZAMIN
Vehicles	1,673	335	335	-	As per Entitlement	Ex-Employee	SYED SHAKEEL RAZA ABIDI
Vehicles	1,673	335	335	-	As per Entitlement	Employee	WASIMULLAH
Vehicles	5,257	964	1,051	88	As per Entitlement	Employee	ABDUL WAHID SETHI
Vehicles	1,858	0	186	186	As per Entitlement	Employee	SARDAR AZMAT BABAR CHOHAI
Vehicles	1,673	307	335	28	As per Entitlement	Employee	UMEED AYAZ MAHMOOD
Vehicles	1,858	186	186	-	As per Entitlement	Ex-Employee	TARIQ LATIF ANSARI
Vehicles	1,673	335	335	-	As per Entitlement	Employee	HAMMAD SARWAR
Vehicles	1,673	307	335	28	As per Entitlement	Employee	NAZNEEN ZAKA
Vehicles	1,673	307	335	28	As per Entitlement	Employee	INAAM MALLICK
Vehicles	1,673	307	335	28	As per Entitlement	Ex-Employee	SOHAIL AHMED
Vehicles	1,824	791	791	-	As per Entitlement	Ex-Employee	RIFFAT SULTANA MUGHAL
Vehicles	1,824	851	851	-	As per Entitlement	Employee	SAFDAR ALI
Vehicles	5,106	0	511	511	As per Entitlement	Ex-Employee	SULTANA NAHEED
Vehicles	2,380	1,864	1,864	-	As per Entitlement	Ex-Employee	AZIZ UR REHMAN
Vehicles	1,664	333	333	-	As per Entitlement	Employee	REHMAN NAZIR
Vehicles	1,664	333	333	-	As per Entitlement	Ex-Employee	HASEEB ARSHAD
Vehicles	1,664	333	333	-	As per Entitlement	Employee	MUHAMMAD FAUD MOHSIN
Vehicles	1,664	305	333	28	As per Entitlement	Employee	KALEEMULLAH SHAIKH
Vehicles	1,664	333	333	-	As per Entitlement	Employee	MUJAHID ABBAS KHAN
Vehicles	2,875	2,252	2,252	-	As per Entitlement	Ex-Employee	MUHAMMAD ATLAS
Vehicles	1,664	388	388	-	As per Entitlement	Ex-Employee	NADIR KHAN
Vehicles	2,380	1,745	1,745	-	As per Entitlement	Ex-Employee	AHMED SOHAIL WARRICH
Vehicles	1,664	361	361	-	As per Entitlement	Ex-Employee	ABDUL HAMID ASIM
Vehicles	2,380	1,666	1,666	-	As per Entitlement	Ex-Employee	TAHIR SHAHBAZ ANJUM
Vehicles	5,857	2,050	2,050	-	As per Entitlement	Ex-Employee	USMAN SHAHID
Vehicles	2,875	2,156	2,156	-	As per Entitlement	Ex-Employee	S H IRTIZA KAZMI
Vehicles	1,864	404	404	-	As per Entitlement	Ex-Employee	MUHAMMAD FAROOQ

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Buyers name
	------------------------(Rupees in '000)----------------------						
Vehicles	1,899	855	855	-	As per Entitlement	Ex-Employee	KAZI IMTIAZ AHMED
Vehicles	1,864	342	342	-	As per Entitlement	Ex-Employee	KHURRAM SAEED NAIK
Vehicles	1,673	0	167	167	As per Entitlement	Employee	SHAHLA GHULAM HUSSAIN
Vehicles	1,658	0	166	166	As per Entitlement	Ex-Employee	SALEEM AHMED
Vehicles	1,664	333	333	-	As per Entitlement	Employee	IMTIAZ AHMED
Vehicles	1,664	333	333	-	As per Entitlement	Employee	MANZOOR AHMED
Vehicles	1,734	347	347	-	As per Entitlement	Employee	DILBUR HUSSAIN KHAN
Vehicles	1,664	333	333	-	As per Entitlement	Ex-Employee	SYED AKHTAR ALI SHAH
Vehicles	1,664	333	333	-	As per Entitlement	Employee	AAMER MANZOOR
Vehicles	1,864	373	373	-	As per Entitlement	Employee	TAHIR ABBAS
Vehicles	5,257	1,051	1,051	-	As per Entitlement	Employee	REHMAT ALI HASNIE
Vehicles	1,664	333	333	-	As per Entitlement	Employee	SYED AZHAR ALI
Vehicles	1,664	333	333	-	As per Entitlement	Employee	SUMAIRA MAZHAR
Vehicles	1,764	353	353	-	As per Entitlement	Employee	MUHAMMAD YOUNAS
Vehicles	1,664	333	333	-	As per Entitlement	Employee	JAVED ASHRAF
Vehicles	1,708	342	342	-	As per Entitlement	Employee	SHAKEEL HAYAT MIR
Vehicles	1,673	251	335	84	As per Entitlement	Employee	KASHIF KHAN
Vehicles	1,824	699	699	-	As per Entitlement	Ex-Employee	MUKHTAR AHMED
Vehicles	1,873	312	375	62	As per Entitlement	Ex-Employee	ADNAN ADIL
	105,223	28,029	29,433	1,404			
Computer and peripheral equipment	99	0	10	10	As per Entitlement	Employee	FARHAN JAVAID DURRANI
Computer and peripheral equipment	99	0	10	10	As per Entitlement	Employee	NABEEL ASLAM
Computer and peripheral equipment	99	0	10	10	As per Entitlement	Ex-Employee	SAJJAD AHMED RANA
Computer and peripheral equipment	64	0	6	6	As per Entitlement	Employee	MUHAMMAD NASIM
Computer and peripheral equipment	114	0	11	11	As per Entitlement	Ex-Employee	ABDUL QADIR
Computer and peripheral equipment	114	0	11	11	As per Entitlement	Ex-Employee	ABDUL QADIR
Computer and peripheral equipment	106	0	11	11	As per Entitlement	Ex-Employee	ABDUL QADIR
Computer and peripheral equipment	106	0	11	11	As per Entitlement	Ex-Employee	RIFFAT SULTANA MUGHAL
Computer and peripheral equipment	64	0	6	6	As per Entitlement	Employee	WAQAR AHMED
Computer and peripheral equipment	106	0	11	11	As per Entitlement	Employee	FOUAD FARRUKH
Computer and peripheral equipment	204	0	20	20	As per Entitlement	Ex-Employee	USMAN SHAHID
Computer and peripheral equipment	93	0	9	9	As per Entitlement	Ex-Employee	S H IRTIZA KAZMI

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Buyers name
	------------------------(Rupees in '000)----------------------						
Computer and peripheral equipment	99	0	10	10	As per Entitlement	Employee	HISHAM JAN KIANI
Computer and peripheral equipment	99	0	10	10	As per Entitlement	Employee	RASHID ATA
Computer and peripheral equipment	123	0	12	12	As per Entitlement	Employee	IQBAL ALI
Computer and peripheral equipment	99	0	10	10	As per Entitlement	Employee	ABDUL REHMAN SHAIKH
Computer and peripheral equipment	64	0	6	6	As per Entitlement	Employee	NADIA AHMER
Computer and peripheral equipment	110	0	11	11	As per Entitlement	Employee	MOIN UDDIN KHAN
Computer and peripheral equipment	135	0	14	13	As per Entitlement	Employee	QAISER ALAM
Computer and peripheral equipment	100	0	10	10	As per Entitlement	Employee	AQIB MALIK
Computer and peripheral equipment	105	0	11	10	As per Entitlement	Employee	MUHAMMAD ADIL USMANI
	2,202	0	220	220			
Electrical, office equipment	50	0	0	-	As per Entitlement	Ex-Employee	ABDUL QADIR
Electrical, office equipment	148	0	0	-	As per Entitlement	Ex-Employee	S H IRTIZA KAZMI
Electrical, office equipment	115	0	0	-	As per Entitlement	Ex-Employee	S H IRTIZA KAZMI
Electrical, office equipment	114	0	0	-	As per Entitlement	Ex-Employee	DR. QADIR BAKSH
Electrical, office equipment	71	0	0	-	As per Entitlement	Ex-Employee	DR. QADIR BAKSH
Electrical, office equipment	115	0	0	-	As per Entitlement	Ex-Employee	DR. QADIR BAKSH
Electrical, office equipment	167	0	0	-	As per Entitlement	Ex-Employee	USMAN SHAHID
Electrical, office equipment	161	0	0	-	As per Entitlement	Ex-Employee	USMAN SHAHID
Electrical, office equipment	34	0	0	-	As per Entitlement	Ex-Employee	ADNAN ADIL
Electrical, office equipment	50	0	0	-	As per Entitlement	Ex-Employee	SYED SHAKEEL RAZA ABIDI
Electrical, office equipment	35	9	9	-	As per Entitlement	Ex-Employee	MUHAMMAD ANWAR,
Electrical, office equipment	50	29	29	-	As per Entitlement	Ex-Employee	TAHIR SHAHBAZ ANJUM
Electrical, office equipment	115	48	48	-	As per Entitlement	Ex-Employee	MUHAMMAD FAROOQ
	1,225	86	86	-			
Furniture and fixture	160	51	51	-	As per Entitlement	Ex-Employee	MUHAMMAD HANIF
Furniture and fixture	200	0	0	-	As per Entitlement	Ex-Employee	AZIZ UR REHMAN
Furniture and fixture	190	15	15	-	As per Entitlement	Ex-Employee	EJAZ MUNEER
Furniture and fixture	200	16	16	-	As per Entitlement	Ex-Employee	ABDUL HAMID ASIM
Furniture and fixture	200	12	12	-	As per Entitlement	Ex-Employee	GHULAM HYDER CHANNA
Furniture and fixture	160	11	11	-	As per Entitlement	Ex-Employee	MUHAMMAD ISMAIL
Furniture and fixture	200	41	41	-	As per Entitlement	Ex-Employee	AHMED SOHAIL WARRICH

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Buyers name
	-------------------------(Rupees in '000)-----------------------						
Furniture and fixture	190	62	62	-	As per Entitlement	Ex-Employee	WASEEM ZEHRA
Furniture and fixture	160	6	6	-	As per Entitlement	Ex-Employee	GHULAM NABI BHATTI
Furniture and fixture	200	72	72	-	As per Entitlement	Ex-Employee	TAHIR SHAHBAZ ANJUM
Furniture and fixture	160	39	39	-	As per Entitlement	Ex-Employee	SEES RAJ
Furniture and fixture	190	62	62	-	As per Entitlement	Ex-Employee	MUHAMMAD USMAN
Furniture and fixture	200	46	46	-	As per Entitlement	Ex-Employee	MUHAMMAD YOUSUF
Furniture and fixture	200	82	82	-	As per Entitlement	Ex-Employee	MANZUR AHMED
Furniture and fixture	160	36	36	-	As per Entitlement	Ex-Employee	LAIQUAT ALI SHAIKH
Furniture and fixture	200	51	51	-	As per Entitlement	Ex-Employee	MUHAMMAD SHAHBAZ
Furniture and fixture	200	62	62	-	As per Entitlement	Ex-Employee	SAFDAR ALI,
Furniture and fixture	190	45	45	-	As per Entitlement	Ex-Employee	QAISER SATTAR,
Furniture and fixture	190	38	38	-	As per Entitlement	Ex-Employee	MUHAMMAD SARWAR
Furniture and fixture	190	71	71	-	As per Entitlement	Ex-Employee	GULZAR AHMED
Furniture and fixture	190	63	63	-	As per Entitlement	Ex-Employee	ASIF MEHMOOD KHAN
Furniture and fixture	190	57	57	-	As per Entitlement	Ex-Employee	MUHAMMAD RAZZAQ
Furniture and fixture	190	18	18	-	As per Entitlement	Ex-Employee	HUMA NAZ
Furniture and fixture	500	23	23	-	As per Entitlement	Ex-Employee	SULTANA NAHEED
Furniture and fixture	190	59	59	-	As per Entitlement	Ex-Employee	SAMINA ZIA
Furniture and fixture	160	51	51	-	As per Entitlement	Ex-Employee	MUHMMAD ANWAR KHAN
Furniture and fixture	190	7	7	-	As per Entitlement	Ex-Employee	SHAHZAD AHMED,
Furniture and fixture	160	18	18	-	As per Entitlement	Ex-Employee	IRSHAD GHANI
Furniture and fixture	190	6	6	-	As per Entitlement	Ex-Employee	SHAHID HUSSAIN,
Furniture and fixture	190	0	0	-	As per Entitlement	Ex-Employee	MANZOOR SULTAN
Furniture and fixture	300	101	101	-	As per Entitlement	Ex-Employee	MUHAMMAD ATLAS
Furniture and fixture	160	64	64	-	As per Entitlement	Ex-Employee	MUHAMMAD QASIM
Furniture and fixture	160	45	45	-	As per Entitlement	Ex-Employee	MUHAMMAD HUSSAIN ZAR
Furniture and fixture	160	63	63	-	As per Entitlement	Ex-Employee	PERVEZ AHMED
Furniture and fixture	160	29	29	-	As per Entitlement	Ex-Employee	NAYAB AHMED
Furniture and fixture	160	26	26	-	As per Entitlement	Ex-Employee	ABDUIL RASHEED
Furniture and fixture	190	12	12	-	As per Entitlement	Ex-Employee	SALEEM ABBAS BANGASH
Furniture and fixture	160	39	39	-	As per Entitlement	Ex-Employee	JAWAID AKHTAR
Furniture and fixture	300	98	98	-	As per Entitlement	Ex-Employee	MUHAMMAD FAROOQ
Furniture and fixture	200	23	23	-	As per Entitlement	Ex-Employee	MR.MUHAMMAD ZULFIQAR ALI
Furniture and fixture	200	26	26	-	As per Entitlement	Ex-Employee	MUKHTAR AHMED
Furniture and fixture	160	39	39	-	As per Entitlement	Ex-Employee	GHULAM ABBAS SANGI

Particulars of property and equipment	Original cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of purchaser	Buyers name
	-------------------------(Rupees in '000)-----------------------						
Furniture and fixture	160	40	40	-	As per Entitlement	Ex-Employee	MUHAMMAD IDREES
Furniture and fixture	160	70	70	-	As per Entitlement	Ex-Employee	ABDUL GHAFOOR
Furniture and fixture	160	26	26	-	As per Entitlement	Ex-Employee	MUHAMMAD AKHTAR MALIK
Furniture and fixture	190	10	10	-	As per Entitlement	Ex-Employee	SAMINA PARVEEN
Furniture and fixture	200	0	0	-	As per Entitlement	Ex-Employee	HASEEB ARSHAD
Furniture and fixture	200	28	28	-	As per Entitlement	Ex-Employee	KAZI IMTIAZ AHMED
Furniture and fixture	190	70	70	-	As per Entitlement	Ex-Employee	MUHAMMAD ANWAR
Furniture and fixture	300	10	10	-	As per Entitlement	Ex-Employee	KHURRAM SAEED NAIK
Furniture and fixture	160	55	55	-	As per Entitlement	Ex-Employee	BASHIR AHMED QAZI
Furniture and fixture	160	37	37	-	As per Entitlement	Ex-Employee	MUHAMMAD BASHIR
Furniture and fixture	160	26	26	-	As per Entitlement	Ex-Employee	NIAZ HUSSAIN
Furniture and fixture	200	85	85	-	As per Entitlement	Ex-Employee	HANANEEL AZHAR JOSEPH
	10,440	2,137	2,137	-			
	119,090	30,251	31,876	1,625			

13. INTANGIBLE ASSETS

	2021					
	Core Banking Application	**Computer software**	**Website**	**Goodwill on NBP Fund Acquisition**	**Others**	**Total**
	---- (Rupees in '000) ----					
At January 1, 2021						
Cost	**2,913,953**	**1,499,470**	**1,041**	**655,146**	**4,774**	**5,074,384**
Accumulated amortisation and impairment	**(2,913,953)**	**(1,041,912)**	**(1,041)**	**(92,593)**	**(2,742)**	**(4,052,241)**
Net book value	**-**	**457,558**	**-**	**562,553**	**2,032**	**1,022,143**
Year ended December 2021						
Opening net book value	**-**	**457,558**	**-**	**562,553**	**2,032**	**1,022,143**
Additions:						
- developed internally	**-**	**39,043**	**-**	**-**	**-**	**39,043**
- through acquisitions / purchased	**-**	**305,012**	**-**	**-**	**-**	**305,012**
Adjustments - addition	**-**	**223,556**	**-**	**-**	**-**	**223,556**
Disposals	**-**	**(69,040)**	**-**	**-**	**-**	**(69,040)**
Amortisation charge	**-**	**(428,807)**	**-**	**-**	**-**	**(428,807)**
Amortisation adjustment - disposal	**-**	**68,406**	**-**	**-**	**-**	**68,406**
Other adjustments - cost	**-**	**(127,418)**	**-**	**-**	**(4,774)**	**(132,192)**
Other adjustments - amortisation	**-**	**140,583**	**-**	**-**	**2,742**	**143,325**
Closing net book value	**-**	**608,893**	**-**	**562,553**	**-**	**1,171,446**
At December 31, 2021						
Cost	**2,913,953**	**1,870,623**	**1,041**	**655,146**	**-**	**5,440,763**
Accumulated amortisation and impairment	**(2,913,953)**	**(1,261,730)**	**(1,041)**	**(92,593)**	**-**	**(4,269,317)**
Net book value	**-**	**608,893**	**-**	**562,553**	**-**	**1,171,446**
Rate of amortisation (percentage)	**33.33 % on cost**	**33.33 % on cost**	**33.33 % on cost**	**Nil**	**Nil**	
Useful life	**3 years**	**3 years**	**3 years**			

	2020					
	Core Banking Application	Computer software	Website	Goodwill on NBP Fund Acquisition	Others	Total
	---- (Rupees in '000) ----					
At January 1, 2020						
Cost	2,913,953	1,310,345	1,041	655,146	4,774	4,885,259
Accumulated amortisation and impairment	(2,913,953)	(804,164)	(1,041)	(92,593)	(2,742)	(3,814,493)
Net book value	-	506,181	-	562,553	2,032	1,070,766
Year ended December 2020						
Opening net book value	-	506,181	-	562,553	2,032	1,070,766
Additions:						
- developed internally	-	146,646	-	-	-	146,646
- directly purchased	-	1,576	-	-	-	1,576
Adjustments - addition	-	45,756	-	-	-	45,756
Disposals	-	-	-	-	-	-
Amortisation charge	-	(238,932)	-	-	-	(238,932)
Other adjustments - cost	-	(4,853)	-	-	-	(4,853)
Other adjustments - amortization	-	1,184	-	-	-	1,184
Closing net book value	-	457,558	-	562,553	2,032	1,022,143
At December 31, 2020						
Cost	2,913,953	1,499,470	1,041	655,146	4,774	5,074,384
Accumulated amortisation and impairment	(2,913,953)	(1,041,912)	(1,041)	(92,593)	(2,742)	(4,052,241)
Net book value	-	457,558	-	562,553	2,032	1,022,143
Rate of amortisation (percentage)	33.33 % on cost	33.33 % on cost	33.33 % on cost	Nil	Nil	
Useful life	3 years	3 years	3 years			

13.1 For the purpose of impairment testing of goodwill, management has considered discounted cash flow method using cost of equity of 16.3% and terminal growth of 4.0% considering five years cash flows. Further, discount for lack of marketability is also considered at the rate of 20%. Other key assumption used in the method are management fees, growth rates on asset under management keeping in view of industry growth, expenses based on the historic growth trends, short term investment with the assumption of reinvestment and discount rate which is based on risk free rate, sector beta and market equity risk premium.

For the past 5 years, the company has provided sustainable profitability. As a result, the recoverable amount exceeds the carrying value as at December 31, 2021, therefore, management did not identify any impairment.

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

	Rupees in '000
Core Banking Application	2,914
Computer software	434
Website	1
	3,349

	2021	2020
	------------- (Rupees in '000) ------------	

14. RIGHT OF USE ASSETS

	2021	2020
Balance as at January 01,	**7,017,020**	7,447,414
Additions during the period	**2,201,551**	1,622,504
Derecognition during the period	**(37,767)**	-
Depreciation charged for the period	**(2,089,824)**	(2,052,898)
Balance as at December 31,	**7,090,980**	7,017,020

15. DEFERRED TAX

	2021			
	At January 1, 2021	**Recognised in profit and loss account**	**Recgonised in other comprehensive income**	**At December 31, 2021**
	------------------------------------ (Rupees in '000) ------------------------------------			
Deductible Temporary Differences on				
- Tax losses carried forward	**10,705**	**-**	**-**	**10,705**
- Post retirement employee benefits	**4,188,201**	**13,272**	**871,295**	**5,072,768**
- Provision for diminution in the value of investments	**236,751**	**-**	**-**	**236,751**
- Provision against loans and advances	**9,084,601**	**1,373,337**	**-**	**10,457,938**
- Provision against off-balance sheet obligations	**115,222**	**-**	**-**	**115,222**
- Fixed assets	**1,025,894**	**53,911**	**-**	**1,079,805**
- Other provisions	**105,416**	**2,425**	**-**	**107,841**
- Right of use assets	**-**	**502,538**	**-**	**502,538**
- Others	**3,058**	**(3,058)**	**-**	**-**
	14,769,848	**1,942,425**	**871,295**	**17,583,568**
Taxable Temporary Differences on				
- Surplus on revaluation of fixed assets	**(2,298,739)**	**123,756**	**(271,341)**	**(2,446,324)**
- Excess of accounting book value of leased assets over lease liabilities	**(12,680)**	**11,581**	**1,895**	**796**
- Surplus on revaluation of investments	**(15,346,840)**	**(82)**	**2,631,421**	**(12,715,501)**
- Surplus on revaluation of non-banking assets	**(44,713)**	**-**	**(8,019)**	**(52,732)**
- Exchange translation reserve	**-**	**-**	**(466,996)**	**(466,996)**
	(17,702,972)	**135,255**	**1,886,960**	**(15,680,757)**
	(2,933,124)	**2,077,680**	**2,758,255**	**1,902,811**

	2020			
	At January 1, 2020	Recognised in profit and loss account	Recgonised in other comprehensive income	At December 31, 2020
	------------------------------------ (Rupees in '000) ------------------------------------			
Deductible Temporary Differences on				
- Tax losses carried forward	10,705	-	-	10,705
- Post retirement employee benefits	3,905,148	14,914	268,139	4,188,201
- Provision for diminution in the value of investments	236,751	-	-	236,751
- Provision against loans and advances	2,625,495	6,459,106	-	9,084,601
- Provision against off-balance sheet obligations	115,222	-	-	115,222
- Fixed assets	690,114	335,780	-	1,025,894
- Other provision	105,416	-	-	105,416
- Others	3,827	(329)	(441)	3,058
	7,692,678	6,809,471	267,698	14,769,848
Taxable Temporary Differences on				
- Surplus on revaluation of fixed assets	(2,385,521)	116,559	(29,777)	(2,298,739)
- Excess of accounting book value of leased assets over lease liabilities	(3,720)	(6,682)	(2,278)	(12,680)
- Surplus on revaluation of investments	(13,816,519)	-	(1,530,321)	(15,346,840)
- Surplus on revaluation of non-banking assets	(41,439)	-	(3,274)	(44,713)
- Others	(2,314,832)	2,314,832	-	-
	(18,562,031)	2,424,709	(1,565,650)	(17,702,972)
	(10,869,353)	9,234,180	(1,297,952)	(2,933,124)

	Note	2021	2020
		----------- (Rupees in '000) -----------	

16. OTHER ASSETS

	Note	2021	2020
Income / return / mark-up accrued in local currency - net of provision		**41,787,103**	39,649,974
Income / return / mark-up accrued in foreign currency - net of provision		**2,842,699**	2,353,317
Advances, deposits and other prepayments	16.1	**4,047,973**	3,069,977
Advance taxation (payments less provisions) and Income tax refunds receivable	16.6	**12,983,211**	27,392,273
Compensation for delayed tax refunds		**19,221,431**	17,556,551
Non-banking assets acquired in satisfaction of claims	16.4	**1,195,660**	1,211,122
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)		**208,423**	208,423
Unrealized gain on forward foreign exchange contracts		**3,058,205**	-
Commission receivable on Government treasury transactions		**5,006,019**	4,612,174
Stationery and stamps on hand		**470,402**	499,511
Barter trade balances		**195,399**	195,399
Receivable on account of Government transactions	16.2	**323,172**	323,172
Receivable from Government under VHS scheme	16.3	**418,834**	418,834
Receivable against sale / purchase of shares		**435,422**	128,290
Receivable from Pakistan Stock Exchange		**159,949**	128,743
Receivable from mutual funds		**896,162**	892,552
Acceptances		**10,311,259**	15,741,754
Others		**7,718,051**	6,760,465
		111,279,374	121,142,531
Less: Provision held against other assets	16.5	**11,709,318**	11,882,119
Other assets (net of provision)		**99,570,056**	109,260,412
Surplus on revaluation of non-banking assets acquired in satisfaction of claims		**2,863,886**	2,757,207
Other assets - total		**102,433,942**	112,017,619

16.1 This includes Rs. 2,800 million (2020: Rs. 800 million) advance against Pre-IPO placement of Term Finance Certificates.

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

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

	2021	2020
	----------- (Rupees in '000) -----------	
16.4 Market value of Non-banking assets acquired in satisfaction of claims	**4,059,546**	3,968,329

An independent valuation of the Bank's non-banking assets was performed by an independent professional valuer to determine the fair value of the assets as at December 31, 2021. The valuation was carried out by Imtech (Private) Limited, registered at SBP panel of valuers on the basis of an assessment of present market values.

	2021	2020
	(Rupees in '000)	

16.4.1 Non-banking assets acquired in satisfaction of claims

	2021	2020
Opening balance	**3,968,329**	3,762,068
Revaluation	**106,679**	217,404
Depreciation	**(15,462)**	(15,784)
Adjustment	**-**	4,641
Closing Balance	**4,059,546**	3,968,329

16.5 Provision held against other assets

	2021	2020
Income / mark-up accrued in local currency	**152,607**	152,607
Advances, deposits, advance rent and other prepayments	**837,949**	837,949
Stationery and stamps on hand	**96,542**	96,542
Barter trade balances	**195,399**	195,399
Receivable on account of Government transactions	**323,172**	323,172
Receivable from Government under VHS scheme	**418,834**	418,834
Protested bills	**4,164,485**	4,092,280
Ex-MBL / NDFC	**770,398**	770,398
Assets acquired from corporate and industrial restructuring corporation asset (CIRC)	**208,423**	208,423
Others	**4,541,509**	4,786,515
	11,709,318	11,882,119

16.5.1 Movement in provision held against other assets

	2021	2020
Opening balance	**11,882,119**	10,853,588
Charge for the year	**70,781**	1,511,502
Transfer in / (out)	**-**	(484,393)
Adjustment against provision	**(243,582)**	1,422
Closing balance	**11,709,318**	11,882,119

16.6 During the year, the Group has adjusted an amount of Rs. 11,322 million (2020: Rs. 20,950 million) its advance tax liability and demand of previous tax year against income tax refunds receivables.

	2021	2020
	(Rupees in '000)	

17. BILLS PAYABLE

	2021	2020
In Pakistan	**21,775,348**	16,718,064
Outside Pakistan	**72,922**	77,122
	21,848,270	16,795,186

	Note	2021	2020
		----------- (Rupees in '000) -----------	
18. BORROWINGS			
Secured			
Borrowings from State Bank of Pakistan			
Under Export Refinance Scheme	18.2	**5,057,300**	2,451,874
Under Export Refinance Scheme (New Scheme)	18.2	**29,193,202**	28,686,149
Financing Scheme for Renewable Energy	18.3	**740,493**	481,261
Refinance Facility for Modernization of SMEs	18.4	**130,288**	177,976
Financing Facility for storage of Agriculture Produce (FFSAP)	18.5	**526,479**	256,184
Under Long Term Financing Facility (LTFF)	18.6	**19,465,068**	16,380,117
Refinance Scheme for Payment of Wages and Salaries	18.7	**566,315**	1,167,527
Temporary Economic Refinance Facility	18.8	**12,122,947**	537,912
Refinance Facility for Combating Covid-19	18.9	**79,976**	61,448
		67,882,068	50,200,448
Repurchase agreement borrowings	18.10	**126,810,340**	5,266,007
Bai Muajjal		**72,195,209**	79,788,522
Total secured		**266,887,617**	135,254,977
Unsecured			
Call borrowings	18.10	**46,011,009**	2,047,588
Overdrawn nostro accounts		**26,480**	1,236,440
Total unsecured		**46,037,489**	3,284,028
		312,925,106	138,539,005

18.1 Particulars of borrowings with respect to currencies

	2021	2020
In local currency	**275,739,772**	136,491,430
In foreign currencies	**37,185,334**	2,047,575
	312,925,106	138,539,005

18.2 The Bank has entered into an agreement with the SBP for extending export finance to customers. As per the terms of the agreement, the Bank has granted the SBP the right to recover the outstanding amounts from the Bank at the date of maturity of the finances by directly debiting the Bank's current account maintained with the SBP. These borrowings are repayable within 180 days. These carry mark-up at rates ranging from 1.00% to 2.00% (2020: 3.00%) per annum.

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

18.4 These borrowings have been obtained from the SBP under a scheme to finance modernization of Small and Medium Enterprises by providing financing facilities for setting up of new units, purchase of new plant and machinery for Balancing, Modernization and Replacement (BMR) of existing units and financing for import / local purchase of new generators upto a maximum capacity of 500 KVA. These borrowings shall be repayable for a maximum period of ten years and carry mark-up at rates upto 6.00% (2020: 6.00%) per annum.

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

18.6 These borrowings have been obtained from the SBP for providing financing facilities to exporters for adoption of new technologies and modernization of their plant and machinery. These borrowings shall be repayable for a maximum period of ten years. These carry mark-up at rates ranging from 1.5% to 3% per annum.

18.7 These borrowings have been obtained from the SBP with a view to support businesses to continue payment of wages and salaries to their workers and employees in the aftermath corona virus (COVID-19) outbreak. These borrowings are repayable for a maximum period of 2.5 years. These carry mark-up at rates ranging from 1.00% to 2.00% (2020: 1.00% to 2.00%) per annum.

18.8 These borrowings have been obtained from the SBP under a scheme to provide concessionary refinance for setting up new industrial units in the backdrop of challenges faced by the industries during the pandemic. These borrowings are repayable for a maximum period of 10 years. These carry mark-up at rates ranging at 3.00% (2020: 3.00%) per annum.

18.9 These borrowings have been obtained from the SBP with a view to provide long term local currency finance for imported and locally manufactured medical equipment to be used for combating COVID – 19. The facility will be available to all the Hospitals and Medical Centres duly registered with respective provincial/federal agencies/commissions and engaged in controlling & eradication of COVID – 19. These borrowings are repayable for a maximum period of 5 years. These carry mark-up at rates at 0.00% (2020: 0.00%) per annum.

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

- Repurchase agreement borrowings carry mark-up ranging from 9.7% to 10.21% per annum (2020: 7% to 7.05% per annum) having maturity on Jan 4, 2022 to Feb 18, 2022.

- Call borrowings carry interest ranging from 0.63% to 4.15% per annum (2020: 0% to 2% per annum).

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

18.12 Pakistan Investment Bond and Market Treasury Bill having maturity of 5 years and 6 months respectively, are pledged as security under borrowing having carrying amount of Rs. 126,810 million (2020: Rs. 5,266 million).

19. DEPOSITS AND OTHER ACCOUNTS

	2021			2020		
	In Local Currency	**In Foreign currencies**	**Total**	In Local Currency	In Foreign currencies	Total
	---- (Rupees in '000) ----					
Customers						
Current deposits - remunerative	**648,854,267**	**-**	**648,854,267**	405,738,851	-	405,738,851
Current deposits - non-remunerative	**476,510,388**	**145,931,064**	**622,441,452**	433,284,063	116,597,781	549,881,844
Savings deposits	**675,591,525**	**79,434,496**	**755,026,021**	637,694,450	66,235,665	703,930,115
Term deposits	**400,905,240**	**70,853,064**	**471,758,304**	276,454,916	81,153,488	357,608,404
Others	**-**	**6,463**	**6,463**	4,683,735	316,040	4,999,775
	2,201,861,420	**296,225,087**	**2,498,086,507**	1,757,856,015	264,302,974	2,022,158,989
Financial Institutions						
Current deposits	**444,904,430**	**1,169,235**	**446,073,665**	360,373,331	654,758	361,028,089
Savings deposits	**7,075,299**	**3,842,651**	**10,917,950**	4,253,051	3,246,855	7,499,906
Term deposits	**21,470,450**	**5,760,597**	**27,231,047**	12,392,089	8,739,494	21,131,583
Others	**35,838,540**	**-**	**35,838,540**	7,109,902	-	7,109,902
	509,288,719	**10,772,483**	**520,061,202**	384,128,373	12,641,107	396,769,480
	2,711,150,139	**306,997,570**	**3,018,147,709**	2,141,984,388	276,944,081	2,418,928,469

19.1 Composition of deposits

	2021	2020
	---- (Rupees in '000) ----	
Individuals	**1,032,316,946**	847,730,521
Government (Federal and Provincial)	**931,199,067**	674,985,259
Public Sector Entities	**279,984,059**	257,336,852
Banking Companies	**460,090,410**	368,302,117
Non-Banking Financial Institutions	**59,970,790**	29,051,796
Private Sector	**254,586,435**	241,521,924
	3,018,147,709	2,418,928,469

19.2 Foreign currencies deposits include deposit of foreign branches amounting to Rs. 75,485 million (2020: Rs. 73,145 million).

19.3 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 1,132,236 million (2020: Rs. 981,942 million) including islamic branches.

20. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2021			2020		
	Minimum lease payments	**Financial charges for future periods**	**Principal outstanding**	Minimum lease payments	Financial charges for future periods	Principal outstanding
	---- (Rupees in '000) ----					
Not later than one year	**83,418**	**5,302**	**78,116**	83,677	10,197	73,480
Later than one year and upto five years	**57,804**	**2,322**	**55,482**	129,092	5,348	123,744
Over five years	**-**	**-**	**-**	-	-	-
	141,222	**7,624**	**133,598**	212,769	15,545	197,224

The Group has entered into lease agreements with various financial institutions for lease of vehicles. Lease rentals are payable in monthly installments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rate of 6M KIBOR + 1.5% per annum (2020: 6M KIBOR + 1.75% per annum). At the end of lease term, the Group has option to acquire the assets, subject to adjustment of security deposits.

21. LEASE LIABILITIES AGAINST RIGHT-OF-USE ASSETS

	2021	2020
	---- (Rupees in '000) ----	
Lease liabilities included in the statement of financial position As at December 31	**8,360,755**	7,869,355
Of which are:		
Current lease liability	**1,646,939**	1,517,181
Non-current lease liability	**6,713,816**	6,352,174
	8,360,755	7,869,355
Maturity analysis - contractual undiscounted cashflows		
Less than one year	**2,379,333**	2,473,379
One to five years	**6,387,263**	6,130,245
More than five years	**6,504,031**	5,843,702
Total undiscounted lease liabilities as at December 31,	**15,270,627**	14,447,326

	Note	2021	2020
		------------ (Rupees in '000) ------------	

22. OTHER LIABILITIES

	Note	2021	2020
Mark-up / Return / Interest payable in local currency		**48,801,768**	37,808,884
Mark-up / Return / Interest payable in foreign currency		**384,638**	844,452
Unearned commission and income on bills discounted		**440,231**	1,593,730
Accrued expenses		**21,168,039**	18,315,863
Advance payments		**387,576**	398,682
Acceptances		**10,311,259**	15,741,754
Unclaimed dividends		**181,997**	185,516
Unrealised loss on forward foreign exchange contracts		**-**	2,918,017
Unrealised loss on put option		**306,339**	306,339
Branch adjustment account		**1,342,640**	917,487
Employee benefits:			
Pension fund	40.4	**17,834,945**	15,704,077
Post retirement medical benefits	40.4	**24,516,717**	22,282,747
Benevolent scheme	40.4	**1,778,825**	2,054,218
Gratuity scheme	40.4	**3,467,939**	2,956,827
Compensated absences	40.4	**9,952,554**	9,251,755
Staff welfare fund		**371,257**	371,257
Liabilities relating to barter trade agreements		**3,006,122**	2,142,033
Provision against off-balance sheet obligations		**627,494**	627,494
Provision against contingencies	22.1	**3,805,376**	4,180,071
Payable to brokers		**155,001**	65,137
Payable to customers		**781,522**	301,585
PIBs shortselling		**34,144,415**	3,237,676
Others		**16,829,474**	15,339,746
		200,596,128	157,545,347

22.1 Provision against contingencies

	Note	2021	2020
Opening balance		**4,180,071**	4,629,645
Charge during the year		**253,239**	381,090
Transfer out		**-**	(830,664)
Adjustment		**(627,934)**	-
Closing balance	22.1.1	**3,805,376**	4,180,071

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

23. SHARE CAPITAL

23.1 Authorized Capital

2021	2020		2021	2020
--------- (Number of shares) ---------			------------ (Rupees in '000) ------------	
2,500,000,000	2,500,000,000	Ordinary shares of Rs. 10 each	**25,000,000**	25,000,000

23.2 Issued, subscribed and paid up

2021	2020		2021	2020
--------- (Number of shares) ---------		**Ordinary shares**	------------- Rupees in '000 -------------	
140,388,000	140,388,000	Fully paid in cash	**1,403,880**	1,403,880
1,987,125,026	1,987,125,026	Issued as bonus shares	**19,871,251**	19,871,251
2,127,513,026	2,127,513,026		**21,275,131**	21,275,131

The Federal Government and the SBP hold 75.60% (2020: 75.60%) shares of the Bank.

23.3 Shares of the Bank held by subsidiary and associate

	2021	2020
	---------(Number of shares) ---------	
Following shares were held by the associate of the Bank as of year end:		
First Credit & Investment Bank Limited	**70,000**	70,000
	70,000	70,000

24. RESERVES

24.1 Exchange translation reserve

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

24.2 Statutory reserve

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

24.3 General loan loss reserve

The Group is cognizant of the fact that a part of its credit or loan portfolio (funded and non-funded) which is not currently impaired as per the applicable Prudential Regulations is underperforming and therefore the potential for risk of credit losses on this part of portfolio is higher than the usual risk. Therefore, as a matter of abundant caution and in order to protect the equity base of the Bank from future contingencies in respect of the credit portfolio, the Board of Directors in their meeting held on April 29, 2015 decided to transfer an aggregate amount of Rs. 12 billion from the unappropriated profits to a "General loan loss reserve". This appropriation was made on the basis of the management's best estimates and judgement regarding the inherent portfolio risks. Subsequently, Board of directors in their meeting held on 11 & 12 July, 2019 decided to transfer Rs. 4 billion from general loss reserve to unappropriated profit based on revised estimates.

25. SURPLUS ON REVALUATION OF ASSETS

	Note	2021	2020
		------------ (Rupees in '000) ------------	
Net surplus on revaluation of :			
- Available for sale securities	10.1	**32,617,936**	43,867,153
- Fixed Assets	25.1	**45,168,797**	45,421,244
- Non-banking assets accquired in satisfaction of claims	25.2	**2,863,886**	2,757,207
- On securities of associates and joint venture		**(349,787)**	(269,430)
		80,300,833	91,776,174
Deferred tax on surplus on revaluation of:			
- Available for sale securities		**(12,715,419)**	(15,346,840)
- Fixed Assets	25.1	**(2,537,701)**	(2,396,819)
- Non-banking assets accquired in satisfaction of claims	25.2	**(52,732)**	(44,713)
		(15,305,852)	(17,788,372)
		64,994,980	73,987,802

	Note	2021	2020
		------------ (Rupees in '000) ------------	

25.1 Surplus on revaluation of fixed assets

		2021	2020
Surplus on revaluation of fixed assets as at January 1		**44,882,399**	44,576,547
Recognised during the year		**-**	660,281
Realised on disposal during the year - net of deferred tax		**(220,819)**	-
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		**(208,088)**	(230,379)
Related deferred tax liability on incremental depreciation charged during the year		**(133,040)**	(124,050)
Surplus on revaluation of fixed assets as at December 31		**44,320,452**	44,882,399
Less: related deferred tax liability on:			
- revaluation as at January 1		**(2,396,819)**	(2,489,995)
- revaluation recognised during the year		**-**	(30,874)
- rate adjustment		**(273,922)**	-
- incremental depreciation charged during the year		**133,040**	124,050
		(2,537,701)	(2,396,819)
Share of surplus on revaluation of fixed assets of associates and joint venture		**848,345**	538,845
		42,631,096	43,024,425

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

		2021	2020
Surplus on revaluation as at January 1		**2,757,207**	2,539,695
Recognised during the year		**106,679**	217,512
Surplus on revaluation as at December 31		**2,863,886**	2,757,207
Less: related deferred tax liability on:			
- revaluation as at January 1		**(44,713)**	(41,439)
- revaluation recognised during the year		**(8,019)**	(3,274)
		(52,732)	(44,713)
		2,811,154	2,712,494

26. CONTINGENCIES AND COMMITMENTS

	Note	2021	2020
Guarantees	26.1	**261,356,068**	242,030,415
Commitments	26.2	**2,192,951,563**	1,543,932,780
Other contingent liabilities	26.3	**36,196,804**	34,820,672
		2,490,504,436	1,820,783,867

26.1 Guarantees:

		2021	2020
Financial guarantees		**197,024,912**	145,379,692
Performance guarantees		**64,331,156**	96,650,723
		261,356,068	242,030,415

26.2 Commitments:

	Note	2021	2020
		------------ (Rupees in '000) ------------	
Documentary credits and short-term trade-related transactions			
- letters of credit		**1,582,757,532**	1,096,347,086
Commitments in respect of:			
- forward foreign exchange contracts	26.2.1	**571,111,340**	419,327,735
- forward government securities transactions	26.2.2	**38,255,954**	27,625,340
Commitments for acquisition of:			
- operating fixed assets		**826,737**	632,619
		2,192,951,563	1,543,932,780

26.2.1 Commitments in respect of forward foreign exchange contracts

	2021	2020
Purchase	**337,970,120**	272,245,550
Sale	**233,141,220**	147,082,185
	571,111,340	419,327,735

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

26.2.2 Commitments in respect of forward government securities transactions

	2021	2020
	------------ (Rupees in '000) ------------	
Purchase	**30,218,032**	496,331
Sale	**8,037,922**	27,129,009
	38,255,954	27,625,340

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

26.3 Other contingent liabilities

	2021	2020
	------------ (Rupees in '000) ------------	
26.3.1 Claim against the Group not acknowledged as debt	**36,196,804**	34,820,672

Claims against the Group not acknowledged as debts including claims relating to former Mehran Bank Limited amounting to Rs. 1,597 million (2020: Rs. 1,597 million).

26.3.2 Taxation

Tax returns of the Bank have been filed up to tax year 2021 and amended by tax authorities up to tax year 2020. For Azad Kashmir and Gilgit Baltistan branches no amendment to returns filed under section 120 of the Ordinance has been made, hence returns filed are deemed assessments for all the years till tax year 2021.

a) The Taxation Officer had issued show-cause notices under section 221 of the Income Tax Ordinance, 2001 to the Bank last year to withdraw compensation on delayed refunds already given to the Bank, and questioned issuance of refund orders already issued to the Bank in the past several years which had become past and closed transactions and thus legally fall outside the scope of rectification. The amount involved is Rs. 14,874.98 million and Rs. 26,406.58 million respectively. These notices being totally illegal were challenged by the Bank before the Honorable Sindh High Court (SHC) which instructed the taxation officer not to take adverse action. The Honorable SHC has stayed the recovery of tax demands. The Bank as a matter of abundant caution had also filed appeal before Commissioner Inland Revenue (Appeals) (CIR(A)) which has remanded the matter to the taxation officer for re-adjudication for failing to given opportunity of hearing to the Bank. Similar notices have been issued and orders were passed for tax year 2013 during the year cancelling refund compensation aggregating to Rs. 535.91 million which has been challenged before CIR(A) and appeal is pending for hearing.

b) Sindh High Court had quashed the show-cause notices issued in previous round in 2013 for passing orders for tax years 2006 and 2007 under section 161 of the Ordinance on the grounds that these were time-barred in terms of section 174(3) of the Ordinance. Supreme Court on Department's appeal has subsequently allowed taxation officer to initiate proceedings through fresh notices, subject to certain directions. Orders were passed by taxation officer for tax years 2006 and 2007 last year, treating the Bank as taxpayer-in-default and raising tax demands of Rs. 1,032.18 million and Rs. 1,394.72 million respectively. Bank has filed appeals before CIR(A) primarily on the grounds that Supreme Court's instructions have been blatantly ignored as cogent reasons for late proceedings were not given and neither amount of tax default nor names of parties were disclosed in the show-cause notices or the orders. The orders are also assailed for being passed in quite arbitrary manner and various legal and factual mistakes are made therein. The appeals have been heard by CIR(A) and decision is awaited.

c) Taxation officer has passed assessment order for tax year 2020 during the year. The Bank has filed appeal before CIR(A) which is pending for hearing. Stay has been granted against tax demand arising out of the assessment order. The Bank has shown the additional tax liability of Rs. 4,298.17 million arising out of the impugned order as contingency based on the tax consultants' expectation that the issues would be decided in Bank's favour.

d) Taxation officer has passed assessment order for tax year 2019 during the year. The Bank has filed appeal before CIR(A) which is pending for hearing. Stay has been granted against tax demand arising out of the assessment order. The Bank has shown the additional tax effect of Rs. 1,772.79 million arising out of the impugned order as contingency based on the tax consultants' expectation that the issues would be decided in Bank's favour.

e) The Additional Commissioner, PRA has passed an order creating the Punjab sales tax liability on the non-withholding of Punjab Sales Tax on the insurance services received by the Bank for the tax periods January 2016-December 2016 and January 2017-December 2017 amounting to Rs. 254.734 million and Rs. 281.774 million respectively. The rectification application has been submitted under section 79 of the Punjab Sales Tax on Services Act, 2012 for the apparent mistake of facts. After the rectification, the net principal exposure would be Rs. 56.621 million and Rs. 50.685 million. Based on the legal and factual position, the Tax Advisor is confident that the ultimate outcome of the proceeding will be decided in the Bank's favor.

f) The other matters under tax contingencies include allocation of common expenditure between taxable income and exempt / low tax rate income, interest credited to suspense account, reversal of bad debts expense, reversal of provisions of non-performing loans, provisions for diminution in value of investment. Surplus on revaluation of Available for Sale Securities disclosed in the Statement of Comprehensive Income in respect of tax year 2013. The aggregate effect of these contingencies as on December 31, 2021, including amount of Rs. 1,982.32 million (December 31, 2020: Rs. 645.97 million) in respect of indirect tax issues, amounts to Rs. 19,964.93 million (December 31, 2020: Rs. 21,163 million). No provision has been made against these contingencies, based on the opinion of tax consultants of the Bank, who expect favorable outcome upon decisions of pending appeals.

26.3.3 Contingencies in respect of employees benefits and related matters

The following are the details of the contingencies arising out of the various legal cases pending adjudication in respect of employees' benefits and related matters. The Group considers that except for Pensionary benefits note 26.3.3.1, the financial impact of other matters is impracticable to determine with sufficient reliability.

26.3.3.1 Pensionary benefits to retired employees

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

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

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

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

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

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

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

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

In case the above matters are decided unfavorably, the Bank estimates based on the actuarial advice that the financial impact arising from the additional liability would be approximately Rs. 74.4 billion excluding any penal interest / profit payment (if any) due to delayed payment Pension expense for the current year and onward will also increase by Rs.8.4 billion due to this decision. Based on the opinion of legal counsel, no provision has been made in these consolidated financial statements for the above-mentioned amount as the Bank is confident about the favorable outcome of the matter.

26.3.3.2 Regularizing the temporary hires / workers deployed by Service provider companies under outsourcing arrangements

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

26.3.3. Litigation related to management trainee program

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

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

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

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

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

26.4 Foreign Exchange repatriation case

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

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

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

26.5 Compliance and risk matters relating to anti-money laundering

The Bank operates a branch in New York which is licensed by the New York State Department of Financial Services (NYSDFS) and is also subject to supervision by the Federal Reserve Bank of New York (FRBNY).

The Bank and its New York Branch had entered into a Written Agreement with the FRBNY and NYSDFS (US regulators) in 2016 which inter-alia required the Bank to address certain compliance and risk management matters relating to anti-money laundering and the US bank secrecy law requirements and the implementation of the requisite systems and controls and allocation of adequate resources to ensure full compliance with such requirements.

In February 2022, the Bank has reached agreements with the US Regulators. The agreements include fines totaling US $ 55.4 million equivalent to Rs. 9,778 million focused on historical compliance program weaknesses and delays in making compliance related enhancements.

Under the agreements, the Bank is required to submit status and progress reports at defined frequencies to the US Regulators with respect to the remedial measures being taken in respect of non-compliances at the New York branch. The New York branch has been under new management since May 2020 and has substantially enhanced its compliance program. Management and the Board of Directors of the Bank are committed to ensure compliance with the conditions agreed in the orders given by US Regulators. There were no findings of improper transactions or willful misconduct.

		Note	2021	2020
			(Rupees in '000)	
27.	**MARK-UP / RETURN / INTEREST EARNED**			
	On;			
	a) Loans and advances		**87,349,028**	99,797,877
	b) Investments		**139,163,731**	154,128,269
	c) Securities purchased under resale agreements		**4,057,559**	2,474,560
	d) Balances with banks		**1,481,927**	1,630,672
			232,052,245	258,031,378

		Note	2021	2020
28.	**MARK-UP / RETURN / INTEREST EXPENSED**			
	Deposits		**87,831,336**	103,348,851
	Borrowings		**6,838,985**	6,929,625
	Cost of foreign currency swaps against foreign currency deposits / borrowings		**8,018,491**	9,175,328
	Finance charge on lease liability against right of use assets		**801,299**	781,642
	Securities sold under repurchase agreements		**30,794,533**	33,416,502
			134,284,644	153,651,948

		Note	2021	2020
29.	**FEE AND COMMISSION INCOME**			
	Branch banking customer fees		**1,211,530**	1,264,985
	Consumer finance related fees		**764,985**	771,759
	Card related fees (debit cards)		**1,751,172**	1,051,111
	Credit related fees		**273,464**	186,655
	Investment banking fees		**769,417**	807,481
	Commission on trade		**1,947,306**	1,830,680
	Commission on guarantees		**459,515**	477,465
	Commission on cash management		**95,276**	14,855
	Commission on remittances including home remittances		**1,756,353**	1,801,639
	Commission on bancassurance		**332,743**	278,406
	Commission on government transactions		**8,408,285**	9,652,545
	Management Fee & Sale Load		**1,239,014**	1,071,266
	Brokerage Income		**123,673**	113,828
	Others		**67,652**	157,777
			19,200,385	19,480,452

		Note	2021	2020
30.	**GAIN ON SECURITIES - NET**			
	Realised	30.1	**6,324,359**	7,902,210
	Unrealised - held for trading	10.1	**(121,834)**	10,556
			6,202,525	7,912,766

		Note	2021	2020
30.1	**Realised gain on:**			
	Federal Government Securities		**1,065,169**	5,346,600
	Shares and mutual funds		**5,152,046**	1,887,298
	Ijarah Sukuks		**10,809**	8
	Foreign Securities		**96,335**	668,304
			6,324,359	7,902,210

	Note	2021	2020
		-------------- (Rupees in '000) -------------	

31. OTHER INCOME

	Note	2021	2020
Rent on property		**55,550**	20,234
Gain on sale of fixed assets - net		**71,702**	23,053
Postal, SWIFT and other charges recovered		**23,450**	48,071
Compensation for delayed tax refunds	31.1	**1,664,879**	3,834,424
Claim from insurance company		**4,355**	-
Gain on derecognition on right of use assets		**12,378**	-
Tender money		**2,082**	5,836
Others		**21,867**	33,865
		1,856,263	3,965,483

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

	Note	2021	2020
		-------------- (Rupees in '000) -------------	

32. OPERATING EXPENSES

	Note	2021	2020
Total compensation expenses	32.1	**37,750,321**	41,266,568
Property expense			
Rent and taxes		**820,046**	792,913
Insurance	32.2	**36,172**	41,267
Utilities cost		**1,383,562**	1,365,253
Security (including guards)		**2,914,689**	2,770,744
Repair and maintenance (including janitorial charges)		**913,269**	981,075
Depreciation		**476,940**	467,444
Depreciation on non banking assets		**15,462**	15,784
Depreciation on Ijarah assets		**72,807**	85,593
Depreciation on ROUA		**2,089,824**	2,052,898
		8,722,771	8,572,971
Information technology expenses			
Software maintenance		**1,357,334**	1,368,934
Hardware maintenance		**90,654**	24,421
Depreciation		**366,707**	278,073
Amortisation		**428,807**	238,932
Network charges		**612,209**	559,235
IT Manage Services		**359,054**	164,897
		3,214,765	2,634,492

	Note	2021	2020
		------------- (Rupees in '000) -------------	
Other operating expenses			
Directors' fees and allowances		**25,431**	36,160
Directors' fees and allowances - subsidaries		**14,242**	12,690
Fees and allowances to Shariah Board		**12,563**	9,407
Legal and professional charges		**1,376,323**	2,172,228
Outsourced services costs	32.3	**641,428**	829,229
Travelling and conveyance		**826,568**	667,989
NIFT clearing charges		**177,432**	189,866
Depreciation		**1,700,068**	1,754,815
Training and development		**63,052**	70,637
Postage and courier charges		**222,069**	222,231
Communication		**372,283**	363,475
Stationery and printing		**1,344,782**	1,138,854
Marketing, advertisement and publicity		**371,405**	319,675
Donations	32.4	**1,000**	100
Contributions for other Corporate and Social Responsibility	32.5	**8,197**	85,447
Auditors' remuneration	32.6	**188,304**	205,858
Fixed Assets / Non-banking asset deficit		**18,833**	-
Financial charges on leased assets		**44,317**	38,135
Entertainment		**270,757**	257,223
Clearing charges, verification and licence fee		**306,104**	353,324
Subscription		**1,278**	1,269
Brokerage		**134,916**	117,381
Insurance general		**467,891**	373,834
Vehicle expenses		**173,999**	149,421
Deposit premium expense		**1,571,107**	1,388,248
Repairs and maintenance general		**710,695**	677,533
Others		**326,271**	217,004
		11,371,315	11,652,033
Grand Total		**61,059,172**	64,126,064

32.1 Total compensation expense

	2021	2020
Managerial Remuneration		
i) Fixed	**8,340,084**	13,385,588
of which;		
a) Cash Bonus / Awards etc.	**4,513,291**	4,448,698
Charge for defined benefit plan	**7,406,457**	7,392,388
Charge for defined benefit plan - Subsidiaries	**55,445**	54,886
Rent & house maintenance	**5,415,505**	4,699,328
Utilities	**1,988,327**	1,740,373
Medical	**3,466,641**	3,153,828
Conveyance	**3,366,477**	3,199,086
Club Membership & Subscription	**197,923**	81,204
Education Allowance	**1,455,624**	1,463,449
Insurance	**350,235**	452,455
Honorarium to Staff and Staff Welfare	**251,752**	206,662
Overtime	**44,249**	25,196
Special Duty Allowance	**139**	477
Washing Allowance	**16,590**	15,971
Key Allowance	**72,813**	72,208
Unattractive Area Allowance	**56,898**	57,929
Leave Encashment	**9,775**	9,246
Teaching Allowance	**10,392**	9,199
Incentive on CASA deposits mobilization	**20,473**	6,790
Meal Allowance	**125,580**	126,585
Liveries	**1,265**	1,086
Leave Fare Assistance	**17,983**	18,053
EOBI	**9,289**	9,915
Others	**557,114**	635,968
	37,750,321	41,266,568
	37,750,321	41,266,568

32.2 This includes Rs. 3.422 million (2020: Rs.3.550 million) insurance premium against directors' liability insurance.

32.3 Total cost for the year included in other operating expenses relating to outsourced activities is Rs. 640.8 million (2020: Rs. 829 million). Out of this cost, Rs. 631.7 million (2020: Rs. 821 million) pertains to the payment to companies incorporated in Pakistan and Rs. 9.1 million (2020: Rs. 8 million) pertains to payment to companies incorporated outside Pakistan. Total Cost of outsourced activities for the year given to related parties is Rs. nil (2020: Rs. nil). Outsourcing shall have the same meaning as specified in Annexure-I of BPRD Circular No. 06 of 2017. The material outsourcing arrangements along with their nature of services are as follows:

		2021	2020
		(Rupees in '000)	
Name of Company	**Nature of Services**		
HTECH Solutions (Private) Limite	Call center management	**94,770**	97,407
		94,770	97,407

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

32.4 Donations include following amounts exceeding Rs. 500,000:

	2021	2020
	(Rupees in '000)	
Description		
The Patients’ Behbud Society for AKUH	**1,000**	-
	1,000	-

32.5 Contributions for Corporate & Social Responsibilities include following amounts exceeding Rs. 500,000:

	2021	2020
	(Rupees in '000)	
Description		
Karachi Relief Trust (KRT)	**-**	20,000
Rural Community Development Program	**-**	20,000
National Rural Support Program	**-**	25,000
SAFCO Support Program	**-**	5,000
Thardeep Mirco Finance Foundation	**-**	5,000
Agha Khan Rural Support Program	**-**	5,000
Namal Education Foundation	**5,197**	5,200
Pakistan Hindu Council	**1,000**	-
Tehzibul Akhlaq Trust	**2,000**	-
Total	**8,197**	85,200

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

	Yousuf Adil	A.F. Ferguson & Co	Total 2021	Total 2020
	------------------------------- (Rupees in '000) -------------------------------			
32.6 Auditors' remuneration				
Audit fee	**6,226**	**6,226**	**12,452**	12,452
Review of interim financial statements	**2,178**	**2,178**	**4,356**	4,356
Fee for audit of domestic branches	**5,060**	**5,060**	**10,120**	10,120
Fee for other statutory certifications	**-**	**-**	**-**	2,500
Special certifications and sundry advisory services	**5,798**	**2,136**	**7,934**	3,104
Tax services	**-**	**-**	**-**	20,000
Sales Tax	**1,900**	**1,608**	**3,508**	4,203
Out-of-pocket expenses	**4,500**	**4,500**	**9,000**	9,000
	25,662	**21,708**	**47,370**	65,735
Fee for audit of overseas branches including advisory services and out-of-pocket expenses	**-**	**-**	**136,240**	132,328
Fee for audit of subsidiaries including out-of-pocket expen	**-**	**-**	**4,694**	7,795
	25,662	**21,708**	**188,304**	205,857

33. OTHER CHARGES

	Note	2021	2020
		------------- (Rupees in '000) -------------	
Penalties imposed by State Bank of Pakistan		**343,698**	310,588
Penalties imposed by other regulatory bodies (Central Bank of internatio		**2,765**	4,719
Penalties imposed by other regulatory bodies (Regulators of subsidiaries)		**516**	1,132
		346,979	316,439

34. PROVISIONS & WRITE OFFS - NET

	Note	2021	2020
Provisions for diminution in value of investments	10.3	**523,278**	(33,093)
Provisions against loans and advances	11.4	**11,003,313**	29,248,974
Provision against other assets		**132,734**	1,696,095
		11,659,325	30,911,976

35. TAXATION

	Note	2021	2020
Current	35.1	**27,109,380**	25,032,667
Prior years		**-**	-
Deferred		**(2,077,680)**	(9,234,180)
		25,031,700	15,798,487

35.1 Current taxation includes Rs. Nil (2020: Nil) of overseas branches.

35.2 Relationship between tax expense and accounting profit

	2021	2020
	(Rupees in '000)	
Accounting profit before tax	**53,792,081**	46,384,406
Income tax at statutory rate @ 35% (2020: 35%)	**18,827,229**	16,234,542
Increase / (decrease) in taxes resulting from:		
Super tax at statutory rate @ 4% (2020: 4%)	**2,114,416**	1,848,966
Inadmissible items	**3,948,871**	122,970
Enhanced rate on Govt. Securities	**832,181**	65,134
Reduced rate on SME / Housing	**(96,438)**	(27,636)
Impact of tax order	**-**	(2,314,832)
Others	**(594,558)**	(130,657)
Tax charge for current and prior years	**25,031,700**	15,798,487

36. BASIC EARNINGS PER SHARE

	2021	2020
Profit for the year (Rupees in 000's)	**28,600,461**	30,489,753
Weighted average number of ordinary shares (Number in 000's)	**2,127,513**	2,127,513
Basic earnings per share (Rupees)	**13.44**	14.33

37. DILUTED EARNINGS PER SHARE

	2021	2020
Profit for the year (Rupees in 000's)	**28,600,461**	30,489,753
Weighted average number of ordinary shares (adjusted for the effects of all dilutive potential ordinary shares) (Number in 000's)	**2,127,513**	2,127,513
Diluted earnings per share (Rupees)	**13.44**	14.33

38. CASH AND CASH EQUIVALENTS

	Note	2021	2020
		(Rupees in '000)	
Cash and balance with treasury banks	7	**278,868,736**	249,969,566
Balance with other banks	8	**19,211,237**	15,015,366
Call / clean money lendings	9	**21,009,723**	2,040,800
Call borrowings	17	**(46,011,009)**	(2,047,588)
Overdrawn nostro accounts	17	**(26,480)**	(1,236,440)
		273,052,207	263,741,704

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

	2021	
	Lease Obligations	**Unclaimed Dividend**
	------------- (Rupees in '000) -------------	
Balance as at January 1, 2021	**8,066,579**	**185,516**
Changes from financing cashflows		
Payment of lease obligation / dividend	**(2,753,249)**	**(3,519)**
Total charges from financing activities	**(2,753,249)**	**(3,519)**
Other charges		
Renewed lease during the year	**2,241,526**	**-**
Interest unwinding	**798,284**	**-**
Foreign exchange loss	**141,213**	**-**
Total other charges	**3,181,023**	**-**
Balance as at December 31, 2021	**8,494,353**	**181,997**

	2020	
	Lease Obligations	**Unclaimed Dividend**
	------------- (Rupees in '000) -------------	
Balance as at January 1, 2020	8,025,753	186,668
Changes from financing cashflows		
Payment of lease obligation / dividend	(2,273,256)	(1,152)
Total charges from financing activities	(2,273,256)	(1,152)
Other charges		
Renewed lease during the year	1,671,961	-
Increase in unclaimed dividend	701,144	-
Foreign exchange gain	(59,023)	-
Total other charges	2,314,082	-
Balance as at December 31, 2020	8,066,579	185,516

39. STAFF STRENGTH

	2021	2020
	----------------- (Number) -----------------	
Permanent	**11,005**	11,278
On contract	**5,355**	5,162
Staff strength at the end of the year	**16,360**	16,440

39.1 In addition to the above, 1,273 (2020: 1,838) employees of outsourcing services companies were assigned to the Bank as at the end of the year to perform services other than guarding and janitorial services. Out of these, 1,258 employees are working domestically (2020: 1,825) and 15 (2020: 13) abroad respectively.

40. DEFINED BENEFIT PLAN

40.1 General description

General description of the type of defined benefit plan and accounting policy for remeasurements of the net defined liability / asset is disclosed in note 5.15 to the consolidated financial statements.

40.2 Number of Employees under the scheme

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

	2021	2020
	(Number)	
Pension fund	**10,437**	10,751
Post retirement medical scheme	**10,437**	10,751
Benevolent scheme	**10,437**	10,751
Gratuity scheme	**4,685**	3,985
Compensated absences	**10,437**	10,751

40.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2021 using the following significant assumptions:

	2021	2020
	(Per annum)	
Discount rate	**11.75%**	9.75%
Expected rate of return on plan assets	**11.75%**	9.75%
Expected rate of salary increase	**11.75%**	9.75%
Expected rate of increase in pension	**29% for next one year, 7.25% onwards**	14.00%
Expected rate of increase in medical benefit	**11.75%**	9.75%

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

	2021						2020					
	Pension fund	Post retirement medical scheme	Benevolent scheme	Gratuity scheme	Compensated absences	Total	Pension fund	Post retirement medical scheme	Benevolent scheme	Gratuity scheme	Compensated absences	Total
	(Rupees in '000)											
Present value of obligations	**79,608,695**	**24,516,717**	**1,778,825**	**3,168,258**	**9,952,554**	**119,025,049**	72,742,130	22,282,747	2,054,218	2,711,914	9,251,755	109,042,764
Fair value of plan assets	**(61,773,750)**	**-**	**-**	**-**	**-**	**(61,773,750)**	(57,038,053)	-	-	-	-	(57,038,053)
Holding Company	**17,834,945**	**24,516,717**	**1,778,825**	**3,168,258**	**9,952,554**	**57,251,299**	15,704,077	22,282,747	2,054,218	2,711,914	9,251,755	52,004,711
Subsidaries	**-**	**-**	**-**	**299,681**	**-**	**299,681**	-	-	-	244,913	-	244,913
Payable / (Receivable)	**17,834,945**	**24,516,717**	**1,778,825**	**3,467,939**	**9,952,554**	**57,550,980**	15,704,077	22,282,747	2,054,218	2,956,827	9,251,755	52,249,624

40.5 Movement in defined benefit obligations

	Pension fund 2021	Post retirement medical scheme 2021	Benevolent scheme 2021	Gratuity scheme 2021	Compensated absences 2021	Total 2021	Pension fund 2020	Post retirement medical scheme 2020	Benevolent scheme 2020	Gratuity scheme 2020	Compensated absences 2020	Total 2020
Obligations at the beginning of the year	**72,742,130**	**22,282,747**	**2,054,218**	**2,711,914**	**9,251,755**	**109,042,764**	66,473,466	18,333,947	1,749,006	2,206,599	8,344,182	97,107,200
Current service cost	**1,036,822**	**794,194**	**72,381**	**379,017**	**16,194**	**2,298,608**	1,517,934	554,295	61,059	311,438	133,178	2,577,904
Past Service due to early retirement gratuity	**119,800**	**-**	**-**	**-**	**-**	**119,800**	-	-	-	-	-	-
Adjustment against contigency reserve	**245,833**	**70,731**	**2,939**	**-**	**31,950**	**351,453**	2,338,905	497,146	20,650		319,164	3,175,865
Interest cost	**6,939,689**	**2,118,798**	**189,497**	**258,343**	**887,413**	**10,393,740**	7,285,453	1,996,008	183,757	244,487	919,810	10,629,515
Benefits paid by the Bank	**(3,131,668)**	**(1,102,980)**	**(221,326)**	**(124,479)**	**(300,163)**	**(4,880,616)**	(3,427,771)	(1,183,316)	(231,219)	(66,763)	(336,194)	(5,245,263)
Re-measurement loss / (gain) - Profit and Loss	**-**	**-**	**-**	**-**	**65,405**	**65,405**	-	-	-	-	(128,385)	(128,385)
Re-measurement loss / (gain) - OCI	**1,656,089**	**353,227**	**(318,884)**	**(56,537)**	**-**	**1,633,895**	(1,445,857)	2,084,667	270,965	16,153	-	925,928
Obligations at the end of the year	**79,608,695**	**24,516,717**	**1,778,825**	**3,168,258**	**9,952,554**	**119,025,049**	72,742,130	22,282,747	2,054,218	2,711,914	9,251,755	109,042,764

40.6 Movement in fair value of plan assets

	Pension fund 2021	Post retirement medical scheme 2021	Benevolent scheme 2021	Gratuity scheme 2021	Compensated absences 2021	Total 2021	Pension fund 2020	Post retirement medical scheme 2020	Benevolent scheme 2020	Gratuity scheme 2020	Compensated absences 2020	Total 2020
Fair value at the beginning of the year	**57,038,053**	**-**	**-**	**-**	**-**	**57,038,053**	51,687,819	-	-	-	-	51,687,819
Interest income on plan assets	**5,471,096**	**-**	**-**	**-**	**-**	**5,471,096**	5,686,646	-	-	-	-	5,686,646
Contribution by the Bank - net	**1,283,178**	**-**	**-**	**-**	**-**	**1,283,178**	1,148,063	-	-	-	-	1,148,063
Benefits paid	**(3,131,668)**	**-**	**-**	**-**	**-**	**(3,131,668)**	(3,427,771)	-	-	-	-	(3,427,771)
Benefits paid on behalf of fund	**1,713,284**	**-**	**-**	**-**	**-**	**1,713,284**	1,783,479	-	-	-	-	1,783,479
Actuarial gain / (loss) on assets	**(600,193)**	**-**	**-**	**-**	**-**	**(600,193)**	159,817	-	-	-	-	159,817
Fair value at the end of the year	**61,773,750**	**-**	**-**	**-**	**-**	**61,773,750**	57,038,053	-	-	-	-	57,038,053

Movement in (receivable) / payable under defined benefits scheme of Holding Company

	Pension fund 2021	Post retirement medical scheme 2021	Benevolent scheme 2021	Gratuity scheme 2021	Compensated absences 2021	Total 2021	Pension fund 2020	Post retirement medical scheme 2020	Benevolent scheme 2020	Gratuity scheme 2020	Compensated absences 2020	Total 2020
Opening balance	**15,704,077**	**22,282,747**	**2,054,218**	**2,711,914**	**9,251,755**	**52,004,711**	14,785,647	18,333,947	1,749,006	2,206,599	8,344,182	45,419,381
Charge / (reversal) for the year	**2,505,415**	**2,912,992**	**261,878**	**637,360**	**969,012**	**7,286,657**	3,116,741	2,550,303	244,816	555,925	924,603	7,392,388
Past Service due to early retirement gratuity	**119,800**	**-**	**-**	**-**	**-**	**119,800**	-	-	-	-	-	-
Adjustment against contigency Reserve	**245,833**	**70,731**	**2,939**	**-**	**31,950**	**351,453**	2,338,905	497,146	20,650	-	319,164	3,175,865
Contribution by the bank - net	**(1,283,178)**	**-**	**-**	**-**	**-**	**(1,283,178)**	(1,148,063)	-	-	-	-	(1,148,063)
Re-measurement loss / (gain) recognized in OCI during the year	**2,256,282**	**353,227**	**(318,884)**	**(56,537)**	**-**	**2,234,088**	(1,605,674)	2,084,667	270,965	16,153	-	766,111
Benefits paid on behalf of fund	**(1,713,284)**	**(1,102,980)**	**(221,326)**	**(124,479)**	**(300,163)**	**(3,462,232)**	(1,783,479)	(1,183,316)	(231,219)	(66,763)	(336,194)	(3,600,971)
	17,834,945	**24,516,717**	**1,778,825**	**3,168,258**	**9,952,554**	**57,251,299**	15,704,077	22,282,747	2,054,218	2,711,914	9,251,755	52,004,711

40.7 Charge for defined benefit plans

40.7.1 Cost recognised in profit and loss

	Pension fund 2021	Post retirement medical scheme 2021	Benevolent scheme 2021	Gratuity scheme 2021	Compensated absences 2021	Total 2021	Pension fund 2020	Post retirement medical scheme 2020	Benevolent scheme 2020	Gratuity scheme 2020	Compensated absences 2020	Total 2020
Current service cost	**1,036,822**	**794,194**	**72,381**	**379,017**	**16,194**	**2,298,608**	1,517,934	554,295	61,059	311,438	133,178	2,577,904
Past Service due to early retirement gratuity	**119,800**	**-**	**-**	**-**	**-**	**119,800**	-	-	-	-	-	-
Actuarial loss recognized - Profit and Loss	**-**	**-**	**-**	**-**	**65,405**	**65,405**	-	-	-	-	(128,385)	(128,385)
Net interest on defined benefit asset / liability	**1,468,593**	**2,118,798**	**189,497**	**258,343**	**887,413**	**4,922,644**	1,598,807	1,996,008	183,757	244,487	919,810	4,942,869
	2,625,215	**2,912,992**	**261,878**	**637,360**	**969,012**	**7,406,457**	3,116,741	2,550,303	244,816	555,925	924,603	7,392,388

40.7.2 Re-measurements recognised in OCI during the year

	Pension fund 2021	Post retirement medical scheme 2021	Benevolent scheme 2021	Gratuity scheme 2021	Compensated absences 2021	Total 2021	Pension fund 2020	Post retirement medical scheme 2020	Benevolent scheme 2020	Gratuity scheme 2020	Compensated absences 2020	Total 2020
Loss / (gain) on obligation												
- Experience adjustment	**2,256,282**	**353,227**	**(318,884)**	**(56,537)**	**-**	**2,234,088**	(1,605,674)	2,084,667	270,965	16,153	-	766,111
Total re-measurements recognised in OCI	**2,256,282**	**353,227**	**(318,884)**	**(56,537)**	**-**	**2,234,088**	(1,605,674)	2,084,667	270,965	16,153	-	766,111

	2021	2020
	---------- (Rupees in '000) ----------	

40.8 Components of plan assets - Pension fund

	2021	2020
Pakistan Investment Bonds	**19,320,490**	22,127,729
Treasury Bills	**1,500,000**	1,655,750
Term Finance Certificates	**104,000**	104,000
Mutual Funds	**6,697,543**	6,427,374
Shares	**6,969,297**	7,179,354
Defence Saving Certificates	**9,536,176**	8,479,970
Special Saving Certificates	**10,888,009**	9,635,360
PLS - Term Deposit Receipts	**6,625,201**	-
Cash at Bank	**133,034**	1,428,516
	61,773,750	57,038,053

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

40.9 Sensitivity analysis

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

	2021					
	Pension fund	**Post retirement medical scheme**	**Benevolent scheme**	**Gratuity fund**	**Compensated absences**	**Total**
	---------- (Rupees in '000) ----------					
1% increase in discount rate	**(7,801,671)**	**(3,200,097)**	**(111,278)**	**(350,414)**	**(723,780)**	**(12,187,240)**
1% decrease in discount rate	**9,421,062**	**4,025,246**	**125,533**	**425,462**	**825,806**	**14,823,109**
1 % increase in expected rate of salary increase	**3,902,322**	**1,255,589**	**22,217**	**437,303**	**865,321**	**6,482,752**
1 % decrease in expected rate of salary increase	**(3,524,818)**	**(1,112,159)**	**(21,297)**	**(365,858)**	**(770,514)**	**(5,794,646)**
1% increase in expected rate of pension increase	**5,283,386**	**1,863,193**	**-**	**-**	**-**	**7,146,579**
1% decrease in expected rate of pension increase	**(4,543,855)**	**(1,602,549)**	**-**	**-**	**-**	**(6,146,404)**
1% increase in expected rate of medical benefit increase	**-**	**882,076**	**-**	**-**	**-**	**882,076**
1% decrease in expected rate of medical benefit increase	**-**	**(721,887)**	**-**	**-**	**-**	**(721,887)**

40.10 Expected contributions to be paid to the funds in the next financial year	**1,589,502**
40.11 Expected charge for the next financial year	**8,622,697**

40.12 Maturity profile

The weighted average duration of the obligation

	Years
Pension fund	10.86
Post retirement medical scheme	14.82
Benevolent scheme	6.66
Gratuity scheme	12.33
Compensated absences	7.79

40.13 Funding Policy

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

Current Assets	**Amount Rupees in '000**	**Percentage**
Cash and cash equivalents - net	**133,034**	**0.2%**
Government Securities	**41,244,675**	**66.8%**
Shares	**6,969,297**	**11.3%**
Non-Government Debt Securities	**104,000**	**0.2%**
PLS - Term Deposit Receipts	**6,625,201**	**10.7%**
Mutual Funds	**6,697,543**	**10.8%**
	61,773,750	**100.0%**

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

40.14 The significant risks associated with the staff retirement benefit schemes are as follows:

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

41. DEFINED CONTRIBUTION PLAN

A defined contribution (DC) plan is a type of retirement plan in which the employer, employee or both make contributions on a regular basis. Individual accounts are set up for participants and benefits are based on the amounts credited to these accounts (through employee contributions and, if applicable, employer contributions) plus any investment earnings on the money in the account. In defined contribution plans, future benefits fluctuate on the basis of investment earnings.

Group currently does not have any defined contribution plan.

42. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

42.1 Total Compensation Expense

Items	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non-Executives				
	2021					
	(Rupees in '000)					
Fees and Allowances etc.	**4,874**	**20,557**	**9,981**	**-**	**-**	**-**
Managerial Remuneration						
i) Fixed	**-**	**-**	**-**	**54,000**	**181,256**	**550,870**
ii) Total Variable	**-**	**-**	**-**	**-**	**-**	**-**
of which						
a) Cash Bonus / Awards	**-**	**-**	**774**	**-**	**162,086**	**256,035**
Charge for defined benefit plan	**-**	**-**	**98**	**4,500**	**30,631**	**105,691**
Rent & house maintenance	**-**	**-**	**869**	**-**	**99,691**	**266,605**
Utilities	**-**	**-**	**269**	**-**	**48,007**	**87,545**
Medical	**-**	**-**	**198**	**-**	**23,964**	**79,310**
Conveyance	**-**	**-**	**375**	**-**	**19,536**	**74,492**
Others	**-**	**-**	**-**	**3,970**	**9,463**	**104,668**
Total	**4,874**	**20,557**	**12,564**	**62,470**	**574,634**	**1,525,216**
Number of Persons	**1**	**8**	**5**	**1**	**32**	**144**

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

42.1.1 SBP has issued guidelines and disclosure on governance and remuneration practices through BPRD Circular No. 01 of 2017 dated January 25, 2017 effective from January 01, 2019. No bonus payout has yet been made under the said circular and deferral as per Human Resources Policy will be made at the time of payment.

Performance bonus is accounted for on payment basis.

Items	Directors		Members Shariah Board	President / CEO	Key Management Personnel	Other Material Risk Takers / Controllers
	Chairman	Non-Executives				
	2020					
	(Rupees in '000)					
Fees and Allowances etc.	4,109	32,050	7,362	-	-	-
Managerial Remuneration						
i) Fixed	-	-	-	54,000	206,031	478,085
ii) Total Variable	-	-	-	-	-	-
of which						
a) Cash Bonus / Awards	-	-	549	-	64,745	191,239
Charge for defined benefit plan	-	-	117	4,500	40,979	105,861
Rent & house maintenance	-	-	683	-	89,343	201,327
Utilities	-	-	211	-	27,615	61,761
Medical	-	-	155	-	24,633	64,570
Conveyance	-	-	330	-	17,234	51,324
Others	-	-	-	3,511	13,709	61,640
Total	4,109	32,050	9,407	62,011	484,289	1,215,807
Number of Persons	1	8	3	1	34	105

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

2021

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

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

2020

S.No.	Name of Director	Meeting Fees and Allowances Paid								
		For Board Meetings	For Board Committees							
			Board Audit Committee	Board Risk & Compliance Committee	Board HR & Remuneration Committee	Board Technology & Digitalization Committee	Board Inclusive Development Committee	Board International Franchises & Remittance Committee	Allowances	Total Amount Paid
		(Rupees in '000)								
1	Mr. Zubyr Soomro	2,100	-	-	1,350	-	-	-	659	4,109
2	Mr. Muhammad Naeem	450	300	150	-	-	-	-	218	1,118
3	Mr. Muhammad Sohail Rajput	2,100	900	-	-	-	1,050	-	365	4,415
4	Ms. Sadaffe Abid	1,650	-	-	-	1,350	1,050	-	71	4,121
5	Mr. Tawfiq Asghar Hussain	2,100	1,200	1,050	-	-	-	1,200	-	5,550
6	Mr. Zafar Masud	900	-	-	600	450	-	300	-	2,250
7	Mr. Farid Malik	1,950	-	1,050	1,350	1,350	-	-	1,097	6,797
8	Mr. Imam Bukhsh Baloch	2,100	-	1,050	-	-	1,050	-	-	4,200
9	Mr. Asif Jooma	1,650	900	-	1,050	-	-	-	-	3,600
	Total Amount Paid	14,999	3,300	3,300	4,350	3,150	3,150	1,500	2,410	36,160

42.3 Remuneration paid to Shariah Board Members

Items	**2021**				2020			
	Chairman	**Resident Member**	**Non-Resident Member(s)**	**Total**	Chairman	Resident Member	Non-Resident Member(s)	Total
	(Rupees in '000)							
Retainer Fee & Fixed Remuneration	**3,462**	**4,163**	**4,938**	**12,563**	3,240	3,287	2,880	9,407
Total Amount Paid	**3,462**	**4,163**	**4,938**	**12,563**	3,240	3,287	2,880	9,407
Total Number of Persons	**1**	**1**	**3**	**5**	**1**	**1**	**1**	**3**

The above information does not include particulars of subsidiaries.

43. FAIR VALUE MEASUREMENTS

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

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

43.1 Fair value of financial assets

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

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

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

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

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

	2021				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
	(Rupees in '000)				
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Market Treasury Bills	**811,994,893**	**-**	**811,994,893**	**-**	**811,994,893**
Pakistan Investment Bonds	**592,430,009**	**-**	**592,430,009**	**-**	**592,430,009**
Ijarah Sukuks	**13,969,700**	**-**	**13,969,700**	**-**	**13,969,700**
Ordinary shares of listed companies	**39,944,846**	**39,944,846**	**-**	**-**	**39,944,846**
Investment in mutual funds	**2,318,516**	**-**	**2,318,516**	**-**	**2,318,516**
Preference shares	**1,265,729**	**1,265,729**	**-**	**-**	**1,265,729**
Term Finance Certificates / Musharika and Sukuk Bonds	**51,264,518**	**16,546,431**	**34,718,087**	**-**	**51,264,518**
GoP Foreign Currency Bonds	**20,804,963**	**-**	**20,804,963**	**-**	**20,804,963**
Foreign Government Securities	**2,281,942**	**-**	**2,281,942**	**-**	**2,281,942**
Ordinary shares of a bank outside Pakistan	**27,524,206**	**27,524,206**	**-**	**-**	**27,524,206**
	1,563,799,322	**85,281,212**	**1,478,518,110**	**-**	**1,563,799,322**
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	**278,868,736**	**-**	**-**	**-**	**-**
Balances with other banks	**19,211,237**	**-**	**-**	**-**	**-**
Lendings to financial institutions	**335,466,675**	**-**	**-**	**-**	**-**
Investments					
Pakistan Investment Bonds	**324,726,185**	**-**	**-**	**-**	**-**
Ordinary shares of unlisted companies	**1,471,305**	**-**	**-**	**-**	**-**
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	**30**	**-**	**-**	**-**	**-**
Bai Muajjal with Government of Pakistan	**10,914,185**				
Foreign Government Securities	**34,091,600**	**-**	**-**	**-**	**-**
Foreign Currency Debt Securities	**680**	**-**	**-**	**-**	**-**
Advances	**1,113,314,128**	**-**	**-**	**-**	**-**
Other Assets	**65,505,033**	**-**	**-**	**-**	**-**
	2,183,569,794	**-**	**-**	**-**	**-**
	3,747,369,116	**85,281,212**	**1,478,518,110**	**-**	**1,563,799,322**
Off-balance sheet financial instruments - measured at fair value					
Foreign exchange contracts purchase and sale	**571,111,340**	**-**	**3,058,205**	**-**	**3,058,205**
Forward government securities transactions	**38,255,954**	**-**	**(308,328)**	**-**	**(308,328)**

	2020				
	Carrying Value	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
On balance sheet financial instruments					
Financial assets - measured at fair value					
Investments					
Market Treasury Bills	626,248,790	-	626,248,790	-	626,248,790
Pakistan Investment Bonds	473,408,082	-	473,408,082	-	473,408,082
Ijarah Sukuks	6,015,600	-	6,015,600	-	6,015,600
Ordinary shares of listed companies	48,089,192	48,089,192	-	-	48,089,192
Investments in mutual funds	2,291,013	-	2,291,013	-	2,291,013
Preference shares	1,099,850	1,099,850	-	-	1,099,850
Term Finance Certificates / Musharika and Sukuk Bonds	55,910,547	20,088,162	35,822,385	-	55,910,547
GoP Foreign Currency Bonds	10,840,875	-	10,840,875	-	10,840,875
Foreign Government Securities	3,953,016	-	3,953,016	-	3,953,016
Foreign Currency Debt Securities	80,640	-	80,640	-	80,640
Ordinary shares of a bank outside Pakistan	17,652,778	17,652,778	-	-	17,652,778
	1,245,590,383	86,929,982	1,158,660,401	-	1,245,590,383

	2020				
	Carrying Value	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	249,969,566	-	-	-	-
Balances with other banks	15,015,366	-	-	-	-
Lending to financial instruments	126,804,675	-	-	-	-
Investments					
Pakistan Investment Bonds	168,676,415	-	-	-	-
Ordinary shares of unlisted companies	1,455,089	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	7,838	-	-	-	-
Bai Muajjal with Government of Pakistan	11,641,133				
Foreign Government Securities	32,418,809	-	-	-	-
Foreign Currency Debt Securities	618	-	-	-	-
Advances	983,871,421	-	-	-	-
Other assets	60,745,988	-	-	-	-
	1,650,606,918	-	-	-	-
	2,896,197,301	86,929,982	1,158,660,401	-	1,245,590,383
Off-balance sheet financial instruments - measured at fair value					
Foreign exchange contracts purchase and sale	419,327,735	-	(2,918,017)	-	(2,918,017)
Forward government securities transactions	27,625,340	-	52,885	-	52,885

Valuation techniques used in determination of fair valuation of financial instruments within level 1 and level 2

Item	**Valuation approach and input used**
Market Treasury Bills	PKRV (MUFAP)
Pakistan Investment Bonds	PKRV (MUFAP)
Ijarah Sukuks	MUFAP
Ordinary shares of unlisted companies	Breakup value as per latest available audited financial statements
Term Finance Certificates / Musharika and Sukuk Bonds	MUFAP
GoP Foreign Currency Bonds	Reuter page
Foreign Government Securities	Reuter page
Foreign Currency Debt Securities	Reuter page
Investment in mutual funds	MUFAP

43.2 Fair value of non-financial assets

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

	2021				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
	(Rupees in '000)				
Land & building (property and equipment)	**48,745,835**	**-**	**-**	**48,745,835**	**48,745,835**
Non-banking assets acquired in satisfaction of claims	**4,059,546**	**-**	**-**	**4,059,546**	**4,059,546**
	52,805,381	**-**	**-**	**52,805,381**	**52,805,381**

	2020				
	Carrying Value	Level 1	Level 2	Level 3	Total
	(Rupees in '000)				
Land & building (property and equipment)	48,770,485	-	-	48,770,485	48,770,485
Non-banking assets acquired in satisfaction of claims	3,968,329	-	-	3,968,329	3,968,329
	52,738,814	-	-	52,738,814	52,738,814

44. SEGMENT INFORMATION

44.1 Segment Details with respect to Business Activities

During the year the Group changed its internal organisation structure in a manner that changed the composition of its reportable segments, and accordingly the prior year disclosure is restated to reflect the current reportable segments. Branch banking has been bifurcated in to Retail Banking Group and Inclusive Development Group.

	2021									
	Retail Banking Group	Inclusive Development Group	Corporate and Investment Banking	Treasury	International, Financial Institution and Remittance	Aitemaad and Islamic Banking	Head Office / Others	Sub total	Eliminations	Total
	---------- (Rupees in '000) ----------									
Profit and loss account										
Net mark-up / return / profit	(58,755,894)	17,163,761	25,963,957	105,182,793	3,798,879	4,682,056	(267,953)	97,767,601	-	97,767,601
Inter segment revenue - net	111,902,235	(14,376,019)	(22,474,486)	(91,149,527)	-	(577,589)	16,675,387	-	-	-
Non mark-up / return / interest income	13,490,925	406,372	4,153,941	15,344,239	1,284,540	336,316	3,852,473	38,868,803	-	38,868,804
Total Income	66,637,266	3,194,114	7,643,412	29,377,505	5,083,419	4,440,783	20,259,907	136,636,404	-	136,636,405
Segment direct expenses	30,900,118	3,031,845	1,121,182	324,271	6,363,529	2,816,952	1,818,948	46,376,846	-	46,376,846
Inter segment expense allocation	-	-	-	-	-	-	24,808,154	24,808,154	-	24,808,154
Total expenses	30,900,118	3,031,845	1,121,182	324,271	6,363,529	2,816,952	26,627,102	71,184,999	-	71,184,999
Provisions charge / (reversal)	731,529	1,721,582	9,235,188	542,703	(111,737)	121,444	(581,383)	11,659,325	-	11,659,325
Profit / (loss) before tax	35,005,619	(1,559,313)	(2,712,958)	28,510,531	(1,168,373)	1,502,387	(5,785,812)	53,792,080	-	53,792,081
Statement of financial position										
Cash and bank balances	90,784,756	8,185,926	248,408	131,293,182	58,290,758	6,603,670	2,673,273	298,079,973	-	298,079,973
Investments	-	-	26,543,698	1,803,150,092	55,804,559	49,548,759	7,694,080	1,942,741,191	-	1,942,741,191
Net inter segment lending	2,319,442,077	-	-	-	-	-	274,915,854	2,594,357,931	(2,594,357,931)	0
Lendings to financial institutions	2,405,644	-	-	333,061,031	-	-	-	335,466,675	-	335,466,675
Advances - performing	183,984,822	224,303,465	566,367,602	-	80,731,709	42,316,269	9,391,774	1,107,095,640	-	1,107,095,640
Advances - non-performing	3,963,414	21,115,711	61,624,712	-	46,293,148	712,762	64,635,942	198,345,689	-	198,345,689
Provision against Advances	(9,024,982)	(18,226,471)	(56,033,619)	-	(44,989,510)	(712,762)	(63,139,858)	(192,127,201)	-	(192,127,201)
Advances - net	178,923,254	227,192,704	571,958,695	-	82,035,347	42,316,269	10,887,859	1,113,314,128	-	1,113,314,128
Others	25,276,052	2,297,783	18,315,585	3,581,004	4,964,806	2,302,955	110,694,804	167,432,980	-	167,432,980
Total Assets	2,616,831,783	237,676,413	617,066,386	2,271,085,310	201,095,470	100,771,653	406,865,869	6,451,392,878	(2,594,357,931)	3,857,034,947
Borrowings	(392,063)	4,148,727	63,733,341	207,857,704	37,185,334	-	392,062	312,925,106	-	312,925,106
Deposits & other accounts	2,562,636,790	-	286,586,523	-	75,485,252	84,849,519	8,589,626	3,018,147,709	-	3,018,147,709
Net inter segment borrowing	-	228,687,313	249,365,896	2,016,684,060	85,836,008	13,784,654	-	2,594,357,931	(2,594,357,931)	0
Others	54,587,057	4,840,373	17,044,690	11,549,539	2,536,069	1,543,475	138,837,548	230,938,751	-	230,938,751
Total liabilities	2,616,831,784	237,676,413	616,730,450	2,236,091,302	201,042,663	100,177,648	147,819,236	6,156,369,497	(2,594,357,931)	3,562,011,566
Equity	-	-	335,936	34,994,008	52,807	594,005	259,046,633	295,023,381	-	295,023,381
Total Equity & liabilities	2,616,831,783	237,676,413	617,066,386	2,271,085,310	201,095,470	100,771,653	406,865,869	6,451,392,878	(2,594,357,931)	3,857,034,947
Contingencies & Commitments	-	81,061,634	1,740,040,766	609,367,294	22,910,804	-	37,123,935	2,490,504,435	-	2,490,504,435

	2020 (Restated)									
	Retail Banking Group	Inclusive Development Group	Corporate and Investment Banking	Treasury	International, Financial Institution and Remittance	Aitemaad and Islamic Banking	Head Office / Others	Sub total	Eliminations	Total
	-- (Rupees in '000) --									
Profit and loss account										
Net mark-up / return / profit	(82,278,559)	19,374,543	45,786,341	113,674,589	2,944,549	5,033,803	(155,835)	104,379,430	-	104,379,430
Inter segment revenue - net	132,329,062	(15,264,205)	(40,287,855)	(86,111,719)	-	(409,849)	9,744,567	-	-	-
Non mark-up / return / interest income	13,606,432	1,333,608	2,934,104	11,890,634	1,933,019	425,941	5,235,716	37,359,455	-	37,359,455
Total Income	63,656,935	5,443,946	8,432,590	39,453,504	4,877,568	5,049,895	14,824,448	141,738,885	-	141,738,885
Segment direct expenses	27,928,850	2,851,051	906,172	366,426	6,337,022	2,542,000	1,736,268	42,667,790	-	42,667,790
Inter segment expense allocation	-	-	-	-	-	-	21,774,714	21,774,713	-	21,774,713
Total expenses	27,928,850	2,851,051	906,172	366,426	6,337,022	2,542,000	23,510,983	64,442,503	-	64,442,503
Provisions charge / (reversal)	670,506	3,818,845	26,216,211	(202,726)	(484,011)	398,979	494,170	30,911,976		30,911,976
Profit / (loss) before tax	35,057,580	(1,225,950)	(18,689,793)	39,289,803	(975,444)	2,108,916	(9,180,705)	46,384,406	-	46,384,406
Statement of financial position										
Cash and bank balances	144,696,156	13,560,025	281,210	49,710,033	47,960,766	5,724,957	3,051,784	264,984,932	-	264,984,932
Investments	-	-	31,393,587	1,340,556,530	46,098,046	42,109,641	6,247,569	1,466,405,373	-	1,466,405,373
Net inter segment lending	1,784,038,348	-	-	-	-	-	187,176,073	1,971,214,420	(1,971,214,420)	-
Lendings to financial institutions	-	-	-	126,802,025	-	-	2,650	126,804,675	-	126,804,675
Advances - performing	167,205,416	185,345,489	541,263,835	-	43,633,881	37,546,863	14,124,842	989,120,326	-	989,120,326
Advances - non-performing	4,007,870	22,497,098	47,548,441	-	42,345,094	602,913	54,811,195	171,812,612	-	171,812,612
Provision against advances	(8,383,514)	(19,538,451)	(52,114,538)	-	(41,266,079)	(602,913)	(55,156,024)	(177,061,517)	-	(177,061,517)
Advances - net	162,829,772	188,304,136	536,697,739	-	44,712,896	37,546,863	13,780,013	983,871,421	-	983,871,421
Others	23,840,339	2,248,427	22,588,501	366,297	3,972,925	3,580,119	118,546,998	175,143,591	-	175,143,591
Total Assets	2,115,404,615	204,112,588	590,961,037	1,517,434,885	142,744,633	88,961,580	328,805,086	4,988,424,412	(1,971,214,420)	3,017,209,992
Borrowings		3,511,852	46,688,596	86,290,983	2,047,575	-	-	138,539,005	-	138,539,005
Deposits & other accounts	2,068,891,896	-	200,011,969	-	73,225,543	75,268,262	1,530,800	2,418,928,469	-	2,418,928,469
Net inter segment borrowing	-	196,293,623	326,190,341	1,375,268,749	63,868,561	9,593,146	-	1,971,214,420	(1,971,214,420)	(0)
Others	46,512,720	4,307,113	17,857,441	12,387,953	3,138,352	3,440,604	97,696,056	185,340,236	-	185,340,236
Total liabilities	2,115,404,615	204,112,588	590,748,347	1,473,947,685	142,280,030	88,302,012	99,226,857	4,714,022,130	(1,971,214,420)	2,742,807,710
Equity	-	-	212,690	43,487,200	464,603	659,569	229,578,231	274,402,282	-	274,402,282
Total Equity & liabilities	2,115,404,615	204,112,588	590,961,037	1,517,434,885	142,744,633	88,961,580	328,805,087	4,988,424,412	(1,971,214,420)	3,017,209,992
										-
Contingencies & Commitments	-	46,316,642	1,271,383,035	446,953,075	20,577,429	-	35,553,685	1,820,783,867	-	1,820,783,867

44.2 Segment details with respect to geographical locations

	2021					
	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	Total
	(Rupees in '000)					
Profit and loss account						
Net mark-up / return/profit	93,828,309	1,880,481	(275)	198,227	1,860,859	97,767,601
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	37,573,302	407,936	305,047	340,208	242,310	38,868,804
Total Income	131,401,611	2,288,417	304,772	538,435	2,103,169	136,636,405
Segment direct expenses	39,835,857	1,942,128	869,557	2,882,547	909,718	46,439,807
Inter segment expense allocation	24,745,192	-	-	-	-	24,745,192
Total expenses	64,581,050	1,942,128	869,557	2,882,547	909,718	71,184,999
Provisions	11,775,953	(223,488)	66,636	4,585	35,639	11,659,325
Profit / (loss) before tax	55,044,608	569,777	(631,421)	(2,348,696)	1,157,810	53,792,081
Statement of financial position						
Cash and bank balances	238,998,368	16,870,383	12,409,372	28,845,835	956,015	298,079,973
Investments	1,885,561,995	39,818,951	-	2,834,242	14,526,004	1,942,741,191
Net inter segment lendings	85,836,007	-	-	-	-	85,836,007
Lendings to financial institutions	335,466,675	-	-	-	-	335,466,675
Advances - performing	1,026,363,931	20,282,504	494,294	5,025,734	54,929,177	1,107,095,640
Advances - non-performing	151,780,980	39,122,266	1,311,119	-	6,131,324	198,345,689
Provision against advances	(147,056,269)	(38,847,232)	(1,311,119)	(7,489)	(4,905,092)	(192,127,201)
Advances - net	1,031,088,642	20,557,538	494,294	5,018,245	56,155,410	1,113,314,128
Others	162,326,911	3,157,485	164,067	219,828	1,564,688	167,432,980
Total Assets	3,739,278,598	80,404,357	13,067,733	36,918,149	73,202,117	3,942,870,954
Borrowings	275,739,772	1,971,822	-	-	35,213,512	312,925,106
Deposits & other accounts	2,942,662,457	37,237,231	8,815,589	7,455,103	21,977,329	3,018,147,709
Net inter segment borrowing	-	37,978,569	4,040,045	28,932,868	14,884,525	85,836,007
Others	228,400,207	834,027	212,099	548,076	944,344	230,938,751
Total liabilities	3,446,802,437	78,021,648	13,067,733	36,936,047	73,019,710	3,647,847,573
Equity	292,476,163	2,382,709	-	(17,897)	182,406	295,023,381
Total Equity & liabilities	3,739,278,598	80,404,357	13,067,733	36,918,149	73,202,117	3,942,870,954
Contingencies & Commitments	2,467,593,629	2,554,088	3,073,302	8,003,059	9,280,354	2,490,504,436

	2020					
	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	Total
	---------- (Rupees in '000) ----------					
Profit and loss account						
Net mark-up/return/profit	101,234,782	735,554	59,526	421,629	1,927,939	104,379,430
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	35,400,181	536,152	316,191	747,936	358,994	37,359,455
Total Income	136,634,963	1,271,706	375,718	1,169,565	2,286,933	141,738,885
Segment direct expenses	36,123,105	1,806,638	793,919	3,173,426	770,701	42,667,788
Inter segment expense allocation	21,774,714	-	-	-	-	21,774,714
Total expenses	57,897,819	1,806,638	793,919	3,173,426	770,701	64,442,503
Provisions	31,413,690	(325,772)	(117,586)	(32,798)	(25,557)	30,911,976
Profit / (loss) before tax	47,323,455	(209,159)	(300,616)	(1,971,063)	1,541,789	46,384,406
Statement of financial position						
Cash and bank balances	215,386,431	19,040,664	10,399,385	19,076,487	1,081,965	264,984,932
Investments	1,419,111,415	30,973,985	-	2,927,816	13,392,157	1,466,405,373
Net inter segment lendings	63,868,561	-	-	-	-	63,868,561
Lendings to financial institutions	126,804,675	-	-	-	-	126,804,675
Advances - performing	944,902,218	2,475,488	574,741	1,680,370	39,487,510	989,120,326
Advances - non-performing	129,129,200	35,912,396	1,205,975	-	5,565,041	171,812,612
Provision against advances	(135,717,854)	(35,725,929)	(1,205,975)	(2,306)	(4,409,453)	(177,061,517)
Advances - net	938,313,564	2,661,954	574,741	1,678,064	40,643,098	983,871,421
Others	170,927,847	3,016,719	139,572	183,851	875,601	175,143,591
Total Assets	2,934,412,493	55,693,323	11,113,698	23,866,218	55,992,821	3,081,078,553
Borrowings	136,491,431	1,240,487	-	-	807,088	138,539,005
Deposits & other accounts	2,344,187,228	36,900,634	7,278,305	9,204,947	21,357,355	2,418,928,469
Net inter segment borrowing	-	14,344,870	3,643,594	13,051,137	32,828,959	63,868,561
Others	182,172,934	830,555	191,798	1,556,773	588,176	185,340,236
Total liabilities	2,662,851,593	53,316,546	11,113,698	23,812,857	55,581,578	2,806,676,271
Equity	271,560,901	2,376,778	-	53,361	411,243	274,402,282
Total Equity & liabilities	2,934,412,493	55,693,323	11,113,698	23,866,218	55,992,821	3,081,078,553
Contingencies & Commitments	1,800,206,438	3,380,468	3,105,342	7,173,633	6,917,986	1,820,783,867

45. TRUST ACTIVITIES

45.1 Endowment Fund

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

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

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

The amount of the Endowment Funds in investments stands at Rs. 835.770 million as at December 31, 2021 (2020: Rs. 785 million).

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

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

		As at December 31, 2020			
		Securities Held (Face Value)			
Category	No. of IPS Accounts	Market Treasury Bills	Pakistan Investment Bonds	Government Ijarah Sukuks	Total
		-----(Rs. in '000)-----			
Assets Management companies	23	-	-	-	-
Charitable institutions	5	-	-	-	-
Companies	17	34,121,000	92,187,000	-	126,308,000
Employee Funds	62	9,640,000	102,961,000	-	112,601,000
Individuals	853	148,000	71,000	-	219,000
Insurance Companies	7	11,211,000	145,210,000	-	156,421,000
Others	58	66,931,000	143,723,000	-	210,654,000
Total	1,025	122,051,000	484,152,000	-	606,203,000

46. RELATED PARTY TRANSACTIONS

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

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

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

	2021									2020								
	Directors	Key management personnel	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.I.D.A A/c)	Provident Fund	Other related parties	Directors	Key management personnel	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.I.D.A A/c)	Provident Fund	Other related parties
	(Rupees in '000)																	
Balances with other banks																		
In current accounts	-	-	-	295,951	-	-	-	-	-	-	-	-	232,033	-	-	-	-	-
	-	-	-	295,951	-	-	-	-	-	-	-	-	232,033	-	-	-	-	-
Advances																		
Opening balance	-	233,267	2,981,029	-	-	-	-	-	305,117	-	228,805	3,046,662	-	-	-	-	-	23,386,325
Addition during the year	-	254,860	-	-	-	-	-	-	35,589,939		64,850		-	-	-	-	-	115,824,347
Repaid during the year	-	(36,216)	(46,867)	-	-	-	-	-	(35,253,573)		(31,840)	(65,633)	-	-	-	-	-	(115,673,058)
*Transfer in / (out) - net		(104,319)	-						-		(28,548)	-						(23,232,497)
Closing balance	-	347,592	2,934,162	-	-	-	-	-	641,483	-	233,267	2,981,029	-	-	-	-	-	305,117
Provision held against advances	-	-	2,837,287	-	-	-	-	-	-	-	-	2,837,287	-	-	-	-	-	-

	2021									2020								
	Directors	Key management personnel	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.I.D.A A/c)	Provident Fund	Other related parties	Directors	Key management personnel	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.I.D.A A/c)	Provident Fund	Other related parties
	(Rupees in '000)																	
Other Assets																		
Interest / mark-up accrued	-	-	1,719,049	-	-	-	-	-	-	-	-	1,720,157	-	-	-	-	-	-
Borrowings																		
Opening balance	-	-	-	9,111	-	-	-	-	-	-	-	-	279,814	-	-	-	-	-
Borrowings during the year	-	-	-	26,630	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settled during the year	-	-	-	-	-	-	-	-	-	-	-	-	(270,703)	-	-	-	-	-
Closing balance	-	-	-	35,741	-	-	-	-	-	-	-	-	9,111	-	-	-	-	-
Deposits and other accounts																		
Opening balance	1,320	177,236	-	-	58,871	-	1,369,644	13,282,016	227,967	3,835	94,715	-	-	73	-	1,235,120	13,296,883	40,416,083
Received during the year	9,334	777,224	-	-	27,393	-	-	-	235,269,981	8,672	713,917	-	-	47,037,983	-	3,054,527	1,941,908	708,790
Withdrawn during the year	(8,984)	(763,659)	-	-	-	-	(1,322,875)	(427,261)	(196,497,842)	(11,228)	(620,573)	-	-	(46,979,185)	-	(2,920,003)	(1,956,775)	(630,132)
* Transfer in (out) - net	90	(59,347)	-	-	-	-	-	-	4,336,036	41	(10,823)	-	-	-	-	-	-	(40,266,774)
Closing balance	1,760	131,454	-	-	86,264	-	46,769	12,854,755	43,336,143	1,320	177,236	-	-	58,871	-	1,369,644	13,282,016	227,967
Contingencis & Commitments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

RELATED PARTY TRANSACTIONS

	2021							2020						
	Directors	Key manage-ment personnel	Associates	Joint venture	Pension Fund	Provident Fund	Funds / Others	Directors	Key manage-ment personnel	Associates	Joint venture	Pension Fund	Provident Fund	Funds / Others
	(Rupees in '000)													
Income														
Mark-up / return / interest earned	-	-	9,857	-	-	-	-	-	-	16,822	9	-	-	-
Debts due by Companies in which Directors of the Bank is interested as Directors	-	-	-	-	-	-	8,137		-	-	-	-	-	15,755
Dividend income	-	-	7,009	-	-	-	-	-	-	-	-	-	-	-
Rent income / Lighting & Power and Bank charges	-	-	5,109	-	-	-	-	-	-	4,637	-	-	-	19,447
Expense														
Mark-up / return / interest paid	88	3,873	-	41	55,888	1,417,701	1,625,178	309	5,086	-	303	108,346	1,441,640	4,012
Expenses paid to company in which Director of the bank is interested as CEO		-	-	-	-	-	23,387		-	-	-	-	-	10,712
Remuneration to key management executives including charge for defined benefit plan	-	637,103	-	-	-	-	-	-	546,300	-	-	-	-	-
Directors fee & other allowances	25,431	-	-	-	-	-	-	36,160	-	-	-	-	-	-
Post Retirement Benefit paid to Director cum Ex-employee	-	-	-	-	-	-	2,087	-	-	-	-	-	-	2,087

46.1 Transactions with Government-related entities

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

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

The Group also earned commission on handling treasury transactions on behalf of the Government of Pakistan amounting to Rs. 8,408 million (2020: 9,653 million) for the year ended December 31, 2021. As at the statement of financial position date the loans and advances, deposits and contingencies relating to Government–related entities amounted to Rs. 405,294 million (2020: 337,572 million), Rs. 1,247,457 million (2020: 932,317 million) and Rs. 1,540,238 million (2020: 1,057,896 million) respectively and income earned on advances and investment and profit paid on deposits amounted to Rs. 31,846 million (2020: 40,908 million) and Rs. 51,110 million (2020: 64,149 million) respectively.

47. CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS

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

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

The SBP has issued instructions for Basel-III Implementation vide BPRD Circular No. 06 of 2013 dated August 15, 2013. These instructions are effective from December 31, 2013 in a phased manner with full implementation intended by December 31, 2019.

Basel-III instructions comprises of the following three capital standards:

i. Minimum Capital Requirement (MCR):

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

ii. Capital Adequacy Ratio (CAR):

The Capital Adequacy Ratio assesses the capital requirement based on the risks faced by the banks/ DFIs. The banks/ DFIs are required to comply with the minimum requirements as specified by the SBP on standalone as well as consolidated basis. Currently the required CAR for banks is 11.50% (plus 2.0% for NBP as D-SIB requirement).

iii. Leverage Ratio:

Tier-1 Leverage Ratio of 3% is introduced in response to Basel III Accord as the third capital standard. Group level disclosure of the leverage ratio and its components has started from December 31, 2015. The Group has a leverage ratio of 3.54% in the year December 31, 2021 (2020: 4.16%) and Tier-1 capital of Rs. 204,320 million (2020: Rs 176,735 million).

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

1. Tier 1 Capital (going-concern capital)

• Common Equity Tier 1
• Additional Tier 1

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

2. Tier 2 Capital (gone-concern capital)

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

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

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

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

The paid-up capital of the Group for the year ended December 31, 2021 stood at Rs. 21,275 million (2020: Rs. 21,275 million) and is in compliance with the SBP requirement for the said year. In addition the Bank for the year 2021 has maintained minimum Capital Adequacy Ratio (CAR) of 20.76% (2020: 20.10%).

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

	2021	2020
	----------- (Rupees in '000) -----------	
Minimum Capital Requirement (MCR):		
Paid-up capital (net of losses)	**21,275,131**	21,275,131
Capital Adequacy Ratio (CAR):		
Eligible Common Equity Tier 1 (CET 1) Capital	**204,320,445**	176,735,007
Eligible Additional Tier 1 (ADT 1) Capital	**-**	-
Total Eligible Tier 1 Capital	**204,320,445**	176,735,007
Eligible Tier 2 Capital	**66,135,418**	56,705,915
Total Eligible Capital (Tier 1 + Tier 2)	**270,455,863**	233,440,922
Risk Weighted Assets (RWAs):		
Credit Risk	**987,646,626**	862,944,817
Market Risk	**82,621,030**	88,080,262
Operational Risk	**232,459,233**	210,140,934
Total	**1,302,726,889**	1,161,166,013
Common Equity Tier 1 Capital Adequacy ratio	**15.68%**	15.22%
Tier 1 Capital Adequacy Ratio	**15.68%**	15.22%
Total Capital Adequacy Ratio	**20.76%**	20.10%
Leverage Ratio (LR):		
Tier-1 Capital	**204,320,445**	176,735,007
Total Exposures	**5,768,455,790**	4,249,194,554
Leverage Ratio	**3.54%**	4.16%
Liquidity Coverage Ratio (LCR):		
Total High Quality Liquid Assets	**1,362,545,096**	1,200,257,790
Total Net Cash Outflow	**828,459,514**	666,722,922
Liquidity Coverage Ratio	**164%**	180%
Net Stable Funding Ratio (NSFR):		
Total Available Stable Funding	**2,753,443,506**	2,309,310,465
Total Required Stable Funding	**990,042,101**	901,126,786
Net Stable Funding Ratio	**278%**	256%

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

48. RISK MANAGEMENT

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

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

- Identification and assessment of significant material risks.

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

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

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

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

48.1 Risk Governance Structure

Risk Management Group (RMG) operates as an independent group under the supervision of Chief Risk Officer. RMG's scope and coverage has been enhanced to cater enterprise-wide risk management, credit approvals, and program lending. CRO reports directly to the President with a dotted line reporting to the Board Risk & Compliance Committee (BRCC). The group is responsible to perform the functions pertaining to development and oversight of the risk framework, methodologies and other functions assigned from time to time in line with local / international best practices and under the supervision of SBP’s regulations/ guidelines.

The Group’s Board is responsible to ensure active oversight over implementation of policies and frameworks so as to prevent any significant financial loss or reductions in shareholders' value that may be suffered by the Group. Therefore, it is the responsibility of the Board to ensure that policies and frameworks are in place to recognize all significant/ material risks to which the Group is / may be exposed and that the required human resource, culture, practices and systems are adequate to address such risks. The Board and its relevant committee, i.e. Board Risk and Compliance Committee (BRCC) and the senior management along with its relevant committees i.e. Management Credit Committee (MCC), Enterprise Risk Committee (ERC), Asset and Liability Committee (ALCO) etc. are responsible to ensure implementation of risk management framework.

48.2 Risk Management Framework

The Group’s risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect the changes in market conditions, products and services offered.

The Group implements risk management framework through a ‘Three Lines of Defence’ model which defines clear responsibilities and accountabilities for various offices and ensures effective and independent oversight and also that the activities take place as intended. RMG together with Compliance Group acts as second line of defence and performs integrated function of oversight and independently challenges the effectiveness of risk management actions taken by business groups, who are the first line of defence. The risk management is further strengthened by the third line of defence, where Board Audit and Compliance Committee and Audit and Inspection Group add value through independent and objective assurance in improving risk management functions of the Group.

Following paragraphs introduce Group’s exposures to material risks associated with its business activities and explain overall strategies and processes to manage those risks:

48.2.1 Credit Risk

Credit Risk arises from the potential that a customer's or counterparty's willingness or ability to meet such an obligation is impaired, resulting in an economic loss to the Group. NBP's lending activities account for most of the Group's credit risk which is continuously evolving in various financial activities including loans and advances, commitments to lend, contingent liabilities such as letter of credit and guarantees, and other types of both on and off-balance sheet transactions. The Group has a dedicated setup led by Chief Risk Officer that ensures the effectiveness of the frameworks for assessment / measurement, review and reporting of credit risk under supervision of Board Risk and Compliance Committee.

The Group has in place Risk Appetite Framework and Credit Risk Concentration Management Framework to ascertain the levels of credit risk it undertakes by placing limits on exposures in relation to existing or potential obligors, economic groups and to various industry segments. Persistent focus on maintaining a robust risk management framework encompassing structured assessment models, effective pre-disbursement evaluation tools and an array of post disbursement review systems has enabled NBP to effectively manage its credit risk.

The Risk Management function of the Group is regularly conducting assessments, on perpetual basis, of the credit portfolio to identify borrowers and sectors most likely to get affected due to changes in the business and economic environment locally as well as globally. The Group is cognizant of the fact that COVID-19 situation is posing challenges for the industry in general, and for the risk management function in particular. Group is proactively keeping an eye on the delinquency in the accounts, financial position of the counterparty and other relevant information.

Credit review and approval process of the Group is well-defined and is managed under strict supervision of senior management. For analysis of counterparties within various asset classes / constitutions / economic group, the Group has in place a statistically validated rating model, which further enhances the credit risk analysis. This creates an integral contribution in decision making by senior management of the Group. Concentration of exposure / risk in any of counterparty, economic group, or industry is assessed frequently and accordingly limit setting is tailored.

The Group has also engaged itself towards implementation of IFRS 9 standard, which is currently in parallel-run phase. The standard sets out new model for financial assets, which requires recognition of impairment charge based on an 'Expected Credit Loss' approach rather than the 'Incurred Credit Loss' approach as currently followed.

Moreover, under the leadership of CEO & CRO, the credit approval process was brought in line with global best practices by implementing the delegated approval authorities to Country Credit Officer (CCO) & Senior Credit Officer (SCO). This has vastly improved the turnaround time (TAT) for credit approvals besides a focused approach to asset/loan monitoring. The SCO's have been assigned loan portfolios per their expertise i.e. IDG, CIBG, IFRG & Special Assets (Remedial). Furthermore, the risk team has also started making joint visits with the business teams to customers site which has proved to be very helpful in understanding the ground realities and also supports in making an informed decision.

Retail & Program Lending Group has recently been established within Risk Management umbrella. This Group will strengthen focus on products that are managed on program lending basis and will add controls, governance and risk culture around it. Group has been organized on a Credit Cycle approach, with an end to end credit view. It is engaged in areas of Policy & Portfolio Management, Credit Approvals, Collection & Recovery Oversight, Automation & Risk Technology, MIS & Project Management, Quality & Compliance, etc. To ensure that the group plays a key role, its Group Head has been added to Management Credit Committee as a voting member. Given the overall focus on this area, Retail & Program Lending Risk will play a significant role within larger scheme of Risk Management Group in 2022.

Currently under Basel Framework, Standardized Approach is used to calculate capital charge for credit risk weighted assets, with simple approach for credit risk mitigation. Additionally, stress testing for credit risk is completed on regular basis to evaluate the conceivable effects of scenarios provided by the regulator.

Particulars of the Group's significant on-balance sheet and off-balance sheet credit risk in various sectors are analysed as follows:

48.2.1.1 *Lendings to financial institutions*

Credit risk by public / private sector

	Gross lendings		Non-performing lendings		Provision held	
	2021	2020	2021	2020	2021	2020
	(Rupees in '000)					
Public/ Government	-	-	-	-	-	-
Private	**335,640,825**	126,980,825	**174,150**	176,150	**174,150**	176,150
	335,640,825	126,980,825	**174,150**	176,150	**174,150**	176,150

48.2.1.2 ***Investment in debt securities***

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
	---------- (Rupees in '000) ----------					
Cement	**470,168**	470,168	**20,168**	20,168	**20,168**	20,168
Chemical	**2,076,742**	2,073,812	**326,742**	323,812	**326,742**	323,812
Construction	**3,380,824**	3,885,490	**1,633,739**	1,633,739	**1,633,739**	1,633,738
Engineering	**4,842**	4,842	**4,842**	4,842	**4,842**	4,842
Fertilizer	**655,109**	1,040,960	**655,109**	656,831	**655,109**	656,831
Sugar	**709,719**	766,719	**709,719**	766,719	**709,719**	766,719
Textile	**1,079,625**	1,151,054	**651,053**	651,054	**651,055**	651,054
Transport	**-**	-	**-**	-	**-**	-
Financial	**9,734,656**	9,658,543	**201,252**	210,020	**201,252**	141,691
Electronics and electrical appliances	**1,308,738**	1,308,738	**1,308,738**	1,308,738	**1,308,738**	1,308,738
Glass and Ceramics	**11,361**	11,361	**11,361**	11,361	**11,361**	11,361
Miscelleneous	**467,203**	891,092	**25,996**	25,992	**25,996**	25,991
Leather and Tenneries	**5,288**	5,288	**5,288**	5,288	**5,288**	5,288
Food and Personal Care Products	**11,184**	11,184	**11,184**	11,184	**11,184**	11,184
Pharmaceuticals	**2,413**	2,413	**2,413**	2,413	**2,413**	2,413
Technology and Communication	**11,072**	11,072	**11,072**	11,072	**11,072**	11,072
Vanaspati and Allied Industries	**4,238**	4,238	**4,238**	4,238	**4,238**	4,238
Oil and Gas Marketing	**9,049**	12,382	**687**	687	**687**	687
Cable and Electrical Goods	**4,509**	4,509	**4,509**	4,509	**4,509**	4,509
Automobile Parts and Accessories	**1,185**	1,185	**1,185**	1,185	**1,185**	1,185
Power (electricity), Gas, Water, Sanitary	**34,579,163**	37,941,940	**-**	-	**-**	-
Tobacco	**144**	144	**144**	144	**144**	144
Paper and Board	**10,794**	10,794	**10,794**	10,794	**10,794**	10,794
Jute	**7,081**	7,081	**7,081**	7,081	**7,081**	7,081
Metal Products	**500,000**	500,000	**-**	-	**-**	-
Services	**867,239**	890,258	**-**	-	**-**	-
	55,912,346	60,665,266	**5,607,314**	5,671,871	**5,607,314**	5,603,540

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
	---------- (Rupees in '000) ----------					
Public / Government	**29,886,783**	31,849,560	**7,620**	7,620	**7,620**	7,620
Private	**26,025,563**	28,815,706	**5,599,694**	5,664,251	**5,599,694**	5,595,920
	55,912,346	60,665,266	**5,607,314**	5,671,871	**5,607,314**	5,603,540

48.2.1.3 ***Advances***

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2021	2020	2021	2020	2021	2020
	(Rupees in '000)					
Agriculture, Forestry, Hunting & Fishing	71,243,087	63,054,332	7,208,158	6,204,022	5,192,290	4,514,299
Mining & Quarrying	88,334	282,368	11,336	117,449	11,336	117,449
Textile	160,297,014	132,990,923	37,125,362	37,711,391	37,067,714	35,889,959
Chemical & Pharmaceuticals	5,284,057	4,033,024	2,731,312	2,645,492	2,661,064	2,634,249
Cement	32,057,795	33,124,120	6,317,887	6,311,377	4,094,267	4,093,767
Sugar	36,671,049	35,278,586	15,386,592	15,374,152	15,354,821	14,335,087
Footwear and Leather garments	2,016,893	2,461,054	892,779	840,449	887,472	840,114
Automobile & Transportation Equipment	8,567,080	6,607,421	940,147	971,267	937,466	966,887
Electronics & Electrical Appliances	9,684,327	10,036,223	2,380,885	2,232,278	2,370,272	2,223,278
Construction	20,193,083	12,266,442	9,643,454	4,484,629	6,754,352	4,481,950
Oil & Gas	102,762,247	82,061,196	20,216,650	5,413,208	20,074,535	4,526,641
Power (electricity), Gas, Water, Sanitary	198,946,668	201,168,044	13,209,849	7,789,326	9,311,105	6,745,325
Wholesale and Retail Trade	42,510,970	36,642,933	10,801,296	13,514,848	10,745,332	12,083,484
Exports / Imports	1,501,450	1,687,703	-	-	-	-
Transport, Storage and Communication	55,070,251	55,190,848	12,789,768	11,263,369	10,368,778	9,184,015
Financial	31,806,152	6,358,191	92,331	91,312	92,331	91,312
Services	38,110,525	32,929,861	4,242,115	4,543,558	2,554,475	2,697,680
Individuals	198,236,486	184,106,685	6,215,945	5,962,662	4,342,413	4,123,937
Flour Mills	2,767,236	2,809,954	752,338	735,193	689,028	720,207
Rice Trading & Processing	37,707,929	30,685,877	4,780,678	4,665,312	4,555,487	4,537,360
Food and Tobacco	16,109,497	14,023,712	6,988,672	5,251,343	6,367,546	5,226,208
Fertilizer	11,602,568	15,733,123	2,988,462	2,947,639	2,947,541	2,888,738
Metal Products	71,007,705	67,320,902	25,680,256	25,111,134	25,511,029	24,557,341
Telecommunication	22,011,036	17,064,247	1,136,813	1,159,350	1,136,813	1,159,350
Public Sector Commodity Operations	77,346,473	62,413,440	74,198	74,198	74,198	74,198
General traders	-	-	-	2,993	-	2,244
Engineering	32,121,933	33,444,437	1,422,820	1,416,959	1,415,349	1,410,274
Glass and Ceramics	8,070,726	6,859,290	389,447	396,911	389,447	396,911
Media	1,529,488	2,189,495	381,881	718,124	208,971	293,124
Paper & Board	2,726,772	1,601,970	1,193,719	1,187,897	1,193,719	1,187,897
Plastic products	2,662,060	2,627,648	672,095	651,199	670,607	648,950
Sports goods	1,280,713	978,994	93,818	93,818	93,818	93,818
Surgical equipments	824,409	827,764	12,151	64,674	8,558	64,674
Others	2,625,314	2,072,130	1,572,474	1,865,079	1,572,474	1,777,042
	1,305,441,329	1,160,932,938	198,345,689	171,812,612	179,654,609	154,587,769

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2021	2020	2021	2020	2021	2020
	(Rupees in '000)					
Public / Government	420,736,532	337,572,330	-	2,672,432	-	2,522,432
Private	884,704,797	823,360,608	198,345,689	169,140,180	179,654,608	152,065,337
	1,305,441,329	1,160,932,938	198,345,689	171,812,612	179,654,608	154,587,769

48.2.1.4 *Contingencies and Commitments*

Credit risk by industry sector

	2021	2020
	----------- (Rupees in '000) -----------	
Agriculture, Forestry, Hunting & Fishing	**100,504**	170,777
Mining & Quarrying	**1,418,487**	2,605,392
Textile	**25,421,310**	18,571,105
Chemical & Pharmaceuticals	**6,004,090**	9,558,756
Cement	**9,718,289**	4,269,235
Sugar	**592,840**	303,184
Footwear and Leather garments	**182**	162
Automobile & Transportation Equipment	**4,435,897**	11,886,834
Electronics & Electrical Appliances	**2,843,195**	2,959,697
Construction	**9,718,062**	9,036,763
Oil & Gas	**104,645,267**	39,173,307
Power (electricity), Water, Sanitary	**61,808,701**	83,646,557
Wholesale and Retail Trade	**2,346,916**	1,624,388
Exports / Imports	**272,733**	317,066
Transport, Storage and Communication	**47,721,546**	28,020,866
Financial	**719,655,625**	544,516,361
Services	**1,355,079,802**	950,517,287
Individuals	**77,114**	394,092
Fertilizer	**3,652,239**	1,394,690
Metal Products	**15,961,141**	9,828,654
Telecommunication	**25,003,758**	14,070,734
Public Sector Commodity Operations	**8,249,178**	12,565,661
Rice processing & Trading	**20,825**	39,174
Food and Tobacco	**448,128**	376,730
Glass and Ceramics	**1,484,463**	1,007,344
Paper & Board	**2,044,250**	551,469
Engineering	**77,952,489**	43,596,296
Plastic Products	**258,541**	27,432,671
Media	**-**	-
Flour Mills	**-**	-
Sports Goods	**-**	-
Surgical equipments	**19,459**	750
Others	**3,549,401**	2,347,864
	2,490,504,436	1,820,783,867

* Contingent liabilities for the purpose of this note are presented at cost and includes direct credit substitutes, transaction related contingent liabilities and trade related contingent liabilities.

Credit risk by public / private sector

	2021	2020
Public / Government	**1,402,649,361**	948,334,918
Private	**1,087,855,075**	872,448,949
	2,490,504,436	1,820,783,867

48.2.1.5 Concentration of Advances

The bank top ten (10) exposures on the basis of total (funded and non-funded expsoures) aggregated to Rs. 1,474,941 million (2020: Rs. 1,093,518 million) are as follows:

	2021	2020
	(Rupees in '000)	
Funded	**244,605,208**	250,314,704
Non Funded	**1,230,335,750**	843,203,477
Total Exposure	**1,474,940,958**	1,093,518,181

The sanctioned limits against these top 10 exposures aggregated to Rs. 1,563,667 million (2020: Rs. 1,280,786 million)

Total funded classified therein	**2021**		**2020**	
	Amount	**Provision held**	Amount	Provision held
	(Rupees in '000)			
Loss	-	-	2,522,432	2,522,432
Total	-	-	2,522,432	2,522,432

For the purpose of this note, exposure means outstanding funded facilities and utilised non-funded facilities as at the reporting date.

48.2.1.6 Advances - Province / Region-wise Disbursement and Utilization

	2021						
Province/Region	**Disbursements**	**Utilization**					
		Punjab	**Sindh**	**KPK including FATA**	**Balochistan**	**Islamabad**	**AJK including Gilgit-Baltistan**
	(Rupees in '000)						
Punjab	**227,503,496**	**221,078,413**	**1,855,596**	**3,944,464**	**-**	**11,120**	**613,903**
Sindh	**479,243,405**	**4,500,000**	**466,243,405**	**-**	**-**	**8,500,000**	**-**
KPK including FATA	**11,698,517**	**-**	**-**	**11,698,517**	**-**	**-**	**-**
Balochistan	**3,678,107**	**-**	**-**	**-**	**3,678,107**	**-**	**-**
Islamabad	**62,861,679**	**12,830,357**	**9,892,187**	**3,099,940**	**-**	**37,039,195**	**-**
AJK including Gilgit-Baltistan	**7,310,487**	**-**	**-**	**-**	**-**	**-**	**7,310,487**
Total	**792,295,691**	**238,408,770**	**477,991,188**	**18,742,921**	**3,678,107**	**45,550,315**	**7,924,390**

	2020						
Province/Region	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	(Rupees in '000)						
Punjab	210,145,408	207,931,532	1,625,942	-	-	-	587,934
Sindh	390,658,220	4,704,206	377,454,014	-	-	8,500,000	-
KPK including FATA	6,176,977	-	-	6,176,977	-	-	-
Balochistan	3,855,924	-	-	-	3,332,924	-	523,000
Islamabad	49,991,187	8,853,922	12,271,029	1,712,540	-	27,153,696	-
AJK including Gilgit-Baltistan	2,798,820	-	-	-	-	-	2,798,820
Total	663,626,536	221,489,660	391,350,985	7,889,517	3,332,924	35,653,696	3,909,754

48.2.2 Market Risk

Market Risk is the value of on and off-balance sheet positions of a financial institution that will be adversely affected by movements in market factors such as interest rates, foreign exchange rates, equity prices, credit spreads and/or commodity prices resulting in a loss to earnings and capital.

The Group's market risk is managed through Market Risk Management (MRM) Framework approved by the Board which is comprised of related policies / procedures with the objective to mitigate market risk. Bank has in-place scorecards/ criteria for various market risk limits. Under the developed Value-at-Risk (VaR) models and policy framework, VaR limits are being monitored with an objective to be used for capital charge calculation under IMA approach in future.

Standardized Approach is used to calculate capital charge for market risk as per Basel framework. Whereas, stress testing for interest rate, equity prices, and exchange rates risks activities is carried out regularly to estimate the impact on the capital of the Group.

In addition to the regulatory requirements, Bank has devised proprietary market risk stress testing scenarios which are performed on periodic basis to assess the impact on capital of the Bank for Internal Capital Adequacy and Assessment Process (ICAAP). Limits / zones and Management Action Triggers and Management Action Plans corresponding to Liquidity Ratio, Balance Sheet Duration Gap, Government Securities PVBP and Duration have also been developed.

48.2.2.1 Statement of Financial position split by trading and banking books

	2021			2020		
	Banking book	**Trading book**	**Total**	**Banking book**	**Trading book**	**Total**
	(Rupees in '000)					
Cash and balances with treasury banks	**278,868,736**	**-**	**278,868,736**	249,969,566	-	249,969,566
Balances with other banks	**19,211,237**	**-**	**19,211,237**	15,015,366	-	15,015,366
Lendings to financial institutions	**335,466,675**	**-**	**335,466,675**	126,804,675	-	126,804,675
Investments	**1,821,039,266**	**121,701,925**	**1,942,741,191**	1,368,195,288	98,210,085	1,466,405,373
Advances	**1,113,314,128**	**-**	**1,113,314,128**	983,871,421	-	983,871,421
Fixed assets	**54,833,801**	**-**	**54,833,801**	55,086,809	-	55,086,809
Intangible assets	**1,171,446**	**-**	**1,171,446**	1,022,143	-	1,022,143
Right of use assets	**7,090,980**	**-**	**7,090,980**	7,017,020	-	7,017,020
Deferred tax asset	**1,902,811**	**-**	**1,902,811**	-	-	-
Other assets	**102,433,942**	**-**	**102,433,942**	112,017,619	-	112,017,619
	3,735,333,022	**121,701,925**	**3,857,034,947**	2,918,999,907	98,210,085	3,017,209,992

48.2.2.2 Foreign Exchange Risk

Foreign exchange and translation risk arises from the impact of currency movements on the value of the Group's cash flows, profits and losses, and assets and liabilities as a result of participation in global financial markets and international operations.

In order to manage currency risk exposure the Group enters into ready, spot, forward and swaps transactions with the SBP and in the interBank market, financial institutions and corporate. The Group's foreign exchange exposure comprises forward contracts, purchases of foreign bills, foreign currencies cash in hand, balances with Banks abroad, foreign placements with the SBP and foreign currencies assets and liabilities. Foreign Exchange exposure is managed within the statutory limits, as fixed by the SBP. Appropriate segregation of duties exists between the front, middle and back office functions.

	2021				2020			
	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure	Foreign Currency Assets	Foreign Currency Liabilities	Off-balance sheet items	Net foreign currency exposure
	(Rupees in 000')							
United States Dollar	**230,696,801**	**321,594,407**	**87,452,155**	**(3,445,451)**	158,975,693	250,386,427	115,299,103	23,888,369
Great Britain Pound	**5,012,811**	**5,950,831**	**4,303,047**	**3,365,027**	4,253,451	5,613,790	3,235,840	1,875,502
Japanese Yen	**3,939,522**	**3,283,911**	**2,315,294**	**2,970,904**	4,080,732	1,123,760	168,624	3,125,596
Euro	**13,413,044**	**19,043,837**	**7,628,249**	**1,997,456**	8,625,157	10,298,009	3,462,911	1,790,059
Other currencies	**75,261,167**	**18,382,109**	**3,130,155**	**60,009,213**	68,372,930	20,716,084	2,996,887	50,653,733
	328,323,345	**368,255,095**	**104,828,900**	**64,897,149**	244,307,963	288,138,070	125,163,365	81,333,259

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in foreign exchange rates				
- Profit and loss account	**-**	**-**	-	-
- Other comprehensive income	**-**	**173,567**	-	2,917

48.2.2.3 Equity position Risk

The trading activities also raise risk which occurs resulting in negative fluctuations of daily stock prices specifically in those stocks which are held by the Group, hence, deplete capital. The Group's equity position is managed through limits imposed by regulator for both, overall investment and exposure in single scrip. Moreover, internal limits are set to possibly manage overall earnings in the form of placing of stop loss limits and/ or through diversification within the structure of overall equity position portfolio.

	2021		2020	
	Banking book	Trading book	Banking book	Trading book
	(Rupees in '000)			
Impact of 5% change in equity prices				
- Profit and loss account	**-**	**-**	-	-
- Other comprehensive income	**2,671,767**	**-**	3,065,915	-

48.2.2.4 Yield / Interest Rate Risk in the Banking Book (IRRBB)-Basel II Specific

Interest rate risk specifically arises due to adverse movements in yield curve of underlying asset which is being monitored by ALCO with an objective to possibly limiting the potential impact over the profitability of the Bank which may result in instability of market based interest rates and mismatching or gaps in the amount of financial assets and financial liabilities in different maturity time bands. Bank assumes that the sources of IRR are based on following sub-risks.

- Re-pricing risk; arising from changes to the overall level of interest rates and inherent mismatches in the re-pricing term of banking book items.

- Yield curve risk; arising from a change in the relative level of interest rates for different tenors and changes in the slope or shape of the yield curve.

- Basis risk; arising from differences between the actual and expected interest margins on Banking book items over the implied cost of funds of those items.

	2021		2020	
	Banking book	**Trading book**	Banking book	Trading book
	(Rupees in '000)			
Impact of 1% change in interest rates on				
- Profit and loss account	**-**	**368,677**	-	131,186
- Other comprehensive income	**8,629,166**	**-**	12,965,285	-

48.2.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

			2021									
	Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk									Non-interest bearing financial instruments
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
On-balance sheet financial instruments		---------- (Rupees in '000) ----------										
Assets												
Cash and balances with treasury banks	0.1%	278,868,736	25,910,106	-	1,230,868	-	-	-	-	-	-	251,727,762
Balances with other banks	0.6%	19,211,237	5,193,321	514,671	728,951	766,148	-	-	-	-	-	12,008,146
Lending to financial institutions	10.4%	335,466,675	305,466,675	-	30,000,000	-	-	-	-	-	-	-
Investments	8.2%	1,942,741,191	52,071,307	600,631,710	163,339,043	147,989,238	412,825,053	115,300,016	133,826,520	231,572,946	7,808,110	77,377,251
Advances	7.4%	1,113,314,128	232,790,642	347,491,341	221,525,465	87,272,918	15,422,466	18,353,878	96,696,071	52,224,236	21,686,992	19,850,120
Other assets	0.0%	61,505,255	642,580	-	127,892	114,884	-	-	-	-	-	60,619,899
		3,751,107,222	622,074,631	948,637,721	416,952,219	236,143,188	428,247,519	133,653,894	230,522,591	283,797,182	29,495,102	421,583,178
Liabilities												
Bills payable	0.0%	21,848,270	-	-	-	-	-	-	-	-	-	21,848,270
Borrowings	10.1%	312,925,106	33,593,924	129,395,726	81,758,922	29,616,731	13,099,389	3,634,279	6,463,258	15,362,877	-	-
Deposits and other accounts	4.0%	3,018,147,709	1,605,631,447	92,855,650	64,016,936	72,939,727	18,293,487	79,321,676	4,558,165	588,979	-	1,079,941,642
Liabilities against assets subject to finance lease	9.9%	133,598	78,116	-	-	-	-	55,482	-	-	-	-
Lease liability against right of use assets	10.0%	8,360,755	-	20,960	69,732	461,203	643,301	788,395	1,849,562	3,046,610	1,480,992	-
Other liabilities	0.0%	196,962,495	847,788	-	-	-	-	-	-	-	-	196,114,706
		3,558,377,933	1,640,151,275	222,272,336	145,845,590	103,017,659	32,036,178	83,799,832	12,870,985	18,998,466	1,480,992	1,297,904,618
On-balance sheet gap		192,729,288	(1,018,076,643)	726,365,384	271,106,630	133,125,529	396,211,341	49,854,062	217,651,606	264,798,716	28,014,110	(876,321,440)
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transaction		1,582,757,532	-	-	-	-	-	-	-	-	-	1,582,757,532
Commitments in respect of:												
- forward foreign exchange contracts		104,828,900	18,483,677	9,917,130	74,965,217	1,462,876	-	-	-	-	-	-
- forward government securities transactions		22,180,109	-	(171,626)	-	22,793,079	-	-	(441,343)	-	-	-
Commitments for acquisition of:												
- operating fixed assets		826,737	344,837	314,748	50,916	116,236	-					
Other commitments		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		1,710,593,278	18,828,514	10,060,252	75,016,133	24,372,191	-	-	(441,343)	-	-	1,582,757,532
Total Yield/Interest Risk Sensitivity Gap			(999,248,130)	736,425,636	346,122,763	157,497,720	396,211,341	49,854,062	217,210,263	264,798,716	28,014,110	706,436,092
Cumulative Yield/Interest Risk Sensitivity Gap			(999,248,130)	(262,822,493)	83,300,269	240,797,989	637,009,330	686,863,392	904,073,655	1,168,872,370	1,196,886,480	1,903,322,572

	2020											
	Effective Yield/ Interest rate	Total	Exposed to Yield/ Interest risk									Non-interest bearing financial instruments
			Upto 1 Month	Over 1 to 3 Months	Over 3 to 6 Months	Over 6 Months to 1 Year	Over 1 to 2 Years	Over 2 to 3 Years	Over 3 to 5 Years	Over 5 to 10 Years	Above 10 Years	
		(Rupees in '000)										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.0%	249,969,566	24,564,578	-	-	3,574,948	-	-	-	-	-	221,830,039
Balances with other banks	8.3%	15,015,366	5,167,970	364,979	455,390	690,430	-	-	-	-	-	8,336,597
Lending to financial institutions	6.6%	126,804,675	126,804,675	-	-	-	-	-	-	-	-	-
Investments	11.3%	1,466,405,373	167,155,470	466,849,352	45,910,297	105,037,751	93,635,069	139,693,515	124,152,455	237,876,476	10,399,389	75,695,600
Advances	9.0%	983,871,421	228,603,203	354,991,745	140,752,581	66,108,285	16,909,414	48,488,652	72,419,084	28,992,848	25,391,406	1,214,202
Other assets	0.0%	59,589,279	411,322	-	5,775	133,351	-	246	8,341	-	-	59,030,243
		2,901,655,680	552,707,218	822,206,076	187,124,043	175,544,765	110,544,483	188,182,413	196,579,880	266,869,324	35,790,795	366,106,681
Liabilities												
Bills payable	0.0%	16,795,186	-	-	-	-	-	-	-	-	-	16,795,186
Borrowings	6.6%	138,539,005	10,688,517	10,993,746	56,908,784	42,516,430	2,392,766	3,509,557	6,420,414	5,108,790	-	-
Deposits and other accounts	5.2%	2,418,928,469	1,295,603,069	88,051,369	32,233,664	52,812,308	12,050,442	3,913,846	13,040,142	652,508	-	920,571,121
Liabilities against assets subject to finance lease	9.1%	197,224	-	-	-	73,481	-	123,743	-	-	-	-
Lease liability against right of use assets	10.0%	7,869,355	41	21,491	58,035	212,985	812,047	816,618	1,820,743	2,838,255	1,289,140	-
Other liabilities	0.0%	154,209,188	280,806	-	9,487	-	-	-	-	-	-	153,918,895
		2,736,538,427	1,306,572,433	99,066,606	89,209,970	95,615,204	15,255,255	8,363,764	21,281,299	8,599,553	1,289,140	1,091,285,202
On-balance sheet gap		165,117,253	(753,865,215)	723,139,470	97,914,073	79,929,561	95,289,228	179,818,649	175,298,581	258,269,771	34,501,655	(725,178,521)
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transaction		1,096,347,086	-	-	-	-	-	-	-	-	-	1,096,347,086
Commitments in respect of:												
- forward foreign exchange contracts		125,163,364	30,923,782	86,543,418	6,097,820	1,598,344	-	-	-	-	-	-
- forward government securities transactions		(26,632,678)	(26,632,678)	-	-	-	-	-	-	-	-	-
Commitments for acquisition of:												
- operating fixed assets		632,619	414,641	92,492	32,492	92,994	-	-	-	-	-	-
Other commitments		-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet gap		1,195,510,391	4,705,745	86,635,910	6,130,312	1,691,338	-	-	-	-	-	1,096,347,086
Total Yield / Interest Risk Sensitivity Gap			(749,159,470)	809,775,380	104,044,385	81,620,899	95,289,228	179,818,649	175,298,581	258,269,771	34,501,655	371,168,565
Cumulative Yield / Interest Risk Sensitivity Gap			(749,159,470)	60,615,910	164,660,295	246,281,195	341,570,423	521,389,072	696,687,653	954,957,425	989,459,079	1,360,627,644

	2021	2020
	----------- (Rupees in '000) -----------	

48.2.2.6 Reconciliation of Financial Assets and Liabilities with Total Assets and Liabilities

	2021	2020
Total Financial Assets as per note 48.2.2.5	**3,751,107,222**	2,901,655,680
Add: Non-Financial Assets		
Fixed assets	**54,833,801**	55,086,809
Intangible assets	**1,171,446**	1,022,143
Right of Use Assets	**7,090,980**	7,017,020
Deferred tax assets	**1,902,811**	-
Other assets	**40,928,687**	52,428,340
	105,927,725	115,554,312
Total assets as per statement of financial position	**3,857,034,947**	3,017,209,992
Total Financial Liabilities as per note 48.2.2.5	**3,558,377,933**	2,736,538,427
Add: Non-Financial Liabilities		
Deferred tax liabilities	**-**	2,933,124
Other liabilities	**3,633,633**	3,336,159
	3,633,633	6,269,283
Total liabilities as per statement of financial position	**3,562,011,566**	2,742,807,710

Yield Risk is the risk of decline in earnings due to adverse movement of the yield curve. Interest rate risk is the risk that the value of the financial instrument will fluctuate due to changes in the market interest rates.

In the case of off-balance sheet financial instruments, disclose information about the extent and nature, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows. Further, disclose the bank's Yield/ Interest risk management objectives and policies.

The repricing profile should be based on the remaining period to the next interest repricing date. Derivatives financial instruments that have been used for asset and liability management purposes to hedge exposure to interest rate risk should be incorporated in the repricing profiles of the related hedged assets and liabilities. The loan provisions has to be deducted from related class of asset.

48.2.3 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputational risks. To mitigate, an Operational Risk Management (ORM) Framework has been developed to align the Group's operations with sound practices of operational risk by Basel framework. ORM Framework provides guidance for setting the operational risk strategy of the Group, selection and adoption of risk and loss measurement tools, reporting, and establishment of operational risk management processes.

Operational risks are a core component of doing business arising from the day-to-day operational activities of the Group including launching of new products and services by the Group. Group realizes that operational risks cannot be fully mitigated, it therefore determines an appropriate balance between accepting potential losses and incurring costs of mitigation.

Further, the Group has adopted a comprehensive Operational Risk Management Strategy and Operational Risk Tolerance limits approved by the Board in-line with Basel framework. Furthermore, the Group has rolled-out Operational Loss Data Collection Mechanism whereby field functionaries and Groups/Divisions at head office are responsible to report operational losses under their jurisdictions on a certain frequency. Operational loss events are reviewed and appropriate corrective measures are taken on an ongoing basis. Risk Evaluation exercise is carried out for new products, processes and systems as per the operational risk policy of the group.

The Group has also conducted analysis of major Operational Risk Incidents covering key control lapses and accordingly suggested recommendations & mitigations. As per Basel regulatory framework, the Group calculates capital charge for its operational risk using Basic Indicator Approach. This approach is considered most suitable in view of the business model of the Group which relies on an extensive network of branches to offer Grouping services to its customers.

Moreover, the Group closely monitored the situation and undertaken required actions to ensure the safety and security of Group staff and maintenance of service to its customers. The Senior Management of the Group including the Covid Crises Management Team closely monitored the situation, and took timely decisions to resolve any concerns.

The Group continued to take measures to ensure the maintenance of their service levels, resolved customer complaints to meet the expectations of its stakeholders.

The Group's operations stayed highly resilient and the Group deployed all necessary measures for the health and safety of its employees to prevent them from the pandemic situation.

48.2.4 Information Security Risk

Cyber Security is one of our top priority risks. Considering extensive customer base and increasing digital footprint, mechanism has been devised for upscaling of technology infrastructure and related channels from information security standpoint. Further, due to evolving cyber threat landscape, the Group has taken appropriate actions to monitor and respond to cybersecurity risks and adopted a heightened state of cybersecurity. We are living in the highly technology dependent environment, where most of the business functions are performed with information technology for storing, processing and sharing information; the information "assets" that are being used to store, process and transmit the information, face various types of threats. If threats get materialized and are able to exploit the vulnerabilities (weaknesses) present in these information assets, the confidentiality, integrity and availability of information get compromised. In order to mitigate the risks, certain controls and counter-measures need to be assessed and implemented. The Group has devised a governance mechanism to manage related risks through development of Policies and Framework, and deployed security tools to ensure adequate implementation of internal controls and monitoring of security threats within technology infrastructure.

Our staff is first line of defence against any cyber attacks therefore the Group regularly assesses the information security controls and undertake employees' awareness and trainings. The Group works with its key technology partners to ensure that potential vulnerable systems are identified and appropriate controls, updates and patches are implemented to secure the systems. The Group is actively communicating with its customers on interacting with the Group in a secure manner through its full suite of channels including online and digital Grouping.

In the late hours of October 29, 2021 and early morning of October 30, 2021, the Bank's IT Infrastructure came under a cyberattack. As a result, NBP's business-critical servers along with several workstations went down which disrupted the business operations. The services primarily running on the Windows operating system were impacted. A committee was formed to keep track of the systems affected and their restorations. The status of the systems that were affected as a result of cyberattack and their restorations was also reported to the State Bank of Pakistan. The management has also taken on board various vendors to assist the Bank in carrying out analysis of the potential lapses that led to the attack and also to take initiatives and develop processes for dealing with such events in future. The systems of the Bank are up and running and as per management's assessment, there is no impact on the Bank's IT infrastructure as a result of cyberattack. The management is cognizant of the fact that cyber security is a top priority risk and the Bank is taking appropriate steps to monitor and respond to it.

48.2.5 Enterprise-wide Risk

In addition to the above mentioned risks, the Group has a structure to identify residual material risks on periodic basis. The source of these reports includes, but not limited to, the Board approved Internal Capital Adequacy and Assessment Process (ICAAP), which commensurate risks over and above those which directly occurs as a result of daily business and operations of the Group. These risks include Concentration Risk, Interest Rate Risk in Grouping Book (IRRBB), Increase in NPL Categories, Reputational Risk, Strategic Risk, etc.

Moreover, all those brewing risks that are material and arise within the Group or due to inherent behaviour of country's market and economic conditions, whether in isolation or in combinations are covered under the Group-wide Recovery Plan. These risks are monitored on certain frequency and corrective actions are taken as and when deemed necessary.

Group's Stress-testing framework, comprises of tools, to deliver a timely assessment of the resilience of the Group's capital under stressed conditions to the senior management. It encompasses simplest to sophisticated stress testing methods to capture the abnormal movement of market and economy based indicators and to translate such scenarios into projections of Group's profitability and capital planning.

This framework paves the way to a quantitative, forward-looking assessment of capital adequacy (movement/ level of Capital Adequacy Ratio (CAR) of the Group) to provide an indication of how much capital might be needed to absorb losses. It helps in identifying potential vulnerabilities within the Group and assessing solvency by applying plausible/ past adverse scenarios under extreme conditions.

48.2.6 Liquidity Risk

Liquidity risk is the risk of loss to a Group arising from its inability to meet obligations as they fall due or to fund growth in assets, without incurring unacceptable costs or losses. More simply, liquidity risk is the possibility that a Group will be unable to meet its financial commitment to a customer, creditor, or investor when due, in a timely and cost-effective manner.

To mitigate this risk, Group has arranged diversified funding sources, manages specific assets with liquidity in mind and monitors liquidity on daily basis. In addition, the Group maintains statutory deposits with central Groups inside and outside Pakistan. The purpose of liquidity management is to ensure that there are sufficient cash flows to meet all of the Group's liabilities when due, under both normal and stressed conditions without incurring unacceptable losses, as well as to capitalize on opportunities for business expansion and profitability. This includes the Group's ability to meet deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature and to make new loans and investments, as opportunities arise.

Asset and Liability Committee (ALCO) is responsible for ensuring that the Group has adequate liquidity and monitors liquidity gaps, to execute this responsibility. Mandatory as well as advanced/ optional stress testing and ratio based liquidity assessments are performed to proactively identify and manage liquidity position, needs /requirements. Group has various limits / ratios, triggers and management actions in place to monitor and mitigate liquidity risk. The Group calculates and monitors, on regular basis, Basel-III Liquidity standards (includes LCR, NSFR and LMTs), liquidity ratios as per SBP parameters besides other internal liquidity measures.

48.2.6.1 Maturities of Assets and Liabilities - based on contractual maturity of the assets and liabilities of the Grou

2021

	Total	**Upto 1 Day**	**Over 1 to 7 days**	**Over 7 to 14 days**	**Over 14 days to 1 month**	**Over 1 to 2 months**	**Over 2 to 3 months**	**Over 3 to 6 months**	**Over 6 to 9 months**	**Over 9 months to 1 year**	**Over 1 to 2 years**	**Over 2 to 3 years**	**Over 3 to 5 years**	**Over 5 years**
			(Rupees in '000)											
Assets														
Cash and balances with treasury banks	**278,868,736**	**275,944,884**	**44**	**-**	**1,689,838**	**1,790**	**1,312**	**1,230,868**	**-**	**-**	**-**	**-**	**-**	**-**
Balances with other banks	**19,211,237**	**14,058,290**	**1,179,175**	**564,725**	**533,617**	**401,660**	**978,671**	**728,951**	**766,148**	**-**	**-**	**-**	**-**	**-**
Lendings to financial institutions	**335,466,675**	**2,405,644**	**274,914,137**	**28,146,895**	**-**	**-**	**-**	**30,000,000**	**-**	**-**	**-**	**-**	**-**	**-**
Investments	**1,942,741,191**	**5,930,381**	**611,150**	**40,375,405**	**4,704,040**	**116,295,658**	**484,786,384**	**163,339,043**	**79,413,300**	**106,995,926**	**417,599,594**	**142,824,222**	**134,858,789**	**245,007,299**
Advances	**1,113,314,128**	**319,029,873**	**3,305,102**	**2,934,122**	**49,957,744**	**68,514,293**	**32,145,072**	**99,618,166**	**44,682,449**	**56,210,932**	**56,918,407**	**90,680,852**	**127,063,315**	**162,253,800**
Fixed assets	**54,833,801**	**215**	**-**	**-**	**23,071**	**9,888**	**30,445**	**-**	**-**	**1,013,603**	**2,401,684**	**851,344**	**1,708,546**	**48,795,006**
Intangible assets	**1,171,446**	**-**	**-**	**-**	**-**	**-**	**926**	**1,853**	**2,779**	**170,478**	**168,337**	**168,147**	**96,372**	**562,553**
Right of use assets	**7,090,980**	**343**	**2,058**	**2,401**	**5,488**	**27,972**	**10,754**	**84,790**	**103,680**	**142,356**	**777,268**	**592,581**	**1,456,282**	**3,885,007**
Deferred tax assets	**1,902,811**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**212,593**	**62,366**	**2,203**	**-**	**1,625,649**	**-**
Other assets	**102,433,942**	**18,303,153**	**867,181**	**269,736**	**240,256**	**17,500,804**	**16,992,000**	**12,596,172**	**1,388,113**	**1,369,429**	**29,274,348**	**725,138**	**1,087,707**	**1,819,904**
	3,857,034,947	**635,672,783**	**280,878,847**	**72,293,284**	**57,154,054**	**202,752,065**	**534,945,564**	**307,599,843**	**126,569,064**	**165,965,090**	**507,141,841**	**235,842,284**	**267,896,660**	**462,323,569**
Liabilities														
Bills payable	**21,848,270**	**21,848,270**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Borrowings	**312,925,106**	**60,004**	**2,886,366**	**27,335,647**	**3,311,907**	**108,642,330**	**20,753,395**	**81,758,922**	**26,987,971**	**2,628,760**	**13,099,389**	**3,634,279**	**6,463,258**	**15,362,877**
Deposits and other accounts	**3,018,147,709**	**2,544,464,772**	**26,553,859**	**11,971,222**	**92,050,351**	**76,536,916**	**17,074,721**	**83,328,141**	**32,764,725**	**27,549,128**	**12,326,386**	**85,151,041**	**7,060,714**	**1,315,732**
Liabilities against assets subject to finance lease	**133,598**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**78,113**	**-**	**55,485**	**-**	**-**
Lease liability against right of use assets	**8,360,755**	**-**	**-**	**-**	**-**	**20,497**	**463**	**69,732**	**92,367**	**358,411**	**721,743**	**804,651**	**1,765,289**	**4,527,602**
Deferred tax liabilities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Other liabilities	**200,596,128**	**86,093,504**	**838,824**	**30,252**	**714,543**	**6,177,726**	**6,119,874**	**29,277,808**	**1,828,346**	**1,843,990**	**25,961,044**	**8,538,736**	**16,576,941**	**16,594,540**
	3,562,011,566	**2,652,466,550**	**30,279,049**	**39,337,122**	**96,076,801**	**191,377,469**	**43,948,453**	**194,434,603**	**61,673,409**	**32,458,402**	**52,108,562**	**98,184,192**	**31,866,202**	**37,800,751**
Net assets	**295,023,381**	**(2,016,793,767)**	**250,599,798**	**32,956,162**	**(38,922,746)**	**11,374,596**	**490,997,111**	**113,165,240**	**64,895,655**	**133,506,688**	**455,033,279**	**137,658,091**	**236,030,458**	**424,522,819**
Share capital	**21,275,131**													
Reserves	**62,427,269**													
Unappropriated profit	**145,312,547**													
Surplus on revaluation of assets	**64,994,980**													
Non-controlling interest	**1,013,454**													
	295,023,381													

2020

	Total	Upto 1 Day	Over 1 to 7 days	Over 7 to 14 days	Over 14 days to 1 month	Over 1 to 2 months	Over 2 to 3 months	Over 3 to 6 months	Over 6 to 9 months	Over 9 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 years
			(Rupees in '000)											
Assets														
Cash and balances with treasury banks	249,969,566	245,059,070	845,550	-	489,997	-	-	-	-	3,574,948	-	-	-	-
Balances with other banks	15,015,366	9,199,199	2,659,756	-	1,645,612	205,127	159,852	455,390	308,490	381,940	-	-	-	-
Lendings to financial institutions	126,804,675	-	122,804,675	2,300,000	1,700,000	-	-	-	-	-	-	-	-	-
Investments	1,466,405,373	7,505,285	983,775	128,486,813	30,179,598	230,232,181	236,617,171	45,910,297	113,118,951	39,062,131	97,899,248	157,346,293	125,301,464	253,762,168
Advances	983,871,421	334,403,880	1,854,530	3,454,238	32,164,790	59,734,019	16,613,801	60,217,771	30,309,223	30,140,836	41,668,685	78,281,159	157,296,409	137,732,080
Fixed assets	55,086,809	-	-	-	53,118	22,765	40,105	2,135	-	893,464	2,879,531	734,166	1,617,909	48,843,616
Intangible assets	1,022,143	91	546	637	1,455	2,728	2,728	8,877	8,184	109,455	131,741	127,175	65,974	562,553
Right of use assets	7,017,020	-	-	-	201	14,649	5,276	51,391	29,405	201,414	683,219	736,833	1,528,327	3,766,306
Other assets	112,017,619	17,062,228	255,641	-	941,238	17,934,892	18,136,013	10,892,766	1,206,337	1,204,129	38,266,979	3,351,081	2,762,030	4,284
	3,017,209,992	613,229,753	129,404,473	134,241,688	67,176,009	308,146,361	271,574,946	117,538,627	144,980,590	75,568,317	181,529,403	240,576,707	288,572,113	444,671,007
Liabilities														
Bills payable	16,795,186	16,795,186	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	138,539,005	1,966,540	-	5,266,007	3,455,970	4,727,114	6,266,632	56,908,784	41,474,224	1,042,206	2,392,766	3,509,557	6,420,414	5,108,790
Deposits and other accounts	2,418,928,469	2,067,874,191	23,713,202	11,128,935	102,766,802	51,070,288	13,467,529	66,056,859	20,877,326	18,483,105	12,454,175	8,477,921	21,086,963	1,471,175
Liabilities against assets subject to finance lease	197,224	-	-	-	-	-	-	-	-	73,480	-	-	123,744	-
Lease liability against right of use assets	7,869,355	-	-	-	41	15,141	6,349	58,035	25,319	194,773	870,055	674,695	1,897,552	4,127,395
Deferred tax liabilities	2,933,124	-	-	-	-	-	-	-	-	2,275	-	-	2,930,849	-
Other liabilities	157,545,347	61,524,307	731,652	280,904	1,092,932	9,347,200	24,852,920	15,236,144	1,210,882	1,141,620	15,947,785	5,339,632	10,747,569	10,091,800
	2,742,807,710	2,148,160,224	24,444,854	16,675,846	107,315,745	65,159,743	44,593,430	138,259,822	63,587,751	20,937,459	31,664,781	18,001,805	43,207,091	20,799,160
Net assets	274,402,282	(1,534,930,471)	104,959,619	117,565,842	(40,139,734)	242,986,618	226,981,516	(20,721,195)	81,392,839	54,630,858	149,864,622	222,574,902	245,365,022	423,871,847
Share capital	21,275,131													
Reserves	57,591,417													
Unappropriated profit	120,631,784													
Surplus/(Deficit) on revaluation of assets	73,987,802													
Non-controlling interest	916,148													
	274,402,282													

48.2.6.2 Maturities of assets and liabilities - based on expected maturities of the assets and liabilities of the Group

	2021									
	Total	**Upto 1 Month**	**Over 1 to 3 months**	**Over 3 to 6 months**	**Over 6 months to 1 year**	**Over 1 to 2 years**	**Over 2 to 3 years**	**Over 3 to 5 years**	**Over 5 to 10 years**	**Above 10 years**
	----- (Rupees in '000) -----									
Assets										
Cash and balances with treasury banks	278,868,736	173,801,956	4,355,501	47,906,066	46,675,198	6,130,015	-	-	-	-
Balances with other banks	19,211,237	16,415,203	1,300,935	728,951	766,148	-	-	-	-	-
Lendings to financial institutions	335,466,675	305,466,675	-	30,000,000	-	-	-	-	-	-
Investments	1,942,741,191	64,652,329	644,716,403	139,330,956	158,840,696	415,356,424	142,327,662	134,189,408	231,088,253	12,239,061
Advances	1,113,314,128	308,024,550	184,249,818	91,475,278	92,648,910	56,918,407	90,680,852	127,062,513	89,148,053	73,105,747
Fixed assets	54,833,801	23,286	40,333	-	1,013,603	2,401,684	876,223	1,683,667	55,286	48,739,719
Intangible assets	1,171,446	3,240	6,480	9,720	177,315	206,477	205,660	-	562,553	-
Right of use assets	7,090,980	4,802	38,726	84,790	215,166	777,268	592,581	1,456,282	2,694,177	1,227,188
Deferred tax assets	1,902,811	-	-	-	274,957	2,203	-	1,625,649	-	-
Other assets	102,433,942	43,031,146	14,119,381	9,617,316	2,757,559	29,274,331	725,138	1,458,795	1,450,276	-
	3,857,034,947	911,423,187	848,827,577	319,153,077	303,369,552	511,066,809	235,408,116	267,476,314	324,998,598	135,311,715
Liabilities										
Bills payable	21,848,270	11,785,882	526,963	6,702,452	361,471	2,471,502	-	-	-	-
Borrowings	312,925,106	33,593,924	129,395,726	81,758,922	29,616,731	13,099,389	3,634,279	6,463,258	15,362,877	-
Deposits and other accounts	3,018,147,709	762,860,692	185,078,506	296,787,793	462,965,151	413,860,284	486,684,939	408,594,611	1,315,732	-
Liabilities against assets subject to finance lease	133,598	78,116	-	-	-	-	55,482	-	-	-
Lease liability against right of use assets	8,360,755	-	20,960	69,732	361,900	810,621	804,651	1,765,289	3,046,610	1,480,992
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Other liabilities	200,596,128	80,078,936	18,522,674	30,668,659	3,654,598	25,961,044	8,538,736	16,946,569	8,112,456	8,112,456
	3,562,011,566	888,397,550	333,544,829	415,987,558	496,959,851	456,202,840	499,718,087	433,769,727	27,837,675	9,593,448
Net assets	295,023,381	23,025,637	515,282,747	(96,834,480)	(193,590,299)	54,863,970	(264,309,971)	(166,293,413)	297,160,922	125,718,266
Share capital	21,275,131									
Reserves	62,427,269									
Unappropriated profit	145,312,547									
Surplus/(Deficit) on revaluation of assets	64,994,980									
Non-controlling interest	1,013,454									
	295,023,381									

	Total	Upto 1 Month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years	Over 5 to 10 years	Above 10 years
	----- (Rupees in '000) -----									
Assets										
Cash and balances with treasury banks	249,969,566	150,576,268	1,763,659	45,629,218	49,204,166	2,796,253	-	-	-	-
Balances with other banks	15,015,366	13,504,566	364,979	455,390	690,430	-	-	-	-	-
Lendings to financial institutions	126,804,675	126,804,675	-	-	-	-	-	-	-	-
Investments	1,466,405,373	167,155,470	466,849,352	45,910,297	153,236,466	97,899,248	157,346,293	125,301,464	237,876,475	14,830,308
Advances	983,871,421	303,935,213	149,736,917	56,019,840	59,209,071	41,668,685	78,281,159	157,288,456	86,006,957	51,725,124
Fixed assets	55,086,809	53,118	62,870	2,135	893,464	2,879,531	734,166	1,617,909	69,073	48,774,543
Intangible assets	1,022,143	91	-	1,239	133,371	131,741	127,175	65,974	562,553	-
Right of use assets	7,017,020	201	19,924	51,391	230,818	683,219	736,834	1,528,327	2,628,348	1,137,958
Other assets	112,017,619	38,346,832	17,560,952	9,314,994	2,410,468	38,266,979	3,351,081	2,766,313	-	-
	3,017,209,992	800,376,434	636,358,654	157,384,504	266,008,254	184,325,655	240,576,708	288,568,443	327,143,406	116,467,933
Liabilities										
Bills payable	16,795,186	8,784,880	499,727	6,439,082	194,485	877,012	-	-	-	-
Borrowings	138,539,005	10,688,517	10,993,746	56,908,784	42,516,430	2,392,766	3,509,557	6,420,414	5,108,790	-
Deposits and other accounts	2,418,928,469	691,637,237	118,540,644	338,032,867	336,495,938	309,364,692	305,388,438	317,997,480	1,471,174	-
Liabilities against assets subject to finance lease	197,224	-	-	-	73,480	-	-	123,744	-	-
Lease liability against right of use assets	7,869,355	14,255	21,491	58,035	233,248	848,036	669,345	1,897,552	2,838,255	1,289,138
Deferred tax liabilities	2,933,124	-	-	-	2,278	-	-	2,930,846	-	-
Other liabilities	157,545,347	58,181,892	38,344,563	15,612,721	3,279,386	15,947,785	5,339,632	10,747,569	5,053,492	5,038,308
	2,742,807,710	769,306,781	168,400,171	417,051,488	382,795,245	329,430,291	314,906,972	340,117,605	14,471,711	6,327,446
Net assets	274,402,282	31,069,653	467,958,484	(259,666,984)	(116,786,991)	(145,104,636)	(74,330,264)	(51,549,162)	312,671,696	110,140,487
Share capital	21,275,131									
Reserves	57,591,417									
Unappropriated profit	120,631,784									
Surplus/(Deficit) on revaluation of assets	73,987,802									
Non-controlling interest	916,148									
	274,402,282									

48.2.7 Derivative Risk

A derivative is a contract that derives its value from the performance of an underlying asset which can be an index, interest rate, commodity price, security price, FX rate etc. Derivatives include forwards, futures, foreign currency and interest rate swaps, options etc. In Pakistan, futures and forwards are most commonly traded derivatives.

Currently, the Group is not an active participant in the Pakistan derivatives market as it does not hold an Authorized Derivative Dealer (ADD) licence to perform derivate contracts. Once acquired, the Group will carry out the transactions which are permitted under the Financial Derivatives Business Regulations issued by the SBP, which may include Interest rate swaps, forward rate agreements, foreign currency options etc.

Moreover, the Group may also offer other derivative products to satisfy customer requirements, specific approval of which will be sought from the SBP on a transaction by transaction basis.

49. EVENTS AFTER THE REPORTING DATE

The Board of Directors has proposed a cash dividend of Rs. 1 per share (2020: Rs. Nil per share) amounting to Rs. 2,127.513 million (2020: Rs. Nil) at its meeting held on March 08, 2022 for approval of the members at the annual general meeting to be held on March 30, 2022. These consolidated financial statements do not reflect this appropriation as explained in note 5.22.

50. CORRESPONDING FIGURES

Certain corresponding figures have been reclassified wherever necessary to confirm to the presentation adopted in the current year.

51. GENERAL

51.1 Figures have been rounded off to the nearest thousand rupees.

52. DATE OF AUTHORIZATION FOR ISSUE

These consolidated financial statements were authorized for issue on March 8, 2022, by the Board of Directors of the Bank.

Chairman	President / Chief Executive Officer	Chief Financial Officer	Director	Director

Annexure - I

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF FIVE HUNDRED THOUSAND RUPEES OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2021

Rs. In 000

	Name & Address of the borrower	Name of Individuals/Partners/ Directors with NIC No.	Fathers/Husband's name.	Outstanding liabilities at beginning of year				Principal written-Off	Interest/ Mark-up written off.	Other financial relief/waiver provided.	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
1	2	3	4	5	6	7	8	9	10	11	12
1	M/S.Qureshi Brothers, Bahawalpur.	Muhammad Ayyub Qureshi 31202-2263837.3	Abdul Shakoor	1,500	1,418	22	2,940	-	-	500	500
		Abdul Samad 31202-1515844.9	Abdul Shakoor								
		Abdul Qayyum 31202-7537115-9	Abdul Shakoor								
		Abdul Rauf 34402-1710024-7	Abdul Shakoor								
		Mst.Sultana Begum 31202-9609925.0	Abdul Shakoor								
		Mst Anjum Shakoor 37405-3577028.0	Abdul Shakoor								
		Mst Shazia Erum 34402-1635588-2	Abdul Shakoor								
2	Khuda Bukhsh City Branch, Liaquatpur	Khuda Bukhsh 31302-5411764-9	Faqir Bukhsh	634	-	-	634	634	-	-	634
3	Syed Waqar Shafaq CITY BRANCH LIAQUATPUR	Syed Waqar Shafaq 31302-8345377-9	Syed Abdullah Ashfaq Ahmed Shafaq	653	-	-	653	653	-	-	653
4	Saifullah Khan Uchsharif Branch (0703)	Saifullah Khan 31201-5382470-9	Hasoor Bukhsh	587	-	-	587	587	-	-	587
5	Shah Zaman Khan Chatter the & distt Muz AK	Shah Zaman Khan 82203-4459614-3	Faqeer Muhammad	600	-	-	600	600	-	-	600
6	Safdar Hussain Kudal shahi Branch, AK (0693)	Safdar Hussain 82202-9207727-5	Muhammad Hussain	563	-	-	563	563	-	-	563
7	Muhammad Aslam(Late) House No. 10-9/381 Mohala Kili Deba Arbab Ali Road Quetta	Muhammad Aslam (Late) 54400-0468311-7	Muhammad Akbar	542	-	-	542	541	-	-	541
8	Ameer Ali Magsi Goth Bujarani Tehsil Jal Magsi.	Ameer Ali Magsi 53302-2093074-5 .	Sher Muhammad	673	143	-	816	673	-	-	673
9	Late Rab Rakhio S/o Dur Muhammad Mughari Village Pandhi Khan Mughari Taluka Kamber District Kamber -Shahdadkot	Late Rab Rakhio 43202-7530861-9	Dur Muhammad Mughari	511	-	-	511	511	-	-	511
10	Late Ashraf Ali S/o Wahid Behleem Villafe Garhi Sutto P.O Jean Abro Taluka Kamber Ali Khan Distict Kamber - Shahdadkot	Late Ashraf Ali 43202-0732537-5	Wahid Behleem	795	-	-	795	795	-	-	795

	Name & Address of the borrower	Name of Individuals/Partners/ Directors with NIC No.	Fathers/Husband's name.	Outstanding liabilities at beginning of year				Principal written-Off	Interest/ Mark-up written off.	Other financial relief/waiver provided.	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
11	Late Ameer Ali S/o Muhammad Patoojo Villafe Mahi Makol P.O Mahi Makol Menhoon Taluka KamberAli Khan Distict Kamber - Shahdadkot	Late Ameer Ali 43202-6449204-5	Muhammad Patoojo	818	-	-	818	818	-	-	818
12	Late Ghulam Mustafa S/o Mir Bakhshal Khan Muhall Drib P.O Shahdadkot District Kamber - Shahdakot	Late Ghulam Mustafa 43201-1458511-1	Mir Bakhshal Khan	973	-	-	973	973	-	-	973
13	Late Muhammad Younis S/o Ahmed Lashari Village Aitbar Khan Chandio P.O Shahdadkot District Kamber - Shahdakot	Late Muhammad Younis 43206-6395654-1	Ahmed Lashari	862	-	-	862	862	-	-	862
14	Late Rehmatullah S/o Bagh Ali Alias Biju Residence of Khanpur road House No.394/41 Muhalla Sanjrani Shikarpur	Late Rehmatullah 43304-649922-7	Bagh Ali Alias Biju	809	-	-	809	809	-	-	809
15	Late Ashique Ali S/o Muhammad Nawaz Juj New Nazar Muhalla Larkana	Late Ashique Ali 43203-5561356-7	Muhammad Nawaz Juj	618	-	-	618	618	-	-	618
16	Late Wazir Ahmed S/O Rasool Bux Panhwar Village Pechoha Dist: Dadu	Late Wazir Ahmed 41201-3227942-5	Rasool Bux Panhwar	814	-	-	814	814	-	-	814
17	Late Abdul Razaq S/O Abdul Qadir Thahem First Famli Line Jacobabad	Late Abdul Razaq 43102--2477711-3	Abdul Qadir Thahem	588	-	-	588	588	-	-	588
18	Late Imdad Hussain S/O Datar Dino Abbasi Near Al Hussani Masjid Muhalla Kalhora Abad Dist Larkana	Late Imdad Hussain 43203-9719026-1	Datar Dino Abbasi	710	-	-	710	710	-	-	710
19	Late Ali Akbar S/O Muhram Khan Sodhar Village Faiz Muhammad Sodhar P.O Warrah	Late Ali Akbar 43207-0172083-9	Muhram Khan Sodhar	835	-	-	835	835	-	-	835
20	Late Zulifqar Ali S/O Roshan Buriro Village Khamiso Kalhoro Warrah Distt: Kamber Shahdadkot	Late Zulifqar Ali 43207-6721647-7	Roshan Buriro	652	-	-	652	652	-	-	652
21	Late: Abdul Razaque S/O Muhammad Umar Leghari Muhalla Jaffarabad Jacobabad	Late: Abdul Razaque 43102-4891098-5	Muhammad Umar Leghari	751	-	-	751	751	-	-	751
22	Late Shoukat Ali Village Raban Wandh Sheranpur P/O Sheranpur Taluka Garhi Yasin	Late Shoukat Ali 43101-6275684-3	Ghous Bux	615	-	-	615	615	-	-	615
23	Late Ghulam Hyder Village Suleman Dool Taluka Thull	Late Ghulam Hyder 43105-4709049-7	Tagio Khan	523	-	-	523	523	-	-	523
24	Late Assadullah Muhalla Galib Nager Taluka & Distt Larkana	Late Assadullah 43203-7645041-1	Ghous Bux Khushk	549	-	-	549	549	-	-	549
25	Late Ghulam Rasool hamidullah Huzoori Mohala Miro Khan Taluka Miro Khan Dist Kamber Ali Khan	Late Ghulam Rasool 43204-1152340-1	Bakshal Kalhoro	752	-	-	752	752	-	-	752
26	Late Aijaz Ali Village Thar Wadho Taluka Miro Khan Dist Kamber Shahdadkot	Late Aijaz Ali 43204-3217325-5	Muhammad Siddiqui Tunio	761	-	-	761	761	-	-	761
27	Mazhar Ali Village P.O Wagan Ghathar Dist Kamber Shahdadkot	Mazhar Ali 43202-9470096-9	Muhram Ali Mirbahar	697	-	-	697	697	-	-	697
28	Peeral Village War Wara Mullan Kakar Taluka K.N Shah	Peeral 41203-7987437-9	Ghulam Hyder Paryo	839	-	-	839	839	-	-	839

	Name & Address of the borrower	Name of Individuals/Partners/ Directors with NIC No.	Fathers/Husband's name.	Outstanding liabilities at beginning of year				Principal written-Off	Interest/ Mark-up written off.	Other financial relief/waiver provided.	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
29	M. Ibrahim Village Faqir Muhammad P.O kakar Taluka K.N Shah	M. Ibrahim 41203-1643237-5	Kando Birahmani	623	-	-	623	623	-	-	623
30	Ali Hassan Shahan Jo Padar Muhalla Lahori Larkana	Ali Hassan 432036939277-5	Rasool Bux Memon	576	-	-	576	576	-	-	576
31	Abdul Rauf VIP Road House No.09 Stret No.04 Muhalla Police Head Quarter Larkana	Abdul Rauf 43203-8203081-9	Haji Ahmed Abbasi	594	-	-	594	594	-	-	594
32	Syed Raham Shah Village Khairo Khan Jatoi P.O Wagan Dist Qamber Shahdadkot	Syed Raham Shah 43207-5448381-7	Himat Ali Shah	562	-	-	562	562	-	-	562
33	Ghulam Muhammad Village Muhalla Ali Abad Larkana	Ghulam Muhammad 43203-1357392-3	Darya Khan Khoso	545	-	-	545	545	-	-	545
34	GUL MOHAMMAD Village Dodani Panhwar Makhdoom Bilawal Dadu	GUL MOHAMMAD 41201-7161285-1	Ali Bux Panhwar	719	-	-	719	719	-	-	719
35	RIAZ AHMED	RIAZ AHMED 43406-0339589-1	Sawan Khan Bhatti	526	-	-	526	526	-	-	526
36	AIJAZ ALI Nanik Wara Muhalla Malik City Kandhkot	AIJAZ ALI 43103-6689918-1	Rahim Bux Malik	654	-	-	654	654	-	-	654
37	GHULAM SARWAR Bhittal Rice Mill Qadri Muhalla Thull	GHULAM SARWAR 43105-4405674-5	Abdul Latif Buriro	563	-	-	563	563	-	-	563
38	NADIR HUSSAIN Village Shangoo Rahoojo P.O Madeji Taluka Garhi Yasin Dist Shikarpur	NADIR HUSSAIN 4330194953997	Ghulam Muhammad Abro	870	-	-	870	870	-	-	870
39	MUHAMMAD SADIQUE Muhalla Nazar Larkana	MUHAMMAD SADIQUE 43102-6489792-9	Sohrab Khan Phulpoto	864	-	-	864	864	-	-	864
40	GHULAM RASOOL Village Daro Napar Taluka Lakhi Ghulam Shah	GHULAM RASOOL 43105-4405674-5	Muhammad Anwar Abro	771	-	-	771	771	-	-	771
41	Late Muhammad Murad Village Deedar P.O Kamber	Late Muhammad Murad 43202-9836503-7	Muhammad Umar Siyal	754	-	-	754	754	-	-	754
42	Late Shabir Ali Village Wali Muhammad Gorar P.O Taluka Mehar	Shabir Ali 41205-3402887-1	Muhammad Panah Chandio	872	-	-	872	872	-	-	872
43	Late Qamaruddin Village Lal Bux Noonari Taluka Thull Dist Jacobabad	Qamaruddin Lashari 43103-8210721-1	Ali Muhammad Lashari	883	-	-	883	883	-	-	883
44	Late Riaz Ahmed Village Lal Bux Noonari Taluka Thull Dist Jacobabad	Riaz Ahmed 43203-2514340-9	Allah Dino soomro	534	-	-	534	534	-	-	534
45	Late Asadullah Village Naou Sobho Khan Jatoi Johi Belo P.O Madeji Taluka Garhi Yasin Dist Shikarpur	Late Asadullah 43202-0732537-5	Shah Bux Jatoi	653	-	-	653	653	-	-	653
46	Late Abdul Khalique Air Port Road Muhalla Allah Abad Larkana	Late Abdul Khalique 43203-6543586-5	Bakhshal khan Shaikh	581	-	-	581	581	-	-	581
47	Late Ghulam Yaseen Muhalla Galib Nager Taluka & Distt Larkana	Late Ghulam Yaseen 43201-4571317-9	Azizullah Soomro	986	-	-	986	986	-	-	986
48	Messrs New Mannan Medical & General Store Mr. Muhammad Rafi, Deceased Partner (CNIC NO.38403-3360023-7) S/o Muhammad Shafi & Mr. Muhammad Raees, alive Partner (CNIC # 38403-5409957-1)S/o Muhammad Rafi	Muhammad Rafi 38403-3360023-7 Muhammad Raees 38403-5409957-1	Muhammad Shafi Muhammad Rafi	3,000	-	3,089	6,089	-	-	1,018	1,018

	Name & Address of the borrower	Name of Individuals/Partners/ Directors with NIC No.	Fathers/Husband's name.	Outstanding liabilities at beginning of year				Principal written-Off	Interest/ Mark-up written off.	Other financial relief/waiver provided.	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
49	Khalid Hussain Ansari, House No.A-1408/47, KRI Quarter Old Sukkur	Khalid Hussain Ansari, 4550499499541	Nisar Hussain	900	-	-	900	900	-	-	900
50	Mushtaque Hyder S/O Muhammad Malook, ward No. 04 Karim Shah Colony Kandiaro Taluka Kandiaro Distt: N. Feroze	Mushtaque Hyder 4530283682401	Muhammad Malook	1,717	-	-	1,717	1,717	-	-	1,717
51	Muhammad Kawish, Arain Wahan Mailsi 36302-1607593-9	Muhammad Kawish 36302-1607593-9	Ashiq Muhammad	2,900	1,603	10	4,513	-	-	534	534
52	Atta Ullah Near Chitti Kothi,Khanewal	Atta Ullah 36302-1607593-9	Imam Bukhsh	638	-	-	638	638	-	-	638
53	Qazi Naveed Akhtar H # CD-148, Muhallah Ghaziabad, Dhoke Syedan, Rawalpindi	Qazi Naveed Akhtar 37405-6372365-3	Qazi Walaiat Hussain	509	-	-	509	509	-	-	509
54	Ghulam Mustafa Nadeem H.No.CB-316, Street # 9D, Aslam Market, Rawalpindi Cantt.	Ghulam Mustafa Nadeem 35303-2058532-7	Aashiq Hussain	596	-	-	596	596	-	-	596
55	Muhammad Akram Leghari S/o Manzoor Ahmed Khan Leghari House no 477-C,Street no 178,G-7/3-1,Islamabad	Muhammad Akram Leghari 61101-7386959-3	Manzooor Ahmed Khan	1,445	95	-	1,540	1,445	-	-	1,445
56	Israr Hussain Shah S/o Sakbar Ali Shah PO Jahala,Lehtrar Bala,Tehsil Kahuta, District Rawalpindi	Israr Hussain Shah 37402-2172503-5	Sakbar Ali Shah	535	-	-	535	535	-	-	535
57	Sheikh Anwar Jamal Houst No.72, Ward No8-M, Street No.02, Mohalla Chah Bohar Wala Multan	Sheikh Anwar Jamal 36302-0386241-9	Sheikh Jamal ud din	602	23	-	625	602	-	-	602
58	Ejaz Hussain P.O. Khas, Mauza Salar Wahan Nau, Kabirwala	Ejaz Hussain 36102-55882240-3	Muhammad Buksh	723	40	-	763	723	-	-	723
59	Riaz Hussain QTR # 3, Ratan Preedy Police, Karachi	Riaz Hussain 42301-0421147-1	Syed Nisar Hussain	677	-	-	677	677	-	-	677
60	Raja Tariq Nawaz (House No.2675 Street #21 Sector I-9 Islamabad)	Raja Tariq Nawaz 61101-2000580-9	Raja Rabnawaz Khan	1,298	55	-	1,353	545	-	-	545
61	UNITED AGRO ENGINEERS ADDRESS: OPPOSITE TELEPHONE EXCHANGE, CIRCULAR ROAD DASKA	Mr. Mirza Yasir 34601-1140979-3 Mr. Muhammad Nasir 34601-5833439-9 Mr. Muhammad Amir 34601-6478093-9 Mr. Muhammad Tayyab Ali 34601-5997769-1	Muhammad Younis Muhammad Younis Muhammad Younis Muhammad Younis	-	75	6	81	-	-	603	603
62	Muhammad Nawaz S/o Muhammed Sharif House # P-223, St - 1, Mohalla Eid gah Jaranwala	Muhammad Nawaz 33104-2248318-5	Muhammed Sharif	878	18	-	896	878	-	-	878
63	SYED SIBAT UL HASSAN Botala Sharam Singh Tehsil & District Gujranwala	SYED SIBAT UL HASSAN 34101-1167496-3	SYED AKBAR SHAH	678	-	-	678	678	-	-	678
64	AGHA DILSHAD HUSSAIN Amin pur Syedan P/o Doburjee Baga Tehsil & District Gujranwala	AGHA DILSHAD HUSSAIN 34101-0984183-9	SYED ASGHAR ALI SHAH	564	-	-	564	564	-	-	564

	Name & Address of the borrower	Name of Individuals/Partners/ Directors with NIC No.	Fathers/Husband's name.	Outstanding liabilities at beginning of year				Principal written-Off	Interest/ Mark-up written off.	Other financial relief/waiver provided.	Total (9+10+11)
				Principal	Interest/ mark-up	Others	Total				
65	Sajjad Ahmed Moh. Khandaq, Kot Najeeb Ullah, Thesil & Distt: Haripur	Sajjad Ahmed 13302-3230010-1	Muhammad Aslam	551	-	-	551	551	-	-	551
66	SAEE MUHAMMAD S/O MUTTAL MONG M.B.DIN	Saee Muhammad 34402-4507559-3	Muttal	549	-	-	549	549	-	-	549
67	GHULAM RASOOL KHAN S/O ABDUL QADIR KHAN AMINABAD GUJRANWALA	Ghulam Rasool Khan 34101-2211426-9	Abdul Qadir Khan	576	-	-	576	576	-	-	576
68	PACE CORPORATION	Mir Salauddin NID No: 3612676893391	Mir Mozzamel Haque	100,091	21,446	209,543	331,080	48,123	21,446	209,543	279,113
69	PACE CORPORATION	Mir Salauddin NID No: 3612676893391	Mir Mozzamel Haque	2,508	523	5,480	8,511	1,280	195	5,480	6,956
70	PACE CORPORATION	Mir Salauddin NID No: 3612676893391	Mir Mozzamel Haque	617	129	1,348	2,093	315	48	1,348	1,711
71	PACE CORPORATION	Mir Salauddin NID No: 3612676893391	Mir Mozzamel Haque	16,253	4,197	36,977	57,427	7,974	1,982	36,977	46,933
72	Fortuna Fried Chicken	Md Fazle Taher NID No: 258779982969	Md. Abu Taher	31,731	34,634	99,150	165,516	-	-	99,150	99,150
73	Propel International Ltd.	Md.Shawquat Azim NID No: 2650898233300	Late Najir Ahmed	93,885	20,114	11,343	125,342	-	-	11,343	11,343
				297,774	**84,513**	**366,969**	**749,257**	**102,228**	**23,672**	**366,497**	**492,397**

Annexure - II

ISLAMIC BANKING BUSINESS

The bank is operating 189 (2020: 191) Islamic banking branches and no Islamic banking windows at the year ended December 31, 2021.

	Note	2021	2020
		(Rupees in '000)	
ASSETS			
Cash and balances with treasury banks		**6,591,139**	5,713,009
Balances with other banks		**12,531**	11,948
Investments	1	**49,548,760**	42,109,641
Islamic financing and related assets - net	2	**42,316,209**	37,546,704
Fixed assets		**100,620**	148,884
Right of use assets (ROUA)		**641,973**	755,116
Other assets		**1,686,568**	2,676,118
Total Assets		**100,897,800**	88,961,420
LIABILITIES			
Bills payable		**388,351**	339,103
Deposits and other accounts	3	**84,849,520**	75,268,262
Due to Head Office		**7,635,926**	4,124,758
Lease liability against right of use assets		**826,081**	903,196
Other liabilities		**455,249**	2,198,144
		94,155,127	82,833,463
NET ASSETS		**6,742,673**	6,127,957
REPRESENTED BY			
Islamic Banking Fund		**4,646,000**	3,360,000
Surplus on revaluation of assets		**594,005**	659,569
Unappropriated / unremitted profit	5	**1,502,668**	2,108,388
		6,742,673	6,127,957

The profit and loss account of the Bank's Islamic banking branches for the year ended December 31, 2021 is as follows:

	Note	2021	2020
		(Rupees in '000)	
Profit / return earned	6	**7,212,495**	7,994,894
Profit / return expensed	7	**(3,180,849)**	(3,456,533)
Net Profit / return		**4,031,646**	4,538,361
Other income			
Fee and Commission Income		**285,694**	367,852
Foreign Exchange Income		**37,404**	56,745
Other Income		**13,218**	1,344
Total other income		**336,316**	425,941
Total Income		**4,367,962**	4,964,302
Other expenses			
Operating expenses		**(2,742,428)**	(2,453,894)
Other charges		**(1,516)**	(2,512)
Total other expenses		**(2,743,944)**	(2,456,406)
Profit before provisions		**1,624,018**	2,507,896
Provisions and write offs - net		**(121,350)**	(399,508)
Profit before taxation		**1,502,668**	2,108,388
Taxation		**-**	-
Profit after taxation		**1,502,668**	2,108,388

1 Investments by segments:	Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
	(Rupees in '000)							
Federal Government Securities:								
-Ijarah Sukuks	**14,000,979**	**-**	**(31,279)**	**13,969,700**	6,000,000	-	15,600	6,015,600
-Others (Bai Muajjal with GOP @ 13.30%)	**10,914,185**	**-**	**-**	**10,914,185**	11,641,133	-	-	11,641,133
	24,915,164	**-**	**(31,279)**	**24,883,885**	17,641,133	-	15,600	17,656,733
Non Government Debt Securities								
-Listed	**8,200,000**	**-**	**340,000**	**8,540,000**	8,400,000	-	311,741	8,711,741
-Unlisted	**15,970,398**	**(130,807)**	**285,284**	**16,124,875**	15,539,747	(130,807)	332,228	15,741,168
	24,170,398	**(130,807)**	**625,284**	**24,664,875**	23,939,747	(130,807)	643,969	24,452,909
Total Investments	**49,085,562**	**(130,807)**	**594,005**	**49,548,760**	41,580,879	(130,807)	659,569	42,109,641

2 Islamic financing and related assets	Note	2021	2020
		(Rupees in '000)	
Ijarah	2.1	**95,075**	168,788
Murabaha	2.2	**903,901**	3,464,401
Diminishing Musharaka		**21,834,074**	17,614,309
Istisna		**-**	50,000
Other Islamic Modes (Wakala tul Istismar)		**8,500,000**	8,500,000
Advances against Islamic assets (Ijarah, Murbaha, DM, Istisna)		**11,226,981**	8,076,678
Inventory related to Islamic financing (Istisna)		**469,000**	275,600
Gross Islamic financing and related assets		**43,029,031**	38,149,776
Less: provision against Islamic financings			
- Specific		**(712,763)**	(602,913)
- General		**(59)**	(159)
		(712,822)	(603,072)
Islamic financing and related assets - net of provision		**42,316,209**	37,546,704

2.1 Ijarah

	2021						
	Cost			Depreciation			Book Value as at December 31, 2021
	At January 1, 2021	Additions / (deletions)	As at December 31, 2021	At January 1, 2021	Charge/ Adjustment for the year	As at December 31, 2021	
	(Rupees in '000)						
Plant & Machinery	**249,123**	**-**	**245,257**	**175,050**	**35,566**	**207,075**	**38,182**
		(3,866)			**(3,541)**		
Vehicles	**239,219**	**-**	**209,727**	**144,504**	**37,241**	**152,834**	**56,893**
		(29,492)			**(28,911)**		
Total	**488,342**	**-**	**454,984**	**319,554**	**72,807**	**359,909**	**95,075**
		(33,358)			**(32,452)**		

	2020						
	Cost			Accumulated Depreciation			Book Value as at December 31, 2020
	As at January 01, 2020	Additions / (deletions)	As at December 31, 2020	As at January 01, 2020	Charge/ Adjustment for the year	As at December 31, 2020	
	(Rupees in '000)						
Plant & Machinery	255,075	-	249,123	137,966	42,760	175,050	74,073
		(5,952)			(5,676)		
Vehicles	277,812	-	239,219	139,282	42,832	144,504	94,715
		(38,593)			(37,610)		
Total	532,887	-	488,342	277,248	85,592	319,554	168,788
		(44,545)			(43,286)		

Future Ijarah payments receivable

	2021				2020			
	Not later than 1 year	Later than 1 year & less than 5 years	Over five years	Total	Not later than 1 year	Later than 1 year & less than 5 years	Over five years	Total
	Rupees in '000							
Ijarah rental receivables	**71,589**	**54,398**		**125,987**	85,318	91,290	-	176,608

	Note	2020	2019
		(Rupees in '000)	
2.2 Murabaha			
Murabaha financing	2.2.1	**903,901**	3,464,401
Advances for Murabaha		**1,285,000**	1,199,500
		2,188,901	4,663,901

		Note	2020	2019
			----------- (Rupees in '000) -----------	
2.2.1	Murabaha receivable - gross	2.2.2	**982,249**	3,629,825
	Less: Deferred murabaha income	2.2.4	**25,980**	47,306
	Less: Profit receivable shown in other assets		**52,368**	118,118
	Murabaha financings		**903,901**	3,464,401
2.2.2	The movement in Murabaha financing during the year is as follows:			
	Opening balance		**3,629,825**	1,835,295
	Sales during the year		**7,905,588**	10,600,101
	Adjusted during the year		**10,553,164**	8,805,571
	Closing balance		**982,249**	3,629,825
2.2.3	Murabaha sale price		**7,905,588**	10,600,101
	Murabaha purchase price		**7,739,500**	9,901,022
			166,088	699,079
2.2.4	Deferred murabaha income			
	Opening balance		**47,306**	71,105
	Arising during the year		**184,383**	287,727
	Less: Recognised during the year		**(205,709)**	(311,526)
	Closing balance		**25,980**	47,306

3 Deposits

	2021			2020		
	In Local Currency	**In Foreign currencies**	**Total**	**In Local Currency**	**In Foreign currencies**	**Total**
	---------- (Rupees in '000) ----------					
Customers						
Current deposits	**21,520,192**	**264,535**	**21,784,727**	26,363,269	111,710	26,474,979
Savings deposits	**42,730,234**	**-**	**42,730,234**	33,051,442	-	33,051,442
Term deposits	**8,148,745**	**-**	**8,148,745**	10,129,005	-	10,129,005
	72,399,171	**264,535**	**72,663,706**	69,543,716	111,710	69,655,426
Financial Institutions						
Current deposits	**700,103**	**-**	**700,103**	778,039	-	778,039
Savings deposits	**6,064,983**	**-**	**6,064,983**	3,633,797	-	3,633,797
Term deposits	**5,420,728**	**-**	**5,420,728**	1,201,000	-	1,201,000
	12,185,814	**-**	**12,185,814**	5,612,836	-	5,612,836
	84,584,985	**264,535**	**84,849,520**	75,156,552	111,710	75,268,262

		2021	2020
		----------- (Rupees in '000) -----------	
3.1	**Composition of deposits**		
	- Individuals	**41,007,219**	36,485,509
	- Government / Public Sector Entities	**21,697,189**	23,406,681
	- Banking Companies	**6,873,275**	2,698,853
	- Non-Banking Financial Institutions	**5,312,539**	2,913,983
	- Private Sector	**9,959,298**	9,763,236
		84,849,520	75,268,262

3.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 43,701 million (2020: Rs. 39,137 million).

4	**Charity Fund**	**2021**	2020
		----------- (Rupees in '000) -----------	
	Opening Balance	**621**	10,911
	Additions during the period		
	Received from customers on account of delayed payment	**79**	710
	Profit on charity saving account	**14**	-
		714	11,621
	Payments / utilization during the period		
	Education	**-**	1,500
	Health	**650**	9,500
	Others	**650**	11,000
	Closing Balance	**64**	621

Charity amount exceeding Rs. 0.5 million paid to the following organizations.		
The Indus Hospital	**-**	3,000
Network of Organizations Working with People with Disabilities, Pakistan (NOWPDP)	**325**	-
The Prime Minister's Covid-19 Pandemic Relief Fund -2020	**-**	5,000
Shaukat Khanum Memorial Trust	**-**	1,000
Institute of Business Administration (IBA)	**-**	1,500
Abaseen Institute of Medical Science (AIMS)	**325**	-
Green Cresent Trust (GCT)	**-**	500
	650	11,000

		2021	2020
		----------- (Rupees in '000) -----------	
5	**Islamic Banking Business Unappropriated/ Unremitted Profit**		
	Opening Balance	**2,108,388**	2,039,140
	Add: Islamic Banking profit for the year	**1,502,668**	2,108,388
	Less: Transferred / Remitted to Head Office	**(2,108,388)**	(2,039,140)
	Closing Balance	**1,502,668**	2,108,388

6 Profit / Return Earned of Financing, Investments and Placement

	2021	2020
	----------- (Rupees in '000) -----------	
Profit earned on:		
Financing	**3,157,329**	3,991,541
Investments	**2,819,221**	2,714,544
Placements	**560**	30,245
Others (Bai Muajjal)	**1,235,385**	1,258,564
	7,212,495	7,994,894

7 Profit on Deposits and other Dues Expensed

	2021	2020
Deposits and other accounts	**2,520,353**	2,956,946
Amortisation of lease liability against - ROUA	**82,908**	89,738
Others (General Account)	**577,588**	409,849
	3,180,849	3,456,533

9 Pool Management

NBP-AIBG has managed following pools for profit and loss distribution.

a) General depositor pool

The General pool consists of all other remunerative deposits. NBP Aitemaad (the Mudarib) accept deposits on the basis of Mudaraba from depositors (Rab ul Maal). The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. The entire net return after paying equity share to Mudarib is considered as distributable profit of the pool.

b) Special depositor pools (Total 78 during the year and 44 as at December 31, 2021)

Special pool(s) are created where the customers desire to invest in high yield assets. These pool(s) rates are higher than the general pool depending on the assets. In case of loss in special pool, the loss will be borne by the special pool members. The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. From the net return, and after allocation of share of profit to commingled equity, profit is paid to the Mudarib in the ratio of the Mudarib's equity in the pool to the total pool. The balance represents the distributable profit.

c) Equity pool

Equity pools include AIBG's fund and current account deposits. The equity pool may have constructive liquidation every month and risk associated with assets of pool includes operational, market, equity, return and Shariah.

Key features and risk & reward characteristics

Deposits are accepted from customers on the basis of Qard (current accounts) and Mudarabah (Saving and term deposits). No profit or loss is passed on to current account depositors.

For deposits accepted on Mudarabah basis from depositors (Rab ul Maal) the Bank acts as Manager (Mudarib) and invests the funds in the Shariah Compliant modes of financings. Rab ul Maal share is distributed among depositors according to weightages declared for a month before start of the period.

In case of loss in a pool during the profit calculation period, the loss is distributed among the depositors (remunerative) according to their ratio of investment.

For all pools, the Mudarib's share is deducted from the distributable profit to calculate the profit to be allocated to depositors. The allocation of the profit to various deposit categories is determined by the amount invested in that category relative to the total pool, as well as by the weightage assigned to the various deposit categories.

The assets, liabilities, equities, income and expenses are segregated for each of the pool. No pool investment is intermingled with each other. The risk associated with each pool is thus equally distributed among the pools.

Avenues/sectors of economy/business where Modaraba based deposits have been deployed.

	2021	2020
Sector	**Percentage**	
Fertilizer	**1.12%**	1.54%
Textile	**4.60%**	3.21%
Fuel & energy	**40.71%**	48.01%
Leasing/Modarbas	**0.34%**	0.21%
Sugar	**7.94%**	6.51%
Cement	**7.43%**	9.00%
Gas	**0.91%**	1.58%
Financial	**1.59%**	2.00%
Federal Government	**24.61%**	19.68%
Real Estate	**2.98%**	2.20%
Agriculture	**0.34%**	0.00%
Others	**7.43%**	6.06%
Total	**100%**	100%

Parameters for profit allocation and charging expenses

Profit of the pools has been distributed between Mudarib and Rab-ul-Mall by using preagreed profit sharing ratios. The share of Rab-ul-Mall's profit has been distributed among different customers using the various weightages assigned to the different categories of the pool.

No provision against any non performing asset of the pool is passed on to the pool except on the actual loss / write off of such non performing asset. Administrative expense are borne by mudarib and not charged to Mudaraba pool.

	31-Dec-21
Mudarib Share	**Rupees in '000**
Gross Distributable Income	**4,749,885**
Mudarib (Bank) share of profit before Hiba	**1,899,055**
Mudarib Share in percentage	**40%**
Hiba from Mudarib Share	
Mudarib (Bank) share of profit before Hiba	**1,899,055**
Hiba from bank's share to depositors	**230,892**
Hiba from bank's share to depositors in percentage	**12%**

Prorit rates

During the year ended December 31, 2021 the average profit rate earned by NBP Islamic Banking Group is 8.98% and the profit rate distributed to the depositors is 4.93%.

Where the Nation Banks

NBP National Bank of Pakistan
نیشنل بینک آف پاکستان