SERVING
ACROSS THE NATION

ANNUAL REPORT
TWENTY19

NBP National Bank of Pakistan
نیشنل بینک آف پاکستان

Chairman's Review

In 2019 the Nation's bank has delivered good financial performance, despite a challenging economic environment and a highly competitive market. Throughout the year, the Board has focused on building our standards of governance, inculcating a compliance & control culture across all levels of the organization and strengthening our balance sheet.

Dear Stakeholders,

I am pleased to have this opportunity to update you on the progress of your bank in 2019 that was its 70th year of service to the Nation.

A New Leadership Team and Board

An experienced and skilled President was appointed in February 2019 and thereafter a new board of directors which had its first meeting in May. The board members are qualified professionals with relevant experience and there is a preponderance of independents on the board. In compliance with applicable regulatory frameworks, the Board has sought to develop and operate at high standards of corporate governance.

National Bank's business and role has evolved primarily as an institution serving the government, government entities and their employees. This has afforded the institution an advantage in the handling of their banking requirements. However, it has also resulted in a corporate culture that is public sector based. Your board has determined that in today's highly competitive environment employee progression driven by performance is essential as is the need to ensure accountability across the institution. To this end we have focused on strengthening Human Resources through the hiring of talent and expertise at the leadership and second tier levels. Already this team has prepared policies on several key areas including recruitment, promotions, employee discipline and performance management.

In addition, we have invested in a new head of technology to help build a platform for growth, enable effective AML/KYC screening and provide timely and accurate data. Much of National Bank's operations continue to be manual and with a large domestic network of over 1550 branches and full time employees exceeding 15,000, this has held back progress and the enforcement of effective controls.
The Legal department at the bank has also been reinforced through the induction of an experienced professional who can assist in addressing the multiple suits in which the institution is engaged many of which involve the bank's own staff. National Bank's statutory status and outdated service rules have facilitated the filing of whimsical suits by employees in the High Courts and management preoccupation in defending these and related contempt of court notices as opposed to the development of its wider range of businesses.

Our international franchise stretching across 19 countries from the US all the way across to Japan has also suffered from a lack of strategic direction and standards that typically fall below what is demanded today. Our new head of International and your board have already decided on the closure of about one third of these operations with another one third targeted for review within 2020 as to continued presence. The risks inherent in managing these overseas businesses are generally seen to outweigh their positive contribution. Where we propose to arrive at is an integrated strategic network that serves our diaspora as well as trade and investment flows linked to Pakistan.

A Difficult Economic Environment

2019 has been dominated by the corrective action plans initiated to address Pakistan's long-standing structural deficits. The consequent impact of high interest rates on our portfolio has necessitated active remedial management as well as significant provisioning. Our financial results, while they show only a modest increase of about 3% in earnings, demonstrate our resilience and ability to build necessary cushions. Aside from provisions of around 14.2 billion relating to our portfolio and multiple outstanding issues, we have also set aside funds for other contingencies amounting to Rs 7.3 billion. These measures to create Rs 21.5 billion of effective "reserves" are in addition to our full retention of net income generated amounting to Rs 16 billion. Thus, in total we have buttressed our capital position by an effective Rs 36.5 billion. These actions may not be appreciated by our shareholders in the short term but are necessary to protect and sustain our institution. In essence we see both 2019 as well as the current year as a time to strengthen our balance sheet and equip us to build to compete. While the threat of an adverse decision in the pensions case remains, we will start to create provisions as required and have meanwhile materially reinforced our capital base through the above measures.

Looking Ahead

Banking systems globally are threatened by the emergence of less regulated non-bank institutions and innovative fintechs that can lure away lucrative processing business flows. To counter these threats National Bank has to evolve beyond its traditional focal point of government business. Your board has thus promoted attention towards the key underserved sectors in our economy. These will not only widen and deepen our role as the Nation's bank but also enable us to develop niches that are currently effectively untapped. To this end the board has set up a committee on Inclusive Development and assigned its leadership to a board member with specific expertise in Financial Inclusion and Gender. These areas along with SME that remains a neglected segment, and agricultural finance where we are already market leaders but where the scope for growth is considerable, will be given priority. In addition, we will target wholesale finance for the microfinance sector and housing finance for low-income groups. A separate business group for this entire sector has already been established and resources allocated. Our other businesses in Islamic Banking, Corporate and Investment Banking and Retail Banking, will of course continue to be fully supported, but for 2020 the emphasis will be on implementing high standards for controls.

Our Key Partners

As we work on strengthening our franchise, we would like to express our appreciation to our key partners, the foremost of which is the Government of Pakistan through the State Bank of Pakistan, which is our major shareholder with 75.5% of shares issued. As we look to enhance the corporate culture of our institution, the government's role in facilitating this effort is critical. We also have substantial exposure to public sector enterprises and will continue to need strong support in dealing with this poorly performing segment.

To our regulators both in Pakistan and around the world we send the message that we will give priority to building our standards of governance across the range of our markets and activities, so they fully meet your expectations.

To our staff, at all levels, we commit ourselves to doing what is right and to requiring the same of them. Our legacy of problems will take time to address but we have set our directions and declared our standards. We look to be fair, transparent in our actions and to operate on the basis of merit only.

To my fellow board members, I express heartfelt thanks for their untiring efforts and patience and their steadfastness in reinforcing the foundations of this institution that undoubtedly has great potential.

Zubyr Soomro
Chairman
Date: February 28, 2020
Karachi

CEO Review

I am pleased to present a summary of the Management's efforts and the financial performance of the Nation's Bank for 2019. Since my appointment as CEO in February 2019, the endeavours of my team and I have been focused on regaining the trust and confidence of our Shareholders, Regulators, Customers, Employees, and the General Public.

I was 'honoured and delighted' to have been given the opportunity to lead this iconic National Institution. The word DELIGHTED became an acronym for a vast majority of our institutional challenges which are: "Data, Enterprise Risk, Legal, International, Governance, Human Resources, Technology, Expense Management and Digitalization".

A critical first step for a comprehensive response to the challenges was to ensure that our organization was structurally balanced and well aligned. The changes implemented are based on sound globally accepted principles and best practices and we are confident that these are right for the National Bank of Pakistan (NBP).

The Management has put into place an action plan to combat long-standing issues such as weak internal controls, data cleansing, financial reconciliation, inconsistent human resource policies and fraud. Over the years, inaction against structural and operational lapses has weakened the franchise and resulted in both financial and reputational losses. Today, as a Management Team, we are determined to fix these come what may!

Some of the key changes and initiatives include the following:

- Separating and redefining reporting lines between Business, Operations, Risk Management, Compliance and Audit to strengthen the governance framework
- Setting up a Centralized Operations and Administration function
- Forming a specialised Human Resource function with defined business partners
- Creating a new Customer Coverage Model for Corporate, Commercial, SME and Retail with sectoral specialization including a new business group (Inclusive Development Group) which is focused on an invigorated response to our re-stated Vision Statement
- Responding to the significant technology and digital banking challenges by creating synergies in order to ensure the latter gets the support it needs at this stage of its evolution within the company
- Setting up three task forces to address specific challenges of capital adequacy, non-performing assets and timely responses to regulatory concerns

We formally requested our people to share ideas via an open email forum called 'If-I-were-CEO'. Their input has helped us understand issues better and make more informed decisions.

There is also an on-going Deep-Reach talent-hunt program designed to find exceptional in-house resources and place them in challenging growth assignments. We believe that NBP can only thrive through the effective participation and the hard work of its employees.

We are inspired by our new Vision and IMAGINE contributing to a prosperous Pakistan. Inshallah, together we will deliver a 'Naya NBP'.

Operating Environment

Global: Growth decelerated in 2019 with the slowdown in global trade and investment that impacted developed countries and less developed countries both. Global tensions, trade uncertainty and emerging market stresses weighed heavily on overall global activity, affecting manufacturing and trade.

Domestic: Economic activity in Pakistan decelerated in response to the various structural adjustments by the Government and the State Bank of Pakistan, to address the economic crisis facing the country with the twin deficits. Having posted average growth at 4.7% during FY14-18, GDP growth decelerated to 3.3% in FY19.

The economic adjustment program is now on track with the implementation of several painful but necessary policy measures: the swift transition to a market-determined exchange rate allowed the Rupee to find its new equilibrium (cumulative depreciation of 33.6% for FY19), ambitious revenue-led fiscal measures taken in the Budget FY20, utilities' tariff adjustments, and the sharp policy rate increase of 750 bps since Jan '18.

So far, stabilisation measures appear to have addressed the macroeconomic imbalances and are steering the economy towards stability. The State Bank of Pakistan has paused its interest rate hike cycle by keeping the policy rate at 13.25% since July'19 and the stock market responded positively, with confidence gradually returning. The KSE-100 index rose 16% from July'19 to date (2nd March'20).

The pass-through effect of the painful PKR depreciation, higher oil prices and the revised CPI basket led to headline inflation aggressively reaching 14.5% in Jan'20. Demand contraction was witnessed and as a result, private consumption growth decelerated from 6.8% in FY18 to 4.1% in FY19, while investment contracted by 8.9%. On the supply side, industrial sector growth slowed to 1.4% in FY19 compared to 4.9% in FY18.

The stabilisation measures are bearing fruit and there is a marked improvement in the external position. The current account deficit declined and is USD 13.8Bn (4.8% of GDP) FY19 as compared to USD 19.9Bn (6.3% of GDP) FY18. Key indicators reflect an improvement: foreign investment on both fronts has increased appreciably. Foreign private investment has risen to USD 1.6Bn Jul-Jan FY20(P) vs USD 0.5Bn FY19(P). With the large differential in the real interest rate, foreign portfolio investment in Sovereign debt is now USD 1.8Bn Jul-Jan FY20(P) vs USD 0.1mn Jul-Jun FY19(P). The Pak Rupee has appreciated 4.7% in the last seven months from PKR 162.01 end-June'19 to PKR 154.4 (end-Jan'20). Exports are recovering, up 4.8% to PKR 15Bn HYFY20, driven by a robust 17% growth in food exports. Tax collection, now PKR 2trn HYFY20 vs PKR 1.8trn HYFY19, witnessed an 11% increase. On the expenditure side, non-interest current expenditure has been curtailed, while public sector development programs received a 62% higher allocation, PKR 300Bn HYFY20 as compared to PKR 185Bn. The higher spending is expected to boost the construction, steel and materials sectors that have a trickle-down effect on the rest of the economy.

Approval of the IMF Extended Fund Facility coupled with the resumption of multilateral budget support contributed to an increase in the country's foreign exchange reserves. Pakistan's reserves have been consistently improving during the latter half of the year from a low of USD 7.3Bn in June'19 to USD 11.3Bn in Dec'19. The gradual accumulation of reserves has reduced pressure on the exchange rate and is gradually boosting investor confidence in the economy.

Despite generally difficult economic conditions, the banking industry remained fairly stable, despite a slowdown in deposit growth and lower credit demand by large scale industries. Given the subdued credit demand in a high inflation and policy rate environment, sector ADR (Advances to Deposit ratio) dropped from its peak of 59.8% as of Dec'18 to 55.8% as of Dec'19. Also, gross advances that peaked at 45.2% of total assets in March'19 dropped to 40% by Dec'19. NPLs (Non-Performing Loans), which had remained relatively stationary during the period 2014-2017, grew by 15% in 2018 and 12% in 2019. Gross non-performing loans (NPLs) increased to 9% of industry total loans, up from 8% at end-December 2018. However, the bulk of NPLs are provisioned (81.4% at end-December). Going forward, the NPL ratio may reach double digits. At end-September, capital adequacy ratios (CAR) improved, with average CAR moving to 17.1% from 16.2% at end-December 2018.

The SBP expects GDP growth to decelerate to 2.4% in FY20 due to continuing tighter fiscal and monetary policies. Growth is expected to recover gradually to 3.0% in FY21 as external demand picks up, macroeconomic conditions improve, and the package of structural reforms in fiscal management and competitiveness take effect.

NBP through the Year-2019

Despite structural organizational changes, our people remained focused on delivering the year's agreed strategic objectives which were:

- Diversify our product range and target market in both conventional and Islamic banking
- Expand customer outreach through both conventional and digital platforms
- Automate and Digitize our business processes as much as possible
- Reduce NPLs through recoveries and rehabilitation of classified loans
- Invest in people.

The Bank continues to make efforts to improve its technology infrastructure which will continue to require significant investment in the foreseeable future. We have added new branches to our domestic network, taking the total to 1509 branches, including our Islamic banking network of over 190 branches. The Bank also has an ATM universe of 1350+ ATMs installed throughout the country

We launched new products and also repackaged some existing products to better align with customer requirements. NBP Aitemaad Islamic Banking entered the digital age by introducing EMV Debit Card wherein customers can perform cash withdrawal and balance inquiry via ATM in a secured manner. NBP made considerable gains in the 'non-resident Pakistanis' incoming remittance business in the year 2019 with a 20% growth in USD volumes and 28% growth in the number of transactions, compared to 2018. Domestically, NBP is actively working to diversify and extend its remittance distribution network to further facilitate remittance customers.

NBP is one of the top three Primary Dealers (PD) for Government Securities in the country. This bears testament to our expertise in meeting PD targets, active market making and dynamic contribution in price discovery of fixed income securities and meeting the expectations and investment needs of our diverse clientele.

NBP places special emphasis on agriculture and currently it is the largest commercial bank for agriculture financing. This year we also won the 'Award for Best Bank for Agriculture in Pakistan – 2019' organized by the Institute of Bankers, Pakistan. NBP considers broad-based engagement in 'priority sectors from a developmental point of view' as one of its defining responsibilities. This is why we have created a dedicated business group to work on all such initiatives in a coordinated manner.

Given our greater focus on customer service quality, the ratio of customer complaints during the year was reduced because NBP maintained a healthy uptime of ATMs which has been appreciated by the regulator for the first time in the history of the bank. For the first time, we touched an average ATM uptime of more than 98% throughout the year.

NBP continues to be a major player in the Corporate and Investment Banking space. Though the debt market remained largely risk averse in 2019, NBP assumed a lead role and closed several large transactions, during the year including:

I. K-Electric Sukuk issue of PKR 25bn (FY-2019); the largest private sector Sukuk deal in Pakistan
II. Syndicated CAPEX financing facility of PKR 45 Billion to Pakistan Mobile Communication Limited; the largest deal in telecom sector in Pakistan
III. Sukuk issue of PKR 8.75bn by Engro Polymer and Chemicals Limited; the largest deal in Chemicals sector of Pakistan during 2019
IV. Syndicated Bridge Finance Facility of PKR 6.0bn to Master Tiles and Ceramic Industries for expansion project; the largest deal in Tiles and Ceramic sector of Pakistan

We are among the few banks which provide advisory services to the Privatisation Commission. NBP won more than one mandate for privatization transactions i.e. First Women's Bank, and Heavy Electrical Complex. We remained active in CPEC related projects with Chinese counterparties. We have also developed close liaison with DFIs in Europe and GCC. We participated in international syndicate of lenders for arranging finance facility for Hong Kong based corporate entity BOW Energy Limited. The Bank has a sizeable footprint on the main routes of CPEC, which will be further expanded as required.

Our international operation spans over 19 countries with a total of 21 branches, 2 subsidiaries, 1 joint venture and 3 representative offices. We are the only Pakistani bank having three branches and two wholly owned subsidiaries in the Central Asian countries.

The Bank's Islamic Banking business is an important area of focus and growth. In order to strengthen the product menu with regard to specialized deposit products, NBP Aitemaad launched new products for Financial Institutions, Senior Citizens, Widows and Special Persons in a unique manner differentiating it from the products prevailing in the market.

Pursuant to our risk and capital adequacy management strategy, Bank's investment portfolio is efficiently diversified across zero risk treasury instruments and other interest bearing financial instruments. The assigned AAA credit rating and outlook for NBP reflects its conservative capital structure and risk profile which gives it significant risk absorption capacity.

Financial Performance for the Year-2019

Summary: The Bank ended 2019 with satisfactory performance in all key sectors weathering many challenges posed by the operating environment, the increase in impairment losses and provisions, volatile and escalating interest rates, depreciating domestic currency and increased tax burden in particular. We demonstrated resilience to the challenges with robust and prudent assets and liabilities management by providing adequately against NPLs and maintaining stable profit levels.

For the year 2019, the Bank earned total income of PKR 108.1 billion of which fund-based income and non-fund based income constituted 66.5% and 33.5%, respectively. This is 11.5% higher than the PKR 96.9 billion earned for 2018. Higher total revenues lead to a higher profit before provisions for the year which amounted to PKR 42.25 billion. However, growth was limited to 3.1% as we recorded a substantial 18.0% increase in operating expenses during the year. As the provision charge amounted to PKR 14.25 billion (26.1% higher than PKR 11.30 billion for the prior year), profit before tax stood at PKR 28.00 billion, being 5.7% lower than the prior year. As tax charge for the year amounted to PKR 12.19 billion, the After-tax Profit for the year closed at PKR 15.81 billion, being 21.0% lower as against PKR 20.0 billion for the year 2018.

Fund Based Operations and Income: Major portion of the bank's income is generated through lending and maturity transformation as Net Interest Income is the Bank's main driver of profitability. This year, the bank generated gross mark-up/interest income amounting to PKR 239.48 billion which is 59.7% higher than PKR 149.97 billion earned for the year 2018. This growth is mainly attributable to (i) the increase in policy rate from 10.25% at the beginning of the year to 13.25% by Jul '19, (ii) volumetric growth in advances and investments. Mark-up/interest income earned on Advances amounted to PKR 109.65 billion i.e. 58.1% higher than PKR 69.36 billion of prior year. The increase was recorded in all major loan products i.e. Corporate, Commodity, Consumer, SME and Islamic financing on account of both volumetric growth as well as constant increase in discount rate during the year.

Our investment portfolio earned PKR 122.34 billion as against PKR 76.29 billion of previous year, which is higher by PKR 46.05 billion or 60.4%, YoY. Growth was driven by improved yield on the government bonds on the back of higher policy rates. To maximise the returns while effectively managing interest rate risk, the Bank has efficiently placed its funds into low-risk available-for-sale securities.

Mark-up / Interest Expense: Value that we generate through lending operations is shared with our providers of funds. As we increase profit rate for the depositors promptly in line with revision in the discount rate by the central bank, this year value distributed as mark-up/interest was 87.6% higher than the previous year and amounted PKR 167.57 billion, of which 65.7% or PKR 110.08 billion goes to the depositors.

As the bank actively pursues earning opportunities through trading of financial instruments including bonds, stocks, and derivative, this year we expensed PKR 40.64 billion on securities sold under Repo which mainly constitute borrowings against treasury bills. Securities sold Repo agreements are retained in the financial statements as investments and the counter party liability is included in borrowings from financial institutions. The differential in sale and re–purchase value is accrued on a pro-rata basis and recorded as mark–up expense.

Consequently, net interest income "NII" grew by 18.5% (2018:11:8%) to PKR 71.91 billion from PKR 60.67 billion in 2018. This accounts for 66.5% of the total operating income (2018:62.6%).

Non-Fund Based Operations and Income:

The bank offers non-fund based financial services thereby earning a substantial amount of non-mark-up / interest income, constituting 33.5% of the bank's total income. Despite a challenging business environment, overall and better than the industry's performance, the bank managed to maintain its non-mark-up / interest earnings. This year, non-mark-up / interest income amounted to PKR 36.20 billion. The Fee and Commission income that constitutes 52.8% of this income class, amounted to PKR 19.12 billion which is 9.1% up against PKR 17.53 billion of prior year. The lower foreign exchange income was due to reduced FX market volatility as compared to 2018, decline in trade volumes and increased swap premium.

This year we followed a prudent strategy to manage the significantly high market and interest rate risks and the bank's earning through gain on sale and redemption of securities, remained limited to PKR 2.11 billion, 46.3% down YoY. It is positive that despite a generally lower dividend pay-out this year, the bank's divided income increased by PKR 537.54 million to PKR 3.15 billion i.e. 20.6% against PKR 2.61 billion for 2018. This was mainly due to dividend income received from Bank AlJazeera. To mitigate the adverse impact of recent sluggish performance of the PSX, we have strategized to enhance the non-mark-up income through growth in other business areas like digital banking, trade finance and cash management.

Total Income: On the back of higher NII, this year, total operating income amounted to PKR 108.11 billion which is 11.5% higher than the PKR 96.92 billion of 2018.

Operating Expenses: With 18.0% increase YoY, operating expenses for the year closed at PKR 65.70 billion against PKR 55.69 billion for the year 2018. HR compensation that accounts for 68.9% of the total operating expenses, amounted to PKR 45.28 billion compared to PKR 37.27 billion for the year 2018. The increase corresponds to the impact of staff remuneration consequent to the revision in pay-package applicable to non-executive staff, salary revisions to executive staff, and general increase in other overhead expenses in commensurate with inflation. Resultantly, the Bank's operating cost to income ratio stood at 60.8%, against 57.5% for prior year. This also includes the impact of reserves created for certain legal challenges without which the cost to income ratio would have been lower at 54.0%.

We invest appropriate funds on uplift and maintenance of our business premises, providing a healthy workplace environment to our people and customers. This year we spent a sum of PKR 1.06 billon on repair and maintenance of our business premises. Overall property related expenses amounted to PKR 8.25 billion which is 12.1% higher than the prior year's. Since Information Technology is pivotal for the bank to achieve its strategic goals, we continue to invest in upgrading our IT infrastructure, systems and applications architecture. In 2019, we spent PKR 1.07 billion on software maintenance, and PKR 522.1 million on Network enhancement.

Loan Impairment and Other Provisions: Reflecting the trend of asset quality deterioration observed across the industry, the Bank experienced an 11.5% increase in the non-performing loans (NPLs) which stood at PKR 148.75 billion from PKR 133.36 billion at the end of 2018. Of this, domestic NPLs amounted to PKR 107.70 billion (i.e. 72.4%), whereas overseas NPLs amounted to PKR 41.05 billion (i.e. 27.6%). Growth in overseas NPL's is mainly due to rupee devaluation during the year.

The bank follows a prudent approach in line with the applicable regulations for identifying loan impairments and maintaining adequate coverage of the NPLs. Besides the specific provisions, we also maintain general reserves in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing and Prudential Regulations for Small and Medium Enterprise Financing issued by the SBP. With the increase in NPLs, Net specific and general provision charge for the year 2019 amounted to PKR 6.65 billion and PKR 1.77 billion, respectively. As of December 31, 2019, specific provisions stood at PKR 134.17 billion (2018: PKR 126.27 billion). Gross NPL Ratio, Net NPL Ratio and provision coverage stood at 12.9%, 1.4% and 90.2% respectively in Dec-19 as compared to 12.6%, 0.8%, and 94.7% as of Dec-18.

Profit Before and After Tax: The higher OPEX and higher provision charges resulted in a 5.7% YoY drop in PBT that closed at PKR 28.00 billion against PKR 29.68 billion for the prior year.

Effective tax rate for the current year is 43.5% as compared to 33% of last year. This is mainly due to the 4% super tax levied retrospectively for financial year 2017. Further, last year tax charge also included a tax reversal of PKR 2.1 billion on account of favorable ATIR decisions for the years 2010-2015. Excluding the prior year effects, the effective tax rate is 40% for both years. Due to the higher tax burden, after tax profit closed at PKR 15.81 billion, depicting a 21.0% decline against PKR 20.0 billion for 2018.

Financial Position as of December 31, 2019: As of December 31, 2019, total assets of the Bank amounted to PKR 3,124.39 billion, depicting a healthy 11.6% growth from PKR 2,798.57 billion at the end of 2018. The Bank has managed its overall asset-liability mix by generating stable funds and deploying the same into earning avenues offering positive yield.

This year, IFRS-16 "Leases" became applicable effective January 01, 2019. Accordingly, the right-of-use assets "ROUA" for property leases and related lease liability recognised prospectively. The adoption resulted in decrease in Profit after-tax by PKR 406 million.

Loans and Advances: Market interest rates stabilised at high levels causing the growth rate of credit granted by commercial banks to the private sector to decelerate during major part of the year. During the year under review our loan-book touched the Trillion Rupee mark as we continued to enhance it prudently by lending to quality borrowers in all sectors of the economy. Growth was mainly witnessed in corporate, infrastructure, SME, commodity and consumer loans.

Gross advances increased by PKR 91.83 billion or 8.7% to PKR 1,151.32 billion as against PKR 1,059.48 billion a year ago. As infection ratio stood at 12.9% (2018:12.6%), the bank's net advances amounted to PKR 1,008.14 billion being 8.9% higher than PKR 926.0 billion at the end of year 2018. Our loan-book is mainly PKR denominated, representing 91.4% of the gross advances. Despite generally decelerated loan demand, we made sizeable growth in most of our loan products, e.g. our corporate loan book increased by 8.3% to PKR 615.0 billion (gross), and is one of the largest in the industry. The loan to customer portfolio of the Bank is fairly well diversified across a large number of industry sectors. Power, Gas and Water sector account for 25% of our advances, followed by Textiles with 11.3%. No other sector exceeds 6% of total loans. Despite a sharp growth in deposits during the year, and limited growth in loan demand, Bank's ADR (gross) as at December 2018, stood at 52.4%, up against 52.7% of the last year.

Investments: The Bank maintains a diversified and efficient investment portfolio which is more liquid, less risky, and offers healthy yield. As of December 31, 2019, the Bank's net investment amounted to PKR 1,439.2 billion, constituting 46.1% of the bank's total assets (45.9% as on December 31, 2018). Whereas, investment at cost amounted to PKR 1,417.6 billion compared to PKR 1,276.3 billion as of December 31, 2018 registering increase of PKR 141.4 billion or 11.1%. For better liquidity and rate-risk management, our investments are mostly placed into 'available-for-sale' securities which amounted to PKR 1,037.24 billion, making 73.2% of the total investments. Investment in ordinary shares of listed companies that is well diversified through major industrial sectors amounted to PKR 29.02 billion at the end of 2019 (2018: PKR 26.00 billion). Over the period, these investments have earned substantial returns for the Bank by way of dividend and capital gains. Reflecting the general market trend for the year, our investments portfolio attracted an impairment charge of PKR 3.04 billion for the year. This was mainly incurred on investment in ordinary shares of listed companies (PKR 1.74 billion), associate companies (PKR 0.21 billion), and subsidiaries (PKR 0.76 billion).

The Bank follows a strategy to divest its investments when it feels that the market has matured and the capital released can be better deployed elsewhere.

Deposits: This was yet another area of landmark achievement for NBP as its deposits were maintained at PKR 2 Trillion mark. The Bank has established an unparalleled business network and outreach to a wide range of depositors throughout the country. As the Bank enjoys depositors' utmost confidence, most of our funds are generated as 'stable funds' through core customers' deposits. Our deposit products include traditional savings accounts, call deposits, term deposits, daily-income accounts, non-interest bearing and interest-bearing current accounts, etc.

During the year under review, the Bank's deposits increased by PKR 186.67 billion and amounted to PKR 2,198.05 billion which is 9.3%

higher than PKR 2,011.39 billion at the end of year 2018. The Bank follows an aggressive strategy for deposit mobilisation, particularly the low-cost current and saving (CASA) deposits. Customers' deposits as of Dec '19 amounted to PKR 1,797.25 billion, representing 81.8% of the total deposits. Total current deposits (including FIs) stood at PKR 1,204.85 billion, depicting a 9.3% growth YoY. Also the saving deposits increased by 10.5% to PKR 593.08 billion, as compared to PKR 536.91 billion a year back. On a positive note, the bank's CASA deposits (including NIDA) have shown improvement from 81.5% in December 2018 to 81.8% as of December 31, 2019.

Capital Management: For Financial Institutions, capital acts as a buffer to absorb unexpected future losses, and the capital adequacy ratio is a regulatory check to ensure prudent asset growth. . This has prompted regulators to impose higher capital requirements to ensure the safety and soundness of the banking system. Also, the restrictive capital definitions, higher risk- weighted assets, higher capital buffers for DSIB, higher impairment provisioning under IFRs-9 and difficulty in raising fresh capital due to market conditions, are all exerting pressure on capital strengths of banks. Banking industry in Pakistan will be forced to take less risk, and bear the brunt of higher capital costs and lower returns on equity. NBP as a DSIB is required to maintain higher capital in the form of additional common equity which will increase from the current 1.5% to 2.0%, effective March 31, 2020.

The Bank considers it a priority to pro-actively manage capital at its disposal in order to build a solid platform for business growth. In 2019, we paid greater attention towards capital management, particularly in relation to the implementation of IFRS-9 effective January 01, 2021. Reflecting the profitability of the Bank and the prudent dividend policy, paid-up equity capital of the Bank grew to PKR 162.37 billion as at December 31, 2019 from PKR 146.88 billion a year ago. During the year, RWAs of the Bank grew by 14.3% to PKR 1,178.94 billion from PKR 1,031.68 billion in 2018. Consequently, both the Common Equity Tier 1 ratio and the total capital ratio stood at 12.11% (minimum requirement-6.00%) and 15.48% (minimum requirement-12.50%), respectively as at December 31, 2019, The Bank is taking effective measures to augment its capital base to ensure comfortable compliance with regulatory requirements at all times.

Reflecting on our capital strengths, the JCR-VIS and PACRA Credit Rating Company re-affirmed the Bank's credit rating as "AAA", the highest credit rating awarded by the company for a bank in Pakistan. Also, Moody's Investors Service, in their report of Dec '19, upgraded Outlook of the Bank to 'Stable' with a 'B3' long-term rating.

Funding and Liquidity: We accord as much importance to funding and liquidity as we do to the capital. To proactively monitor the funding and liquidity position, maturity profile and asset-pricing, the Assets and Liabilities Committee (ALCO) of the Bank meets monthly. It extensively deliberates on the developments such as market liquidity, current and perceived interest rates, changes in policy rates, credit growth and facilities in the pipeline, capital market developments etc. that affect funding and liquidity. With a substantial portion of customer deposits likely to remain with the Bank for the medium to long term, such deposits are considered more stable than wholesale FIs funding sources.

Throughout the year, the Bank maintained optimum levels of funding and liquidity through a sufficiently diversified (by type and maturity) funding portfolio. At end 2019, of the Bank's total assets, customer deposits and equity capital together funded 65.0% of the Bank's total assets (2018:67.2%) while all forms of other liabilities such as trade payables and FI borrowings accounted for 21.6% or PKR 675.17 billion as compared to 20.5% or PKR 573.33 billion as at December 31, 2018. Similarly, of the Bank's liabilities, 62.1% were made up of customer deposits as at December 31, 2019.

At 147.6%, the LCR was well above the minimum requirement of 100%, as at December 31, 2019. As available stable funding as at Dec '19 closed at PKR 2,040.91 billion against total required stable funding of PKR 875.21 billion. This leads to a Net Stable Funding Ratio (NSFR) stood at 233.2% comfortably above the statutory minimum of 100%.

Islamic Banking: For the year ended December 31, 2019, NBP Aitemaad Islamic Banking posted a pretax profit of Rs. 2,039.14 million as compared to a loss of Rs. 57.15 million in December 31, 2018. NBP Aitemaad Islamic Banking continued its growth momentum, whereby during the year, deposit base grew by 24.04% from Rs. 51.02 billion in December 31, 2018 to Rs. 63.29 billion in December 31, 2019. NBP Aitemaad serves its customers through 190 branches with presence in 90 cities across Pakistan.

Conclusion: By recognizing and tangibly responding to internal organizational and operating challenges as well as its many external issues, NBP has emerged as a stronger institution at the end of 2019 than it was at the start. We are confident that we will not only weather the storm, but be positioned and ready for growth when the economic cycle reverses.

Onward 'Naya' NBP!

Arif Usmani
President & Chief Executive Officer
February 28, 2020

Directors' Report to the Shareholder

Standalone Financial Statements for the Year Ended December 31, 2019

The Directors have pleasure in presenting to the shareholders of the Bank the Annual Report of the Bank together with the Audited Financial Statements of the Bank for the year ended December 31, 2019 and the Independent Auditors' Report thereon.

Economic Environment

Globally; the rising trade barriers and associated uncertainty (US-China trade war & Brexit) weighed on the global business sentiment and activity. Global growth this year was 2.5%, and recorded somewhat a weakest pace since the financial crisis a decade ago. This weakness was widespread, reflecting common influences across both developed and developing economies as well as country-specific factors.

Locally; Pakistan was no exception to the above. Having posted an average growth at 4.7% during FY14-18, GDP growth decelerated to 3.3% in FY19- a 2.2% points decline compared to FY18. Growth forecast during the year ahead is revised downwards at 2.4%; which, however, is expected to recover gradually to 3.0% in FY21. The economic activity decelerated in response to contractionary monetary policy and other structural adjustments e.g. transition to a market-determined exchange rate allowing the rupee to find its new equilibrium 35.5% down, cut in the development budget, utilities' tariff adjustments, and the policy rate increase (by 750 bps since Jan '18). So far, the measure-mix appears to address the macroeconomic imbalances and push the economy towards stability. The pass-through from the stabilisation measures, on the one hand, has significantly improved twin deficits, and on the other hand, has triggered the headline inflation to reach a high 14.5% in Jan '20. It is expected to remain at 12.0% in FY20.

Market confidence seems to be gradually returning, the central bank has paused its interest rate hike cycle by keeping the policy rate at 13.25% since July 2019. Pakistan's FX reserves have been on the rise as they hit an almost two-year high at $12.27 billion in Jan '20. Current Account Deficit also declined and narrowed to US$13.5 billion (4.8% of GDP) in FY19 compared to US$19.9 billion (6.3% of GDP) in FY18. The narrowing of the CAD has continued in FY20, as the CAD narrowed 75% to $2.153 billion in the first six months of the fiscal year of 2020 driven by lower import for transport and machineries, followed by food items and metals. The stock market has also recovered considerably during Q4 of 2019. Sovereign rating and outlook of Pakistan and the Pakistani Banking System has been upgraded to "Stable". Also, Pakistan's rank for "Ease of Doing Business" stands improved from 138 to 108.

Financial Performance & Position

• **Profitability**

For the year 2019, gross mark-up/interest income increased 59.7% YoY and closed at PKR 239.48 billion (2018:PKR 149.97 billion). Growth was mainly attributable to (i) the increase in policy rate from 10.75% at beginning of the year to 13.25% by Jul '19, and (ii) a volumetric growth in advances & investments. Value that we generate through our fund based operations is shared with our providers of funds. This year, the value distributed by way of mark-up/interest was 87.6% up YoY and amounted to PKR 167.57 billion, of which 65.7% or PKR 110.01 billion was paid to the depositors. Resultantly, net mark-up / interest income closed 18.5% higher YoY at PKR 71.91 billion (2018: PKR 60.67 billion).

Despite a lacklustre performance of the stock market, lower trade business volumes, a murky business environment overall, and contrary to the industry performance, the bank efficiently maintained its non-mark-up / interest earnings. This year, non-mark-up / interest income amounted to PKR 36.20 billion. With a 66.5% and 33.5% contributed by NII and NFI, respectively, total revenue of the Bank amounted to PKR 108.11 billion i.e. 11.5% higher than PKR 96.92 billion of prior year.

Corresponding to the general increase in overhead expenses and in commensurate with the inflation, administrative expenses for the year amounted to PKR 65.71 billion against PKR 55.69 billion for the year 2018. This 17.7% increase was mainly due to higher HR compensation that represent 68.92% of the total administrative expenses. The Bank has also prudently provided against certain HR related contingencies. The Bank's Cost-to-Income ratio stood at 60.8% as against 57.5% for the year 2018.

The higher total income lead to a higher profit before provision "PBP" for the year that amounted to PKR 42.25 billion. However, the YoY growth in PBP remained limited to 3.1% as the bank recorded a substantial 18.0% increase in operating expenses during the year.

Reflecting the trend of asset quality deterioration observed across the industry this year, the Bank experienced a 11.4% increase in the non-performing loans (NPLs) which stood at PKR 148.75 billion from PKR 133.36 billion as of December 31, 2018. While provision charge for the year on loans & advances stood at PKR 8.42 billion (2018: PKR 8.8 billion), provision charge against investment amounted to PKR 3.04 billion (2018: PKR 0.23 billion), as the stock market performed bearish. Including the provisions against certain HR contingencies and other assets & liabilities, total provision closed at PKR 14.25 billion (2018 : PKR 11.30). Accordingly, profit before tax stood at 28.00 billion, being 5.7% lower than PKR 29.68 billion for the prior year. This year, the Bank's tax burden amounted to PKR 12.19 billion (effective Tax rate 43%) against PKR 9.67 billion (effective Tax rate 33%) in 2018. Increase in tax charge is on account of retrospective applicability of super tax. Profit after taxation for the year closed 21.0% lower at PKR 15.81 billion as against PKR 20.02 billion for the year 2018. This translates into earnings per share of Rs. 7.43. The return on average assets (RoA) after reported at 0.5%, and RoE after tax reported at 10.2%.

• Financial Position as of December 31, 2019

Your Bank achieved yet another benchmark and made history by passing the PKR 3.0 TRILLION mark in terms on Total Assets at end 2019. Total assets closed at PKR 3,124. 39 billion, depicting a 11.6% growth from PKR 2,798.57 billion a year before. The Bank has optimally managed its asset-liability mix by generating stable funds and deploying the same into multiple earning avenues offering optimum yield. Gross advances increased during the year by PKR 91.83 billion or 8.7% to PKR 1,151.31 billion as against PKR 1,059.48 billion a year before. Since surplus liquidity is deployed into money market instruments, the Bank's investment (at cost) as of Dec '19 amounted to PKR 1,417.65 billion as against PKR 1,276.29 billion at the end of year 2018. This year, the deposits grew to PKR 2,198.05 billion i.e. 9.3% higher than PKR 2,011.39 billion a year back. On a positive note, the bank's CASA deposits have shown improvement from 81.5% in December 2018 to 81.8% as of December 31, 2019.

Further discussion on financial performance and other organisational developments is also given in the CEO review.

Earnings per Share

The Bank's after-tax profit for the year 2019 amounted to PKR 15.81 billion. This translates into basic & diluted earnings per share of Rs. 7.43 as against Rs. 9.41 of the year 2018.

Appropriation of Profit

The Board is conscious of the fact that the shareholders look forward to receiving dividend / bonus shares. The Board deliberated at length whether or not cash dividend should be recommended. However, the likely impact of the pension case and other contingencies, despite some positive signals, still remains a cause of concern. The first priority of the Board is to maintain continuity of Bank's business which is very much dependent upon the strong capital base of the Bank. Accordingly, it is considered more prudent to retain and plough back entire profits for the time being and once the position becomes clearer and positive, the Bank may consider declaration of dividend at a later stage. Thus, the Board does not recommend any dividend for the year 2019.

Profit for the year 2019 after carryover of accumulated profit of 2018 is proposed for appropriation as follows:

	(PKR Million)
Profit before tax for the year ended December 31, 2019	28,003
Taxation:	
- Current	13,286
- Prior Year	1,057
- Deferred	(2,149)
	12,194
After tax profit for the year ended December 31, 2019	**15,810**
Un-appropriated profit brought forward	72,333
Other comprehensive income- net of tax	(2,015)
Transfer from surplus on revaluation of fixed assets-net of tax	240
Transfer from loan loss reserves	4,000
Profit available for appropriations	**90,367**
Appropriation:	
Transfer to Statutory Reserve (10% of after-tax profit)	(1,581)
Un-appropriated profit carried forward	**88,786**

Principal Risks & Uncertainties Facing the Bank

A detailed note on principal risks facing the Bank and the related risk management framework is included separately in this Annual Report.

Explanation in regard to any contents of 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 the pension obligations of the Bank.

As discussed at length in the said note to the financial statements, the Bank has filed a review petition with Honourable Supreme Court of Pakistan. The Petition was last fixed for hearing on 18.02.2020. After hearing the argument on legal counsel, the Honourable Court directed adjourned the proceedings for further hearing on March 05, 2020. 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.

Therefore, pending the decision on the review petition, financial impact of the subject case has not been included in the financial statements for the year ended December 31, 2019. However, in case this matter is decided unfavourably, the Bank estimates (based on the actuarial advice) that the financial impact arising from the additional liability would be approximately PKR 67.1 billion (excluding any penal interest / profit payment, if any, due to delayed payment). Pension expense for year 2020 onward will also increase by PKR 7.0 billion due to this decision.

Material Events after the Balance Sheet date

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

Control & Compliance

The Bank remains compliant with all the applicable laws, rules, regulations, and codes in the spirit of good governance, and continuously strives for improving the compliance environment.

On a special note, in 2016 the Bank and its New York branch entered into a written agreement with the Federal Reserve Bank of New York and New York State Department of Financial Services (US regulators). This agreement, inter-alia, requires the bank to address certain compliance and risk management matters relating to anti-money laundering and the US bank secrecy law requirements. This agreement also requires implementation of the requisite systems and controls and allocation of adequate resources to ensure full compliance with such requirements. The bank's management continues to address the matters highlighted in the written agreement and in the subsequent inspections, and get them independently validated. NBP has made considerable progress and seeks to comply with all applicable laws and regulations.

This heightened attention to compliance is expected across the bank's international franchise which will also gain from the development and implementation of an integrated strategy.

Capital Adequacy & Management
The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the SBP. The Bank's objectives when managing capital, include to remain compliant with the regulatory requirements of being a Domestic Systemically Important Bank (D-SIB), while safeguarding 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.

At end 2019, both the Common Equity Tier-1 ratio and the Total Capital Ratio stood at 12.11% (minimum requirement–6.00%) and 15.48% (minimum requirement 14.0%), respectively as at December 31, 2019, yet exceeding the 1.5% higher loss absorbency surcharge over & above the minimum capital adequacy requirement. Further, effective March 31, 2020, the bank will be subject to enhanced loss absorbency surcharge of 2.0% in the form of additional common equity tier-1 capital (CET-1). The Bank is taking effective measure to augment its capital base for creating sufficient leeway for the planned expansion of the Bank's operations.

Credit Rating
NBP is rated as 'AAA' by the two recognised credit rating agencies in Pakistan. In June 2019, M/s JCR-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 has also assigned the Bank long-term entity rating as 'AAA' (Triple AAA) and short-term credit rating as 'A1+' (A-one Plus). Moody's Investors Service, in their report of Dec '19, upgraded Outlook of the Bank to 'Stable' with a 'B3' long-term rating.

Future Outlook
Moving into its 71st year of untiring service to the Nation, the Bank remains committed to maintain its current momentum of delivering exceptional results to its shareholders in years to come. We expect 2020 to be challenging yet create exciting opportunities for NBP and the Banking industry as a whole.

For year 2020 & beyond, our business strategy will focus on inclusive development through reaching and supporting underserved sectors including SME, Microfi¬nance, Agriculture Finance, and ¬finance for Micro-Housing on a priority basis. This is in addition to the bank's dominant role in dealing with public sector enterprises and its employees. Building a digital banking capability and a technology platform will be a central part of this strategy as will the inculcation of a performance driven culture within the institution. Given the slow growth of brick & mortar relative to digital channels, our future business strategy will evolve around realigning ourselves with the emerging e-banking dynamics as business growth requires special attention to Digital Banking for offering comprehensive banking solutions.

Impact of the Bank's Business on the Environment
The Bank's business model and operations do not directly create a significant adverse impact on the environment. However, the bank is taking measures for environmental protection, particularly reduction of carbon footprint, through initiatives such as plantation, solarised branches, installation of energy efficient office equipment and reduction in paper usage in our processes e.g. the Annual Report is now sent in electronic form, instead of print copies.

Appointment of Auditors
The existing auditors of the Bank M/s Deloitte Yousuf Adil Chartered Accountants and M/s Grant Thornton Anjum Rahman Chartered Accountants, retire and being eligible, have offered themselves for re-appointment as auditors of the Bank for the year 2020.

The Board of Directors, upon recommendation of the Board Audit Committee, recommends re-appointment of M/s Deloitte Yousuf Adil, Chartered Accountants and M/s Grant Thornton, Chartered Accountants as external auditors of Bank for year ending December 31, 2020 on existing remuneration to be approved by the shareholders in 71st Annual General Meeting.

Composition of the Board and its Committees
Composition of the Board of Directors and its Committees along with the changes occurred therein during the year 2019 are disclosed under the Statements of Compliance with the Listed Companies Code of Corporate Governance) Regulations, 2019.

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

I. Statement of Internal Controls including management' evaluation of ICFR.
II. Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019.
III. Review of the performance of various Business and Support Groups.
IV. Risk Overview & Management
V. Sustainability and Corporate Social Responsibility Report.
VI. Pattern of Shareholding

Acknowledgement & Appreciation
We would like to take this opportunity to appreciate and acknowledge the Government of Pakistan, the State Bank of Pakistan, SECP and other regulatory bodies for their continued support, and shareholder and customers of the Bank for their trust and our employees for their continuous dedication and commitment.

We look forward to their continued support in enabling the Bank to achieve its true potential to play its role in the socio-economic development of Pakistan as The Nation's Bank.

For and on behalf of the Board of Directors

Arif Usmani
President & CEO

Imam Bakhsh Baloch
Director

Karachi
Dated: February 28, 2020

Deloitte Yousuf Adil
Chartered Accountants
Cavish Court, KCHSU
Shahrah-e-Faisal
Karachi 75350, Pakistan

Grant Thornton Anjum Rahman
Chartered Accountants
1st & 3rd Floor, Modren Motors House
Beaumont Road
Karachi 75530, Pakistan

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, 2019 in accordance with the requirements of Regulation 36(1) 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 and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Bank's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Bank's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Bank for the year ended December 31, 2019.

Deloitte Yousuf Adil
Chartered Accountants

Grant Thornton Anjum Rahman
Chartered Accountants

Place: Karachi
Date: February 28, 2020

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

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

Year ended: **December 31, 2019**

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 and Banks (Nationalization) Act, 1974, the provisions of Banks (Nationalization) Act, 1974 shall prevail.

1. The total number of directors are 09 as per the following:

   A. Male: 08
   B. Female: 01

2. The composition of board is as follows:

   The Board of Directors of the Bank are appointed as per the provisions of the Banks (Nationalization) Act, 1974. The President / CEO is only Executive Director. The remaining Board consists of one non-executive director and seven independent directors including one independent director representing minority shareholders as required by the Code. At year ended December 31, 2019, the Board was comprised of the following directors:

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

3. Mr. Zubyr Soomro was appointed as Chairman of the Bank's Board of Directors (the Board) vide Notification No. F.1 (11) Bkg.III/2017-568 dated April 17, 2019 with immediate effect.

4. The Federal Government appointed Mr. Muhammad Sohail Rajput in place of Mr. A. Akbar Sharifzada, Mr. Tawfiq A. Hussain in place of Mr. Muhammad Imran Malik and Ms. Sadaffe Abid in place of Mr. Asad Munir on April 17, 2019 as Director on the Board of the Bank vide GOP, Finance Division, Notification No. F.1 (11) Bkg.III/2017-568 dated April 17, 2019.

5. Mr. Zafar Masud and Mr. Imam Bakhsh Baloch were appointed as Directors vide Notification No. F.1 (11) Bkg.III/2017-568 dated April 17, 2019 with immediate effect.

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

9. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ shareholders as empowered by the relevant provisions of the Companies Act, 2017 and 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 have a formal policy and transparent procedures for remuneration of directors in accordance with the Companies Act, 2017 and these Regulations;

12. Majority of the Directors have already under gone the training.

13. The Board had approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;

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:

1. Board Audit Committee (BAC):

Names of Director	Status
Mr. Muhammad Naeem	Chairman
Mr. Tawfiq A. Hussain	Member
Mr. Muhammad Sohail Rajput	Member

2. Board HR & Remuneration Committee (BHRRC):

Names of Director	Status
Mr. Zubyr Soomro	Chairman
Mr. Arif Usmani	Member
Mr. Zafar Masud	Member
Mr. Farid Malik	Member

3. Board Risk & Compliance Committee (BRCC):

Names of Director	Status
Mr. Tawfiq A. Hussain	Chairman
Mr. Arif Usmani	Member
Mr. Muhammad Naeem	Member
Mr. Farid Malik	Member
Mr. Imam Bakhsh Baloch	Member

4. Board Technology & Digitalization Committee (BTDC):

Names of Director	Status
Mr. Zafar Masud	Chairman
Mr. Arif Usmani	Member
Mr. Farid Malik	Member
Ms. Sadaffe Abid	Member

5. Board Inclusive Development Committee (BIDC):

Names of Director	Status
Ms. Sadaffe Abid	Chairperson
Mr. Arif Usmani	Member
Mr. Muhammad Sohail Rajput	Member
Mr. Imam Bakhsh Baloch	Member

6. Board International Franchises & Remittance Committee (BIFRC):

Names of Director	Status
Mr. Arif Usmani	Chairman
Mr. Zafar Masud	Member
Mr. Tawfiq A. Hussain	Member

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 committee were as per following:

S. No.	Name of Committee	Meetings held during the year
1.	Board Audit Committee	10
2.	Board HR & Remuneration Committee	11
3.	Board Risk & Compliance Committee	5
4.	Board Technology & Digitalization Committee	10
5.	Board Inclusive Development Committee	5
6.	Board International Franchises & Remittance Committee	2

18. The board has set up an effective internal audit function. Further, with respect to the USA and Germany Operations, internal audit function of the Bank has been outsourced to independent professional firms, who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Bank;

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 director 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 Act, 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.

ARIF USMANI
President / CEO

ZUBYR SOOMRO
Chairman

Date: February 28, 2020
Place: Karachi

Statement of Internal Control

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 management and the employees at all levels within the Bank are required to perform as per these approved Internal Control System components. The Internal Control System requires effectiveness and efficiency in external and internal reporting, maintenance of proper records and processes, compliance with applicable laws and regulations, and internal policies with respect to conduct of business.

The bank's internal control system has been designed to manage rather than eliminate risk of failure to achieve objectives and can only provide to the bank's management and Board of Directors with reasonable but not absolute assurance against material misstatement or loss, since establishing and bringing improvement in controls are ongoing processes that include identification, evaluation and management of significant risk faced by the Bank.

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

In compliance with SBP directives, the Bank has completed the implementation of roadmap regarding Internal Control Over Financial Reporting (ICFR) on December 31, 2018. This included detailed documentation of the processes, comprehensive evaluation of controls both at entity as well as activity level, development of detailed remedial action plans for the gaps identified as a result of such evaluation and devising comprehensive testing plans of the control of all processes. Long form report (LFR) on the assessment of Bank's ICFR for the year 2018 issued by the statutory auditor has been submitted to SBP in compliance with OSED Circular No.1 of 2014 dated February 07, 2014.

Evaluation of Internal Controls

The Bank has an independent Internal Audit function in the name of Audit & Inspection Group with three Regional 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 to that, an independent Compliance Monitoring Wing is being set up under Compliance Group to monitor Compliance with key regulations at branches as well as Head Office functions along with monitoring of ICFR.

For the year 2019, the Bank has made its efforts to ensure that an effective internal control system continues to perform. The observations made by the external / internal auditors and regulators in their respective audits / inspections are reviewed and measures are taken by the Management, Board Sub-Committees and Board of Directors for rectification of such observations.

Based upon the results achieved from reviews and audits conducted during the year, the Management considers that the Bank's existing Internal Control System needs improvement as 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 duly endorsed the Management's evaluation of internal controls including ICFR in the attached Director's report.

Abdul Wahid Sethi	**Aamir Sattar**	**Muhammad Faraz Haider**
CFO / Group Chief, FCG	Group Chief, A&IG	Group Chief, Compliance Group

Shariah Board's Report NBP Aitemaad - 2019

بسم اللہ الرحمٰن الرحیم

الحمد اللّٰہ رب العالمین والصلاۃ والسلام علی سید الانبیاء والمرسلین وعلی اٰلہ وصحبہ اجمعین امابعد

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

In the Capacity of Shariah Board, we have reviewed the overall Shariah compliance level and environment within the NBP Aitemaad Islamic Banking as of December 31, 2019.

Shariah Board Opinion:

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

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

1. **Compliance with Shariah Rules and Principles in the light of Fatawa and Guidelines issued by Shariah Board (SB):**

   Shariah Board is of the opinion that the NBP Aitemaad's overall environment, products, and agreements comply with the Shariah principles.

2. **Compliance with Shariah related directives, regulations, instructions and guidelines issued by State Bank of Pakistan (SBP) in accordance with the rulings of SBP's Shariah Advisory Committee.**

   On advice of SB, the management has ensured zero tolerance on Shariah non-compliance instances and added an exclusive objective of ensuring Shariah Compliance as one of the Key Performance Indicator (KPI) in staff appraisal system in 2019. However, inclusion of zero tolerance on Shariah non-compliance in HR policy is due by HRMG.

3. **Shariah Compliance Mechanism**

   Alhamdulillah, NBP-Aitemaad Islamic Banking already has in place a comprehensive Shariah Compliance Policy developed by SCD and duly approved by BoD. Based on the concept of continuous improvement, SCD has further upgraded several Shariah Compliance checklists based on the experiences gained time to time and to incorporate SB recommendations and SBP guidelines. It helps to analyse and identify weak areas and suggest relevant controls. Further in order to ensure and measure staffs' basic level of Islamic Banking & Finance understanding, SCD has developed a set of test papers to be used during Shariah Compliance review (SCR) of branches. It also helps to assess the staff understanding and awareness level for Islamic Banking & Finance and their training needs.

4. **Mechanism ensuring prohibited Income to Charity Account**

   NBP-Aitemaad Islamic Banking has a well-defined Charity policy approved by NBP Shariah Board and BoD. NBP Shariah Compliance Team conducted review of executed transactions to ensure their compliance in lines with the SB's approved processes and guidelines. In addition, all other income generating sources including investments and treasury transactions are reviewed by SCD.

   During the Shariah Review of financing portfolio, no any non-Shariah compliant transaction was found. Therefore, no income was declared as charity in 2019. However; the charity from previous year(s), amounting to PKR 2,000,000/= (two million) has been disbursed in 2019 to charitable institutions.

5. **Profit and Loss Distribution and Pool management.**

NBP Aitemaad Islamic Banking has an exclusive Pool Management Wing with suitable human resource in place ensuring Shariah compliant pool management in line with a comprehensive Standard Operating Procedures (SOP) ensuring transparency in the working prior to distribution of profit and loss. Further SCD has also been reviewing Pool Management & Profit Distribution during the year in line with instructions issued by SBP. Moreover, internal Shariah audit of pool management has been conducted on quarterly basis, which further improved the control process of pool management and profit & loss distribution and strengthened the compliance of Shariah guidelines.

6. **Staff understanding of Islamic Banking and Finance:**

Alhamdulillah, the Bank imparted basic Islamic Banking & Finance training sessions to abreast them with Islamic Banking basic concepts where four hundred and fifty seven (457) staff attended 23 sessions during this year. In the year 2019, the Bank has developed the e-learning course based upon "Riba & Interest" keeping in view to enhance e-learning of Islamic Banking. The Bank has also developed a course titling "Customer Services Management in Islamic Banking" which covers the training of customer services with respect to Islamic ethics and ethos in Islamic finance.

The Bank, has arranged 9 customer awareness sessions across different regions as part of its Islamic Banking promotion initiatives.

The bank has also nominated its Shariah Compliance Officers for AAOIFI Shariah Standards course and Refresher Course on Certified Islamic Professional Accountant (CIPA) Course at renowned Business Institute which enhanced their Shariah sanity and compliance skills. Moreover, SB and Shariah Compliance Team encourage all staff of Islamic Banking Group as well as customers to float their queries via Ask-Shariah portal. This provides a platform for on the job training for staff and supports day-to-day processes and customer management.

7. **Provision of adequate resources to Shariah Compliance Department (SCD):**

SCD is operating with reasonable head counts currently. However, SCD shall anticipate future requirement and inform the management with the same, if any.

Other Developments:

1. **Shariah Compliance Review (SCR) of Islamic Banking Branches and Departments:**

The Shariah Compliance teams have conducted review of 148 deposit branches of NBP Aitemaad Islamic Banking Branches which includes offsite Shariah review of 56 Aitemaad Branches, and onsite Shariah review of 92 Aitemaad Branches during the calendar year. Further, SCD has also conducted monthly pre-disbursement Shariah review of Pool management. In addition, Aitemaad Marketing, 100% Treasury transactions, and 100% financing portfolio has also been reviewed during the year as required in SBP's SGF. The Shariah Compliance teams during their visit provided guidance to staff to ensure implementation of Shariah guidelines.

2. **Product Development:**

Alhamdulillah, in 2019, NBP Aitemaad Islamic Banking has introduced EMV Debit Card. In addition, NBP Aitemaad has now a good range of products as it is offering Twelve (12) Deposit products and Seven (07) financing products for its valued Customers.

3. **Asset Review:**

NBP Aitemaad's overall assets have increased by 24% to around PKR 65 billion as compared to PKR 52.6 billion of previous year. Islamic Financing increased by 26% to PKR 34 billion maintaining AIBG Finance to Deposit Ratio around 54%. Investments including Bai Muajjal stand at PKR 31 billion as compared to PKR 25.4 billion last year.

4. Liability Review:

Aitemaad total deposits have shown a healthy increase by around 24% to PKR 63 billion as on 31 December, 2019 as compared to PKR 51 billion last year.

5. Summary of Shariah Board Meetings Conducted During 2019:

SB had held six meetings during the year 2019 wherein several agendas were deliberated upon and resolved. The major approvals are summarized as follows:

1. Aitemaad Policies
- i. Islamic Staff Policy - Revised
- ii. Shariah Compliance Policy - Revised
- iii. Islamic Long Term Facility (ILTFF - SBP)
- iv. Investment Policy
- v. Corporate, Commercial & SME Credit Policies (CPMs)

2. Aitemaad Manuals
- i. Training Manual
- ii. Mobile Banking Application Manual
- iii. EMV Debit Card Manual

3. Shariah Researches conducted by SCD scholars under the supervision of Shariah Board
- i. The verdict for liability of Purchasing Agent in case of non-declaration of purchase within agreed timeline.
- ii. The Shariah Status of dealing with non-Shariah compliant financial institutions.
- iii. The Shariah ruling for Performance Guarantee.
- iv. The status of Contract of Muswamah in case of disclosure of cost; whether it turned into Murabaha or not?
- v. The Establishment of Implied Exchange between Selling Agent & Principal

4. Miscellaneous
- i. Shariah Compliance and Shariah Audit Annual plans
- ii. Action recommendations on Shariah Compliance, Internal & External Shariah Audit Findings
- iii. Approval of ISAW Shariah Audit Rating Mechanism for Deposit Branches
- iv. Creation of Special Pool - For 1 & 2 Years TDRs on Special Rates
- v. Process flow approval of several financing facilities
- vi. Mudharabah Agreement of Islamic Long Term SBP Facility (ILTFF)

Recommendations:

We recommend the Bank on the following matters:

1. To continuously improve and strengthen the Pool Management by automation of the pool management and profit and loss distribution mechanism, according to the instructions of SBP, on priority basis.

2. To implement;

   i. Shariah compliant Staff Financing facilities for NBP Staff

   ii. Inclusion of Zero tolerance for Shari'ah non-compliance instances in HR policy for performance appraisal system of the staff by HRMG as required by SBP in SGF.

   iii. Comprehensive Islamic banking training policy as per SBP and SB instructions which must include entry/advance level specific and focused training of all staff, practically, Islamic Financing transactions of various modes for staff dealing with Islamic Financings to avoid complicated Shariah compliance issues

واللّٰہ سبحانہ وتعالی اعلم

ربنا لا تؤاخذنا ان نسینا او اخطانا ج ربنا ولا تحمل علینا اصرا کما حملتہ علی الذین من قبلنا ج ربنا ولا تحملنا ما لا طاقہ لنابہ واعف عنا وقفہ واغفرلنا وقفہ وارحمنا وقفہ انت مولنا فانصرنا علی القوم الکفرین.

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

Mufti Muhammad Imran **Resident Shariah Board Member** **NBP – Aitemaad**	**Dr. Mufti Khalil Ahmad Aazami** **Member Shariah Board** **NBP – Aitemaad**	**Mufti Ehsan Waquar Ahmad** **Chairman Shariah Board** **NBP – Aitemaad**

Risk Management

RMG functions as an independent group reporting directly to the President with dotted line reporting to the Board Risk & Compliance Committee (BRCC). Its efforts are to have focused approach to cater all material risks that the Bank may be exposed to. These risks are mainly categorized as: Credit risk, which is managed through a well-defined credit architecture including but not limited to tools / models development and assessment through frameworks and portfolio reviews. Market & Liquidity risk, which is managed through market risk management framework and regular review and monitoring of the investment portfolio by the Bank's Asset Liability Management Committee (ALCO). Operational risk is managed through an Operational Risk Management Framework approved by the BoD. This framework includes aspects related to, Governance, OR Strategy, Risk & Control Self-Assessment (RCSA), Key Risk Indicators (KRIs) and Loss Data Management. Information security risk is managed through well-established through information security and cyber security framework. Apart from above-mentioned risks, the Pillar-II risks, and overall integration of risk management in the Bank come under the ambit of Enterprise Risk which is being managed accordingly.

The Bank adopts different tools and techniques of risk management to keep the Bank resilient and vibrant to minimize losses within the defined risk tolerance levels. Strategic goals are embedded into risk management to maintain a robust framework for identifying and escalating risks to support sustainable business growth. RMG acts as a second line of defense in risk management structure of the Bank, assuming the role of establishing risk management framework, development of risk tools & systems for effective risk management along with review and reporting of deviations of activities from set standards, to Senior Management and the Board.

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

Our Approach towards Risk Management

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 ongoing commitment to maintain balance sheet strength. The strength of risk profile management of the Bank stands on the following pillars:

- Identification and assessment of significant material risks to which the Bank is, or, may be exposed to
- Overseeing and managing the risk profile of the Bank within the context of the risk appetite
- Ensure the business profile and plans of the bank are consistent with the risk appetite
- Optimize risk / return decisions by aligning them to the business objective of achieving sustainable optimum growth
- Manage the risk profile of the Bank to ensure that specific financial deliverables remain achievable under a range of emergent business conditions.

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

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

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

Identify & Assess: All business groups are responsible for risk recognition & assessment and development of controls in their respective areas of operation. As part of the risk assessment process, the groups ensure that not only the relevant risks are identified but their implications are considered, and basis provided for managing and measuring (as far as possible) the risks.

Respond: The Risk Management Group ensures that effective controls are in place to mitigate each of the identified risks considering its impact and likelihood and such controls are reviewed on a regular basis to appropriately address any new risk or risk not managed well previously. The results of risk assessment are reviewed at various levels within the Bank including Enterprise Risk Committee (ERC) with summary assessments shared with the Board Risk & Compliance Committee.

Monitor: Once the principal risks have been identified and measured, and mitigating controls have been put in place, progress towards objectives is tracked continuously. At NBP, risk monitoring is a proactive and ongoing process which may prompt a re-evaluation of the risks and / or changes in mitigating responses. It includes ensuring the risks are maintained within the overall risk appetite and checking that risk controls are functioning effectively without jeopardizing value creation objective of the Bank.

Risk Governance Structure

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

Risk Management Framework Implementation

The bank implements risk management framework through a 'Three Lines of Defence' model which defines clear responsibilities and accountabilities for various offices and ensures effective & independent oversight and assurance that the activities take place as intended under the risk management framework.

The First Line of Defence: Business groups have a primary responsibility for identifying, measuring, and controlling the risks within their areas of accountability. They are required to implement effective procedures and controls to ensure compliance with the related policy requirements, to maintain appropriate risk management skills and to act within defined parameters as set and approved by the Board.
The Second Line of Defence: Risk Management and the Compliance functions in the Bank oversee and independently challenge to the effectiveness of risk management actions taken by business groups. The recommendations are escalated to Board Risk & Compliance Committee for deliberation and decision taking.

The Third Line of Defence: Board Audit Committee and Audit & Inspection Group provide an independent, objective assurance and consulting activity designed to add value and improve risk management functions of the Bank. A&IG helps the Bank accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Board Risk & Compliance Committee (BRCC)

BRCC is an independent committee of Board of Directors which plays a vital role in improving the risk culture in NBP through active reviews of ICAAP, Risk Appetite, Stress testing, Credit & Investment portfolio, Risk Management Frameworks / Policies, Operational Risk events and other risk management reports / MIS.

Enterprise Risk Committee (ERC)

ERC is a senior management body mainly covering risks from an overall perspective of strategy, policy / framework development, assessment measurement tools, MIS framework and Basel framework implementation, whereas routine aspects in relation to such risks shall be managed by the RMG. ERC has representation from various business and support groups.

Risk Management Group (RMG)

Risk Management Group exists as an independent group, i.e. separate from approvals, reporting directly to the President with a dotted line reporting to the BRCC. The group is responsible to perform the functions pertaining to development and oversight of the risk framework, methodology and other functions assigned from time to time in line with local / international best practices and under the supervision of SBP's regulations / guidelines.

A Responsible Corporate Citizen

National Bank of Pakistan, being a Public Sector Commercial Bank, is fully aware of its social obligations. Over the years, it has integrated its social welfare and community development initiatives to achieve sustainable growth in the social and economic sectors of Pakistan. The Bank partners with organisations and Government authorities to implement its CSR initiatives to contribute towards the Sustainable Development Goals – particularly 3, 4, 5 and 10, i.e.:

- Good Health & Well-Being
- Quality Education
- Gender Equality
- Reduced Inequalities

Every year, the Bank invests large amounts towards bringing a positive change and improving the quality of life for members of society.

This year, the Bank was awarded 3 CSR Awards at the 12th CSR Summit-Awards 2020 organized by the National Forum for Environment & Health. At the 9th CSR Summit Awards 2020, the Bank also won 2 Awards in the category of Community Support in Health & Education, Sports & Culture.

During the year, the Bank contributed PKR 34.4 Mn. towards the well-being of the community under four CSR pillars.

Health

Due to the shortage of equipment, laboratories, doctors, paramedical staff and depleted infrastructure and buildings, the healthcare delivery system in Pakistan is short of standard healthcare facilities. Since the Government of Pakistan has limited resources, it is unable to fully meet the medical needs of the population living in the rural and urban areas of Pakistan. NBP, in partnership with various NGOs and institutions, arranges various medical and eye camps in remote areas of various province of Pakistan, and also helps in upgrading the infrastructure by providing financial and equipment support through concerned Patient Welfare Societies of various hospitals. This year, the Bank invested PKR 11.8 million for better health of the communities. The initiatives were executed through renowned institutions, including:

- DHQ Hospital, Gwadar
- University of Chitral
- Aman Foundation, Karachi
- Waldain Memorial Free Eye Hospital
- The Patients Behbud Welfare (AKUH)
- Free Medical Camp at Wana, Karachi, Tharparkar

An Ambulance, equipped with portable oxygen equipment, cardiac monitor, paramedics & medicines, is donated to DHQ Gawadar. Such ambulances are well-equipped to handle 80% lifesaving interventions & often handle critical cases.

Our key operations & areas of focus contribute to the UN Sustainable Development Goals

Our Connection

Small enterprises stimulate economic growth by providing employment opportunities, fostering innovation and reducing income inequalities. In this regard, the Government of Pakistan announced "Kamyab Jawan SME Lending Program" in the federal budget for 2019-20. Prime Minister of Pakistan launched "Kamyab Jawan – Youth Entrepreneurship Scheme" in October, 2019 through which the young generation can get opportunities to excel in their respective fields.

With a lead role of ~50% share, NBP is a major participating bank in this Scheme. In the first phase of the Scheme, NBP has received 450,000 plus applications for small business loans in the range of PKR 100,000 to PKR 5,000,000 disbursed by banks under the Program.

Our Delivery

- Established the "Inclusive Development Group".
- Disbursed Rs. 225 billion of Agri-loans to (mostly) small farmers. Net increase being PKR 6.9 billion i.e. 14.9%, YoY.
- PKR 18.5 billion i.e. 25.1% growth in SME loans.

Our Connection

The Bank is focusing on solarising its business premises and using energy-efficient equipment. The Bank also finances large-scale renewable energy generation projects through Corporate & Investment Banking.

Our Delivery

- Donated a Solar Powered Water Pump to the University of Chitral to ensure a constant supply of water to its Botanical Garden.
- Financed PKR 240 million for renewable energy projects.

Our Connection

These four are key pillars of our CSR Initiatives.

Our Delivery

This is discussed in detail under the CSR Section above.

Education

NBP strongly believes that education plays a vital role in economic development and poverty alleviation. Pakistan urgently needs investment in excellent academic facilities for imparting skills amongst young people to help them utilize their highest potential. NBP has invested resources for the development of future generations and extended financial support for the construction of HUB School, KBSL, Aga Khan University, Habib University and IBA Karachi, Khan Abdul Wali Khan in Peshawar and Sukkur IBA. Rural area schools have been given books and furniture. To support NGOs like The Citizen Foundation School, NBP adopted one of the TCF Schools in Nawabshah. During the year, the Bank extended generous donations / sponsorship to various institutions throughout the county. This year, the Bank invested PKR 6.3 million on this front. A few names to mention include:

- Namal College, Mianwali
- RIZQ Foundation, Karachi
- Govt. Boys Primary School Kankola, Peshawar
- IBA Accounting Club, Karachi

Women & Children

NBP provides support to different NGOs for vocational training to help the needy and poor women. The Bank has initiated a project called "NBP Empowered Women, Empowered Pakistan". The core objective of this project is empowering women in Pakistan to sufficiently fulfill their daily needs as well as earn a healthy, respectable and socially acceptable form of livelihood. Our contribution on this front for the year amounted to PKR 4.35 million. This year, the Bank sponsored 100 combined marriages for poor and deserving individuals, mostly in the interior part of Sindh, Balochistan and South Punjab, arranged on 26 January, 2020 at Railway Ground Karachi. This year, the Bank arranged a vocational training camp for women in Thar, Sindh.

To educate special children with the aid of audio & visual electronic gadgets, and to improve the speaking power of special persons, NBP donated a TV for special children at Prof. Iqbal Memorial Welfare Trust.

To impart professional training, education and skill to development of special persons, NBP provided 10 computers to the Pakistan Independent Living Centre.

Our Connection

We are encouraging our customers to migrate to paperless transacting channels i.e. online banking, mobile banking and e-statements. Migrating from paper-based annual reports to the digital medium is yet another initiative.

Our Delivery

- Launched Digital Banking Applications. This application is already serving 60,000+ customers.
- Migrated 12,000+ Annual Reports from paper based to Digital form.
- Launched EMV Debit Cards.

Our Connection

We are encouraging or customers to migrate to paperless transacting channels i.e. online banking, mobile banking and e-statements. Migrating from paper based annual report to the digital medium is yet another initiative.

Our Delivery

- Launched Digital Banking Applications. xxx% and xx% growth in registered users in online banking and mobile banking.
- Migrated 12,000+ Annual Reports from paper based to Digital form.
- Launched EMV Debit Cards

Donation to Namal College, Mianwali

12th CSR Summit Awards 2020

9th CSR Summit Awards 2020

The Bank conducted a Free Medical Health Camp for the poor people of Thar. A team of Doctors and paramedical staff worked very hard in the remote area of Thar and provided treatment to women who are facing Gynae problems. Similarly large a number of old-age people were also treated for eye ailments at Burkio Chachro, Tharparkar.

NBP, with the help of a local NGO, conducted a Free Medical Camp for women in suburbs of Karachi. The women living in underprivilegeds area are facing difficulties in getting Antenatal Gynecology, Eye, ENT and Dental treatment. More than 250 women and children visited the camp and most of the women were treated for Gynecology-related issues.

Special Persons – Reduced Inequalities

Disability is not properly understood by various segments of society, and the disabled are not treated with respect. NBP, through its CSR initiatives, plays a vital role for special persons by providing them with opportunities to develop independence, confidence and fitness through participation in competitive sports activities. The Bank has organised cricket tournaments for blind and disabled persons. NBP also provides wheelchairs and tricycles. The Bank's contribution on this front for the year amounted to PKR 4.30 million. This year NBP donated 20 Motorcycle Rickshaws to the Pakistan Hindu Council for impoverished residents of Sindh, particularly the Disabled to resolve their transportation problem as well as to earn their livelihood. Some of our key partners for facilitating special persons include:

- Pakistan Disabled Cricket Association
- Pakistan Hindu Council
- Pakistan Blind Cricket Council PBCC
- Pakistan Independent Living Centre

Solar-Powered Water Pump at Chitral - KPK

To provide a constant supply of water to the Botanical Garden at University of Chitral, a Solar-Powered Water Pump was supplied by National Bank of Pakistan. It will help to maintain the green environment of University of Chitral.

As a special project this year, the Bank is also arranging to provide 15 pre-fabricated homes at the cost PKR 7.5 million to the affected.

10th International Women Leaders' Summit

NBP donated 20 Motorcycle Rickshaws to the Pakistan Hindu Council for impoverished people of Sindh, particularly the Disabled ones to resolve their transportation problem as well as to earn their livelihood.

Objective of the Medical Camp was to provide healthcare services & medicines for needy people of that area. This noble cause gave relief to the war-effected people in this extremely remote area of KPK.

In collaboration with Kaus-e-kazah Welfare Organization at District Tharparkar. Women of the area attended the skill training of Drafting, Cutting, Tailoring, Machine & Hand Embroidery, Knitting & Textile Designing. In the end, the Bank provided sewing machines to every participant so they can earn livelyhood for their family.

To provide a constant supply of water to the Botanical Garden at University of Chitral a Solar Powered Water Pump was supplied by National Bank of Pakistan. It will help to maintain the green environment of University of Chitral.

Corporate & Investment Banking Group (CIBG)

CIBG accounts for nearly 54% of the Bank's Loan Book, and Facilitates 450+ Corporate Customers

CIBG is one of Pakistan's leading provider of financial services to top-tier multi-national, governmental agencies/departments, and local corporate clients across the country, serving the changing financial needs of the nation's preeminent businesses.

The CIBG team leads transactions aimed at helping NBP's clients succeed. The continuous support our expert CIBG team provide their clients ripples throughout Pakistan's economy; creating jobs and providing financing for growth and investment, both domestically and across the globe. CIBG team possesses best-in-class local and international expertise required to effectively serve its clients now and well into the future.

CIBG doesn't only maintain the largest loan within the Bank, but is also the largest provider of corporate credit in the Country. With total funded and non-funded approved facility nearing Rs. 1 Trillion, CIBG share in the Bank's total loan book is around 54%.

As of September 30, 2019, NBP had around 12% share in the total Banking sector's gross advances. The Bank's Corporate advances share stands tall in the banking industry as well, as around 9% of the total Corporate advances have been booked by NBP.

CIBG is also the only Bank having won more than one mandate for Privatization which are as follows:

I. Financial Advisor to Privatize First Women Bank Limited
II. Financial Advisor to Privatize Heavy Electrical Complex
III. Mandated Joint-Lead Arranger for Syndicated Term Finance Facility of PKR 28bn in favour of Siddiqsons Energy Limited with NBP participation of PKR 14bn
IV. Participant in a syndicated term loan of USD 100mn for Bow Energy Resources
V. Mandated Lead Advisor and Arranger of Syndicated Term Loan of PKR 2.9bn for Javedan Corporation Limited with NBP Participation of PKR 1.9bn

By combining our expertise in three areas, namely Corporate Banking, Investment Banking, Transaction Banking (Cash Management & Trade Finance), CIBG is well-positioned to cater to the growing banking & financial needs of all our diversified corporate customers and Government entities.

Total Advances (Loans, TFCs etc.)
PKR **615** Billion

Corporate Centres
-Karachi -Lahore -Islamabad -Faisalabad -Multan

Business Lines
- Corporate Banking
- Investment Banking
- Transaction Banking
(Cash Management & Trade Finance)

20% Contribution to the Total Assets

In 2019, CIBG closed several major deals, including:

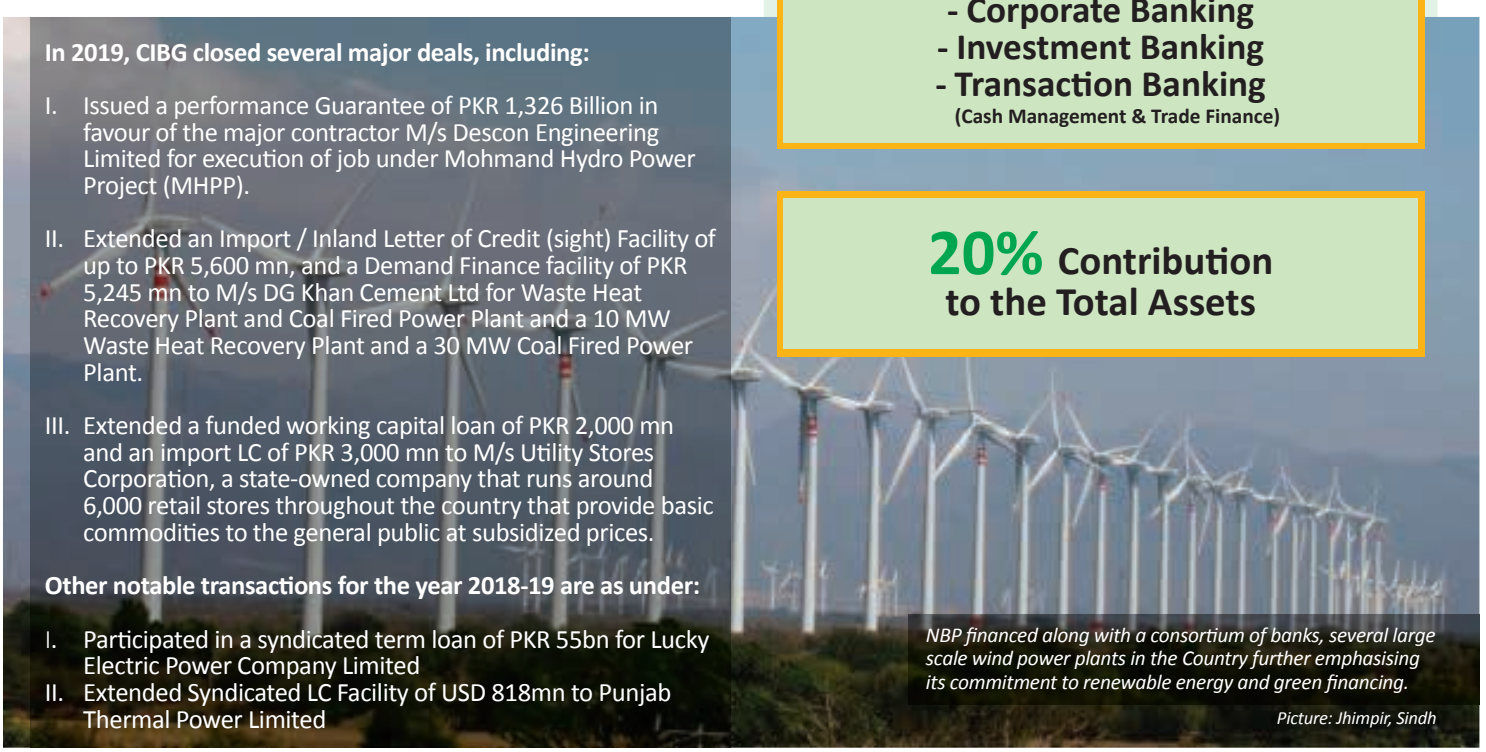
I. Issued a performance Guarantee of PKR 1,326 Billion in favour of the major contractor M/s Descon Engineering Limited for execution of job under Mohmand Hydro Power Project (MHPP).

II. Extended an Import / Inland Letter of Credit (sight) Facility of up to PKR 5,600 mn, and a Demand Finance facility of PKR 5,245 mn to M/s DG Khan Cement Ltd for Waste Heat Recovery Plant and Coal Fired Power Plant and a 10 MW Waste Heat Recovery Plant and a 30 MW Coal Fired Power Plant.

III. Extended a funded working capital loan of PKR 2,000 mn and an import LC of PKR 3,000 mn to M/s Utility Stores Corporation, a state-owned company that runs around 6,000 retail stores throughout the country that provide basic commodities to the general public at subsidized prices.

Other notable transactions for the year 2018-19 are as under:

I. Participated in a syndicated term loan of PKR 55bn for Lucky Electric Power Company Limited
II. Extended Syndicated LC Facility of USD 818mn to Punjab Thermal Power Limited



NBP financed along with a consortium of banks, several large scale wind power plants in the Country further emphasising its commitment to renewable energy and green financing.

Picture: Jhimpir, Sindh

Inclusive Development Group

IDG has been set up to focus on NBP's Commercial, SME, Agri and Housing Finance Product Suite, as well as managing the CSR activities. The need to establish IDG stems from NBP's strong commitment to contribute to the economy by focusing on key sectors of the GDP which are underserved financially and have little access to financing. IDG is mandated to focus on priority sector lending activities to make impact on country's developmental requirements and have pivotal role in employment generation, poverty alleviation and macro / micro-economic development of Pakistan and is also tuned towards focusing on Women Empowerment, as well as focusing on environmental issues faced by the country.

Initiatives, Goals and Plans of IDG for 2020

1. Agriculture Wing

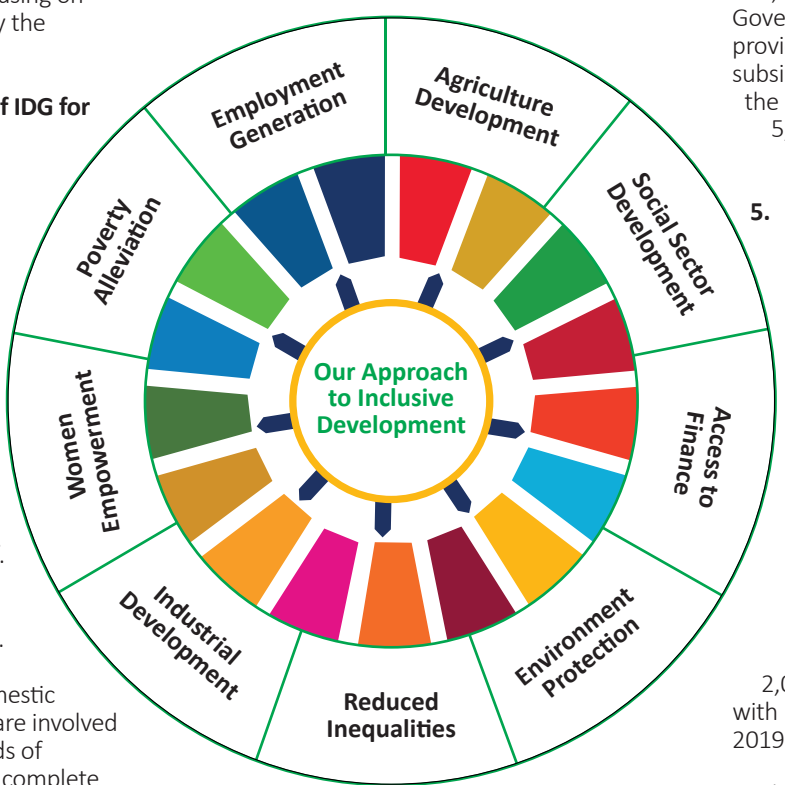
- The year 2019 was another successful year as far as Agriculture Financing is concerned; National Bank not only consolidated its leadership position in Industry but also won the award for "Best Bank in Agriculture Financing". During the year 2019, the Bank's Agriculture portfolio grew by 18%.
- Out of total 1,448 domestic online branches, 875 are involved in catering to the needs of farmers while it offers complete range of commercial banking services to farmers. During 2018-19, NBP disbursed Rs. 225 billion to farmers, most of them are small farmers, and as of 31st December, 2019 NBP's outstanding portfolio was standing at Rs 55.1 billion serving nearly 207,000+ families in the country.

2. SME Financing Portfolio

- Increasing the existing utilization of SBP Schemes to provide competitive SME financing opportunities to get benefit from NBP massive outreach.
- Revamp of existing Product Development Area in order to have couple of new innovative products in 2020.

3. Commercial Financing Portfolio

- Repositioning of staff/ skill resources as per potential of vicinity in order to better cater the needs of business community of that particular area.



- Explore the target market according to business opportunity of respective areas.
- Deepening and further explore the Commercial financing opportunities to get benefit from NBP massive outreach.

4. Kamyab Jawan – Youth Entrepreneurship Scheme (YES)

- The Government of Pakistan has announced "Kamyab Jawan SME Lending Program" in the federal budget for 2019-20. Prime Minister of Pakistan launched Kamyab Jawan – Youth Entrepreneurship Scheme) on Oct. 17th, 2019 through which young generation can get opportunities to excel in their respective fields.
- National Bank of Pakistan (NBP), Bank of Punjab (BoP) and Bank of Khyber (BoK) are nominated as participating banks for this Scheme. NBP is given the lead role with 50% share. In the 1st phase of the scheme, NBP has received 450,000+ applications. Government of Pakistan is providing mark-up and credit loss subsidy on small business loans in the range of Rs. 100,000 to Rs. 5,000,000 disbursed by banks under the program.

5. Saibaan (Housing Product)

- Saibaan was launched in year 2003 with initial portfolio of disbursement amount of PKR 9.31 million with 12 accounts in first year, subsequently the portfolio size increased to PKR 11,919.37 million disbursement with 6,370 accounts up to 2008. Existing portfolio size is 2,047.74 million outstanding with 1,352 accounts in December 2019.
- Bank is reorienting its Mortgage Financing Product to cater to the needs of Middle and Low Income house buyers. Major initiative are being taken for corporate agreements with different institutions and Provincial Government of KPK for their employees.
- Furthermore, formulating products to cater Low Cost Housing Finance as well as for Special Segments as per Regulations of SBP are underway.

Retail Banking Group

2019 was yet another remarkable year for the Group. Keeping in view the vision of the management, late in year 2019, the group went through restructuring both at Head Office and Field Level for a more concentrated approach towards retail and consumer segments and emerged as Retail Banking Group (RBG). However, RBG (formerly CRBG) responsibly ensured growth and achievement of all targets assigned to CRBG for the year 2019.

During the year RBG recorded tremendous growth in all sectors and posted an aggregate growth of 7.1% YoY on Asset side and 11% on the deposit side. The group-maintained CASA ratio of around 86% and met both for its total and CASA Budgeted targets. The Bancassurance business booked historical high volume of Rs.1.1 billion and earned the commission Income of around Rs. 355 million. Advance Salary product posted a double-digit growth of 18% and surpassed the budgeted figures as well as the highest volume in the Industry.

RBG shoulder the responsibility with its partner group to meet the SME, Commercial, Agriculture targets of year 2019. Under SME business, the group made 9.5% growth in performing while reduced NPLs by 9.20% on YoY basis and exceeded by 12.6% against the NPL targets. In Commercial finance the group made 71% growth in regular portfolio. Despite the challenge of wheat procurement in Sindh, the Commodity Finance posted 4% increase against assigned targets. Agriculture portfolio also witnessed growth of 16% on YoY basis. Based on these outstanding results, during the year, the Bank earned one of the most prestigious rank as Best Bank for Agriculture Award organized by Institute of Bankers of Pakistan. RBG has also earned this accolade of being the only consumer portfolio in the industry having crossed 108 billion mark and enjoys more than 50% of the entire personal loan industry.

RBG market its products through a large and strategically dispersed network of around 1,314 branches. RBG managed variety of products by managing two aspects of balance sheet, i.e. liabilities (deposits) and Consumer Finance and takes pride in serving numerous public sector institutions. Post restructuring both at Head Office and Field Level the new group (RBG) is primarily responsible for liability, consumer assets management, new retail product development, introducing variants of existing liability and consumer products, new outlet segmentation and opening along with rationalization of existing branches.

RBG under the new structure will continue its progression and is well positioned to take advantage of its large and strategically dispersed branch network to maintain existing clientele, attract NTB customers and to offer existing product range as well as upcoming products and services to the general public.

Serving Across the Nation
7+ Million
Costumers

Nationwide Branch Network
1500+ Branches

Largest Rural Branch Network
750+ Branches

Largest Lender to Agriculture
PKR 225 Billion
disbursed to farmers

Awarded Best
"Agriculture Bank"
in Pakistan Banking Awards 2019 – 2020

Treasury & Capital Markets

TCMG plays a pivotal role in managing the Bank's liquidity position as well as foreign exchange and investments portfolios for optimal utilization of funds, consistent with the Bank's strategy vis-à-vis global and domestic market outlook, currency volatility and interest rate movements. The group has traditionally made sizeable contributions to the Bank's bottom line by posting capital gains through transactions in government securities and equities. It continues to be a market maker and market leader both in the Foreign Exchange and Fixed Income market and once again posted substantial FX gains in 2019 that is likely to be the highest amongst peers.

To effectively manage the liquidity in line with Banks overall strategy and to contribute towards the overall profitability, TCMG performs as a custodian of NBP's investment book of more than a trillion rupee. TCMG has recently transformed from traditional transactional focus to proactive, broad strategic decision making role which contributes to both enhancing relationships and margins.

TCMG have effectively managed the Bank's foreign exchange book and investments in money and capital markets along with managing the underlying margins and mismatches in assets and liabilities. TCMG have made steady progress in further strengthening our controls and compliance environment by focusing on people, culture and systems. One of the key aspects of our approach is the improved and enhanced coordination with other business groups within the organization that gives it a holistic view and this has actually led to better internal and external relationships leading to a positive contribution on the overall bottom line of the bank.

Key Achievements for 2019

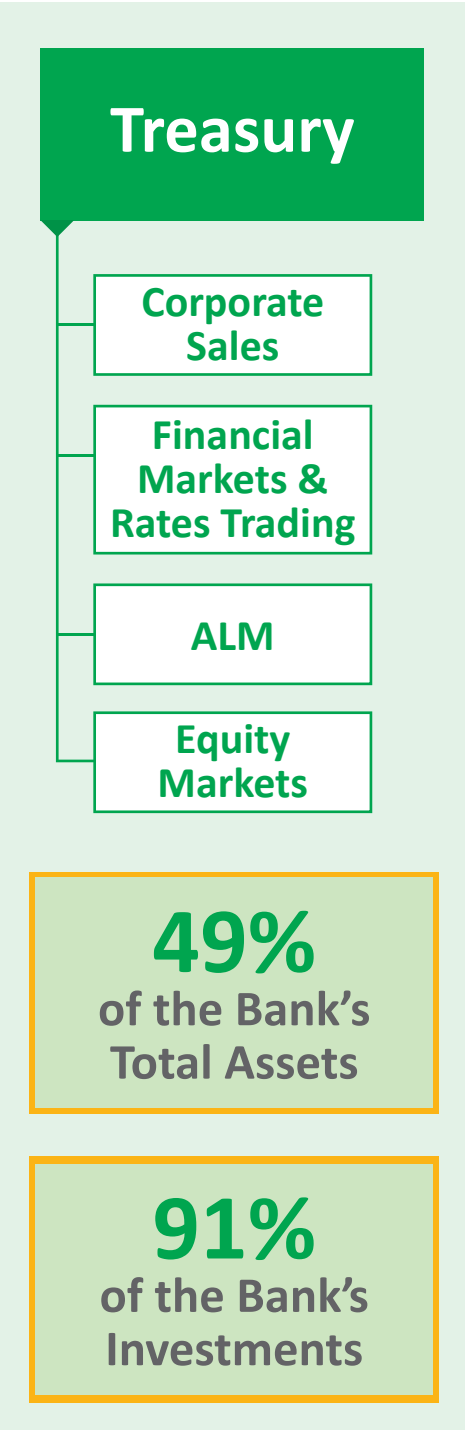
1) Amidst extreme volatility in the FX market ensuing from substantial depreciation of Pak Rupee against the greenback during the year, the FX desk clearly beat both the entire market and peer banks by posting a phenomenal profit by anticipating market movements accurately and calibrating its position accordingly.

2) Despite a tough year on economic front marked by stabilization measures and sharply rising interest rates, the fact that NBP is rated amongst the top three performing primary dealers in the country by the State Bank of Pakistan bears testament to our expertise in meeting PD targets, active market making and dynamic contribution in price discovery of fixed income securities and meeting the expectations and investment needs of our diverse clientele.

3) Successfully implemented Regional Treasury setup at Islamabad.

4) Strengthened the core sales team which is now better equipped to undertake new businesses and become a one-stop solution for our diverse clientele along with enhanced focus to tap Export clients.

5) Initiated FI sales awareness program at branch levels across the country. In line with the SBP objective of financial inclusion, the Treasury has restructured and streamlined its IPS procedures/guidelines to focus on retail clientele.



NBP Aitemaad Islamic Banking Group

Alhamdulillah, NBP Aitemaad Islamic Banking converted into a profitable business despite pursuing an aggressive branch network expansion in the past.

For the year ended December 31, 2019, NBP Aitemaad Islamic Banking posted a pre tax profit of Rs. 2,039.14 million as compared to a loss of Rs. 57.15 million in December 31, 2018. This improvement was due to volume growth in earning assets along with increase in low cost deposits and a one-off provision reversal of Rs. 86 million during the year. Further increase in policy rate, conversion of FRR sukuk into high yield Bai Muajjal and a single large current account deposit also contributed to profitability of NBP Aitemaad Islamic Banking.

NBP Aitemaad Islamic Banking continued its growth momentum, whereby during the year, deposit base grew by 24.03% from Rs. 51.02 billion in December 31, 2018 to Rs. 63.28 billion in December 31, 2019. NBP Aitemaad serviced a customer base of 144,658 in 2018 which increased to 158,412 in December, 2019. NBP Aitemaad serves its customers through 190 branches with presence in 90 cities across Pakistan.

Home Remittance transactions also increased by 44.94% to 333,365 for the year ended December 31, 2019 as compared to 230,000 in the previous year. In addition, various Shariah Compliant bancatakaful products with EFU LIFE Hemayah and Jubliee were launched.

NBP Aitemaad Islamic Banking investment and placements (under Bai-Muajjal) increased from Rs. 25.33 billion in December 2018 to Rs. 30.84 billion in December 31, 2019 recording a 21.75% growth.

Financing portfolio, net of repayments, increased from Rs. 26.83 billion in December 2018 to Rs. 33.88 billion in December 2019, growth of 26.27%. The Financing portfolio mainly comprises corporate customers located in Karachi, Lahore, Islamabad and Multan. Strategy is to continue to book top tier corporate customers.

Alhamdulillah, in 2019, NBP Aitemaad Islamic Banking entered the digital age by introducing EMV Debit Card wherein customers can perform local cash withdrawal and balance inquiry via ATM in a secured manner. In addition, there is a range of product offerings; twelve Deposit products and seven financing products. A number of new innovative products are under various stages of development and expected to be launched soon.

Consequently, total assets of AIBG increased from Rs. 59.08 billion in December 2018 to Rs. 76.05 billion in December 2019 recording significant growth of 28.72% for the year ended December 31, 2019.

190
Branches

Deposits +24.0 %
PKR **63.3** Billion

Advances +25.7 %
PKR **34.1** Billion

Customers +10.0 %
158K

International, Financial Institutions & Remittance Group

International Operations
With International Branches / Offices in 19 countries, NBP is one of the largest International franchises amongst Pakistani Banks. Our focus is on Trade Finance, Syndication, LC confirmation, FI business, Correspondent Banking and Remittances Business. Our International operations comprise of 21 branches spread over North America, Europe, for east Fareast, Asia, Middle East and the only Pakistani bank having three Branches in Central Asia and two fully owned subsidiaries in Central Asian countries.

NBP Home Remittances
Home Remittances play a vital role in the economy of developing nations. Over 10 million Pakistani emigrants (globally 258 million) are currently working abroad; majority of them working in the Middle East. The money remitted by overseas Pakistanis have a substantial impact on economic development, poverty reduction and financial stability for the nation. Home Remittance is the second largest source of Foreign Exchange for Pakistan after exports. Pakistan currently stands as the 7th largest remittance receiver in the world. As the Nation's Bank, NBP has always been on the forefront to facilitate the Remittance Customers by offering them innovative products and unmatched service.

IFIRG continues to provide fast, convenient and reliable Home Remittance services to its customers with one of the largest branch network of 1,500+ online branches covering cities, towns, villages as well as the most remote regions of Pakistan. This vast branch network gives NBP the edge over other regional banks in the country. All these branches are "Remittance Ready", meaning that customers who receive their remittance from abroad can visit any of these branches and collect their payment without any hassle. Similarly, remittances received as "Account Payment" are transferred into the customer's account without any delay and are available to the customer through 24/7 ATM.

IFIRG is actively working to diversify and expand its remittance distribution network to facilitate the remittance customers. As part of this strategy, NBP have recently partnered with Pakistan Post giving NBP the largest network for remittance payment locations in the country. Transactions sent to NBP can now be collected at around 500 authorized locations of Pakistan Post.

For the intending emigrants, NBP has partnered with the Bureau of Emigration and Overseas Employment (BEOE) to provide its customers with a real-time account opening of "Worker's Foree Remittance Account". These remittance accounts can be used by the families of the intending emigrants to receive the remittances eliminating the need to visit the branches to collect cash

IFIRG is enabling the Bank to play an important part in curbing illegal money transfer businesses by actively educating Remittance customers. In line with the Government's objective and realizing the importance of remittances for the country, NBP has always strived to provide the best service to its customers.

21 International Branches

3 Continents **19** Countries

20% YoY Growth in Home Remittances

700+ Correspondents

Connecting you to opportunities across the Globe

Technology & Digitization Group

T&DG is comprised of Digital Banking, Technology Infrastructure, Project Management Office, Business Technology Transformation, and Technology Operations Divisions.

In 2019, the Bank reinforced its commitment to Digital Banking merging the Digital Banking & Product Development and Information Technology Groups creating the Technology and Digitalization Group (T&DG) to further its mandate of catalyzing disruptive innovation and change delivered through our products and services to our customers across the nation.

Some of the initiatives T&DG delivered in 2019 include the rollout of high security EMV Debit Cards, launch of UPI GoLootlo POS discounts, biometric account activation, various global remittance systems, online collection of government, provincial and municipal authority dues through alternate digital delivery channels, onboarding of payment mandates for quasi-government organizations and institutions, FATCA and CRS reporting, automation of OFAC Sanctions, PEP and Transaction Monitoring, bulk IBFT for dividend payments and enhancements to systems and solutions deployed in NBP's international offices.

NBP has launched UnionPay's first Virtual Card in Pakistan for its Mobile App Users, now customers can issue / add Virtual Card in their Mobile App and perform QR Code Payments at merchants, other features like Biometric / Touch ID Login, Pay2CNIC Transaction, P2G Payments have been recently added in the suite.

Recently, NBP has launched QR Payments and E-commerce campaigns on its Union Pay International (UPI) Virtual Card which an NBP User can issue through their Mobile Application and can use the same for QR Payments & E-commerce transactions for online shopping. API Management Platform – Google APIGEE is an externally funded solution on-boarded by NBP. It allows the Bank to expose multi-channel and multi-institution APIs to external and internal channels with minimum development, enable internal channels and external partners (JazzCash, EasyPaisa, UBL Omni etc.) with single point of interface for P2G Mandates like BEOE, KP-PSC, Passport Fees, etc. Strategic Partnerships with Easypaisa, Pakistan Post Office and Zong Paymax have been established to enhance NBP's Digital presence across the country. This partnership has made NBP the interoperable disbursement and collection solution provider. Now NBP has access to about 200,000 branches banking agents across Pakistan.

During this year the Group continued strengthening Information Security, Internal Control and Cyber Security measures and established robust Technology Governance and Risk Management structures including ongoing Executive and Board oversight. T&DG also continued enhancing processes, procedures and policies as part of its ongoing mission of continuous improvement delivering a consistently higher quality of service to our stakeholders, both, internal and external.

2019 continued to see robust investment in our applications and infrastructure portfolio to cater to evolving market demand and to drive agility and resilience across our portfolio of products and services.

24/7

NBP Digital was launched in 2018, but has already been downloaded by more than 60,000+ customers. NBP Digital is available 24/7 and empowers our customers to execute most of their transactions online, meaning customers can always get a response in seconds, whatever the time of day. It provides our customers with the complete suite of transactions including Funds Transfer, Inter Bank Funds Transfer, Bill Payments, Air Time Top-up and Government Payments in the first phase. And the more the transactions it executes, the more efficient it gets.

This 24/7 approach to customer service and continued improvements in our App's features are resulting in great customers feedback with a **4-Star** rating.

Not bad for a 2-years old!

HR Management Group

Strategic Human Resources is about harnessing human potential and channeling it towards the achievement of the organization's mission, vision and strategic goals. In 2019, HRMG focused on fostering a solid company culture, regularly updating policies and regulations.

The foremost task currently underway at HRMG is the restructuring of the Group into more effective Center of Excellence (CoE) and Human Resource Business Partner (HRBP) Model. Used across the world in large successful organizations, the HRBPs align HR with the Bank's various businesses and their requirements. These HRBPs and their teams are assigned to business groups as partners. Led by Divisional Head, CoE encapsulates all the core specializations of HR divided into 5 areas namely Talent Acquisition Organizational Effectiveness, Compensation & Benefits, Learning & Development and Employee Relations.

Recruitment was a great focus this year with hiring of top-tier management, as well as lateral hiring across a range of functions taking center stage. An important milestone for the recruitment team was the fast track hiring of Cash Officers and General Banking Officer within one week for the Kartarpur Corridor, aiding the Pakistani Government in its quest for Peace.

Training has always been an important HR function for the growth of the Bank and this year was no exception. HRMG trained over 20,000 employees in 1200 organized courses and had over 500 Executives and Officers externally trained through reputed Institutions. Training Need Analysis (TNA) exercises were also conducted and low performing employees were specifically targeted for improvement. HRMG introduced E-Learning to the Bank this year with the purchase of a Learning Management System (LMS) and launched its E-Learning Courses through a Web Portal. Keeping traditional classroom learning in mind, Staff College Multan was also established this year.

The Learning & Management Development Division aims at developing human capital to achieve organizational objectives. We are striving to cater training needs of individual employees as well as organization for improving operational efficiency and developing leadership embarking future challenges of the organization. In view, during the year 2019, overall 23,162 employees were imparted training, 21000 employees at Staff Colleges & JNMDC, 500 executives/officers externally through reputed institutions and more than 1500 through E-learning. This includes, specialized training on achieving excellence, for female employees, Customer service and regulatory compliance, performance improvement program for low performers, trainings on PCP-response, core banking applications, etc. Besides, three programs conducted as Non-Financial Advisory Services for promoting SMEs at Multan and surrounding areas.

Compliance Group

Compliance function at NBP continuously strives for improving the compliance environment and minimizing compliance risk for the institution through independently assessing compliance risk, and evaluating Banks Internal Controls for adherence to applicable laws, rules and regulations, including identifying compliance issues and independently reporting on the state of compliance activities across the institution.

Accordingly, the NBP's approach towards the management of compliance risk is further strengthened under the support of Compliance Committee of Management with zero tolerance towards regulatory requirements. The Bank is committed to the best industry practices for compliance with all regulatory frameworks including anti-money laundering practices, so that the interests of all stakeholders are protected. Further, Code of Ethics and Conduct signed by all employees acts as a guide for them in discharging their duties and sets out the standards of good practice.

The compliance Group has successfully implemented SafeWatch (Name Filtering Solution) and transaction monitoring system, Financial Crime & Control Management (FCCM), as one of the top ranking systems in the world. In addition, we have also appointed a team of experienced professionals in order to timely process AML alerts. At present, transactions monitoring, know your customer and case management modules are functional in FCCM.

The Sanction Screening processes have also been enhanced by integrating the Sanction Screening System with different applications of the bank for customer onboarding and legacy customer screening, etc. Bank has also implemented Fircosoft watch list filtering solution at NBP US Operation. FircoSoft is the recognized market leader of watchqlist filtering solutions. Compliance Group assigns highest importance to training and developmental activities of all bank personnel on KYC, AML and Sanctions and it is making continuous efforts in its pursuit of capacity building and knowledge development of all bank staff through Face to Face and online Trainings.

Compliance Group is dedicated to create value for both internal and external customers whilst meeting its regulatory obligations. Thus, Compliance Group will continue its strive to uphold a strong compliance culture representing Bank's core values through development of its functions and personnel.

Risk Management Group

Risk Management Group (RMG) is proactive in identifying, assessing, monitoring and controlling the risks associated with Banking Business. RMG functions as an independent group reporting directly to the President with dotted line reporting to the Board Risk & Compliance Committee (BRCC).

The Bank follows a prudent path to risk management through developing / using effective tools to keep the Bank resilient, achieve corporate sustainability and minimize losses within the defined risk tolerance levels. Strategic goals, embedded into our approach to risk management are to maintain a robust framework, identify and escalate risks and support sustainable business growth. RMG acts as a second line of defense in overall risk management structure of the Bank, assuming the role of establishing overall risk management framework, development of tools and systems for effective risk management, risk oversight along with review and reporting of deviations of activities from set standards, to Senior Management / BoD.

RMG has achieved many milestones during the year with the aim of continuous improvement in risk management practices through introduction of new methodologies based on sophisticated tools. Few key achievements during the year include:

Credit risk; the major risk borne by the Bank has been the focused area in terms of better quantification, assessment and monitoring outlook through the development of Statistical Risk Rating Model, Implementation of Scorecards for Consumer Products such as NBP Cash & Gold and its automation on portal, development of Desktop Retail Portfolio Review and Overseas portfolio review dashboard and system updation to capture risk ratings.

Market risk; is the critical risk from the perspective of better risk and return decision in the Bank; therefore, the designing and implementation of VaR Limits along with devising mechanism for foreign currency gap monitoring have been incorporated in the processes of the Bank. RMG has also strengthened Liquidity and Interest Rate Risk Monitoring mechanism. Moreover, Market Risk Management Framework, the policy document which comprises of several Market risk related policies and Frameworks like VaR, Back Testing, ALM, IRRM, and MRM desktop manual.

Operational Risk; which is managed through an Operational Risk Management Framework approved by the BoD. This framework includes aspects related to, Governance, OR Strategy, Risk & Control Self-Assessment (RCSA), Key Risk Indicators (KRIs) and Loss Data Management. As part of its efforts to improve the Operational Risk Management, the area has been involved in the updation of the Risk & Control Self-Assessment Templates, and review/ updation of ORM Tolerance Limits.

Information Security Risk; for better awareness, assessment, and confronting the emerging IT related risks related to increased adoption of IT based systems; Bank has revised the Information Security Policy backed by developing acceptable use of IT Resources Guidelines. Several information security governance initiatives such as development of Information Security Risk Management Framework Cyber-Security Framework and is Incident & Forensics Management Framework to ensure compliance of regulatory requirements. An Information Security Portal on intranet has been developed providing real-time access to the Bank's information security related policies, guidelines, alerts and advisories. Online Learning Management System on information security and cyber-security for all employees of the Bank has also been launched. Furthermore, review mechanism has been introduced for all the new in-house developed or acquired application in order to adequately identify, mitigate and monitor information security risks.

Capital Adequacy; for better managing capital planning under the Internal Capital Adequacy & Assessment Process, and to further enrich risk assessment, monitoring, and forecasting process, RMG has added statistical tools for robust quantification of the residual risks to ensure accuracy in the overall process. Credit Administration; RMG has taken the initiatives to enhance its existing functionalities through finalization of CAD Manual, initiative has also been taken for acquiring CAD software / collateral management system in collaboration with ITG.

Audit & Inspection

In any organization, Internal Audit is part of the ongoing mechanism of the entity's system of internal controls. It provides an independent assessment of the adequacy of policies & procedures and their compliance level. As such, the internal audit function assists Senior Management and the Board of Directors in the efficient and effective discharge of their responsibilities.

The Audit & Inspection Group (A&IG) at NBP revised / updated its governing documents, policies and manuals during 2019. Changes have also been made in the Audit & Inspection Group in line with international best practices. Various training courses were also arranged for the audit staff to improve the professional skills. Audit issues were communicated to auditee management and are regularly followed for resolution.

Credit Management Group

In 2019 Credit Management has successfully completed 17 years as a separate function. Historically credit marketing, as well as credit approvals were under one division. However, based on the principles of dual check and specialization, and to enhance focus on business and profitability growth without compromising on prudence, a separation between business initiation and risk assessment roles was envisaged. Since its inception CMG has been fulfilling its main strategic goal of supporting / assisting Business Groups by formulating policy guidelines and offering credit solutions to credit requests thus helping achieve both credit targets and asset quality.

CMG has achieved various milestones since its establishment. It revamped the Credit Policy Manual in 2007 which is a comprehensive policy document and guidelines for credit management through the whole credit cycle. CMG also formulated seasonal financing policies (wheat, rice, and cotton) after reviewing current market dynamics which has resulted into remarkable achievement of keeping NPL ratio in seasonal financing portfolio to a very low. The Group is aiming at to revise and revamp the Credit Policy Manual by bifurcating it into separate Policies and Procedural manuals each for corporate / commercial and SMEs.

Credit Monitoring is an important credit function. CMG has separate Wings dedicated to Monitoring of Overseas Credit, Domestic Credit, and Project Monitoring Wing. Number of initiatives are being taken to take credit monitoring to next level. First and foremost is the automation of system, being pursued with utmost vigor in coordination with other stakeholders with positive results. Scope is being expanded to bring into fold some crucial areas to indicate significant trends in business to senior management. Focus on Early watchlist / watchlisting framework has also been enhanced.

Centralized Operations & Administration Group

The Centralised Operations & Administration Group (COAG) has been established recently with a view of bringing operational efficiencies and effectiveness in processes, and governance at both Head Office as well as the branches. The centralisation of NBP's operations is critical to creating a strong second line of defense and managing chronic control issues. The CoAG consists of four sub-groups:

1. Retail Operations Group
2. Corporate Operations Group
3. Logistics Support Group
4. Service Quality Group

Achievements & Initiatives of the CoAG are discussed briefly as follows:

Operations
In order to bring efficiency in overall operational environment of the Bank, the Operations Group has taken multiple initiatives to strengthen and improve upon back office functions. Some of the salient initiatives taken by the Group in various discipline(s) include:

- Development and implementation of Government Business Module (GBM), improving overall settlement process of government receipts / payments.
- Conversion of legacy pensioners into Direct Credit System (DCS) in line with Federal / Provincial Governments decision.
- The Group in coordination with stakeholders developed SoPs in respect of new storage mechanism for Gold financing scheme.
- In coordination with SBP Banking Services Company, a proper mechanism has been established for sale of Premium Prize Bond.
- Several polices have been updated / renewed by the Group during the year including Locker Policy, schedule of charges, etc.

Logistics Support
LSG has played an important role in arranging and facilitating in purchase, rental, construction and renovation of properties, as well as procurement and installation of electrical and office equipment. In 2019, LSG launched its Digital Help Desk (Portal Based system), which gives direct access to its all internal customers to log their support requests, with its tracking. It is one window easy access into LSG.

- 'Ticket Management System' a software application which allows the bank-wide users to raise their requests relating to different LSG services originating from all areas and levels accross Pakistan.
- 'Engineering Management System' helps Head Office and field functionaries to view live status of ongoing and completed engineering and maintenance related projects.
- 'Property Management System' enables all Head Office and field functionaries to view records of bank owned and hired properties. It is a sound MIS system which provides details of all NBP Properties including owned / hired, with date, rental cost, area, purpose, etc.

For 2020, LSG plans to introduce following:

- Document Management System
- Remote Fuel Monitoring System
- Print Management Services
- Construction of JNMDC

Service Quality
SQG has undertaken various measures as strategic responses for ensuring a sustained improvement in physical layout and customer friendly ambiance at branches. To maintain and ensure customer facilitation and bring an impactful change in service culture of the Bank, 'service quality officers' have exclusively been deputed for customer loyalty and satisfaction. Special attention is paid to improve customer understanding and knowledge in respect of changing regulatory environment, potential risk of frauds, and safeguards/precautionary measures against card skimming. During the year 2019, a total 93,682 complaints were received and the Bank has taken appropriate measures to promptly achieve 96% resolution rate. Our call Center is becoming an effective tool in responding to customers queries, particularly in respect to new products and services, and government sponsored schemes for youth business loans (such as PM's Kamyab Jawan Program). As a result of our focused approach with alternate power supply solutions, improved operational effectiveness, and efficient surveillance, NBP ATMs uptime has significantly improved, and the volume as well as number of transactions have reached new heights.

Legal Division

The recent year posed numerous Legal challenges to the banking industry at large but especially to the National Bank of Pakistan mostly because of the enhanced internal challenges as well as the increased activity of the apex courts. However, in this duration NBP has efficiently managed the Legal risk by augmenting the overall control environment and professional legal resourcefulness.

The Legal division has also conducted a comprehensive pan Pakistan review of its Litigation portfolio, and as a result has taken measures to expedite the disposal of cases, especially the ones with strong merits. Moreover, the Regional Legal division's setup proved instrumental in filing and disposal of high number of litigation cases.

The Division has also taken up the coordination role for across the Pakistan Ombudsman related affairs, which has resulted into an improved representation, both in terms of attendance and quality, as the same has been acknowledged by the different Ombudsmen offices. Also, dedicated efforts have been to improve the Bank's liaison with the external law enforcement agencies through dedicated intra-bank support to concerned personnel / departments and thereby ensuring prompt and accurate compliance.

There are significant number of legal advisory related assignments being handled so far by utilizing only in-house legal resources including contract vetting / drafting, legal opinions and unprecedented legal product documentations, and therefore have ensured significant cost savings.

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Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the members of National Bank of Pakistan

Report on the Audit of the Unconsolidated Financial Statements

Opinion

We have audited the annexed unconsolidated financial statements of **National Bank of Pakistan (the Bank)**, which comprise the unconsolidated statement of financial position as at December 31, 2019, and the unconsolidated statement of 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 7 branches audited by auditors abroad, 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, the unconsolidated statement of 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, 2019 and of the profit, the comprehensive income, 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* (the Code) as adopted by the Institute of Chartered Accountants of Pakistan 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 obligations of the Bank. Based on the opinion of the legal counsel, the Bank is confident about the favorable outcome of this matter and hence, no provision has been made in these unconsolidated financial statements. Our opinion is not qualified in this respect.

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 year. These matters were addressed in the context of our audit of the unconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

S. No.	Key Audit Matters	How the matters were addressed in our audit
1.	**Provision (impairment) of loans and advances** As disclosed in note 11 to the unconsolidated financial statements, gross loans and advances of the Bank were Rs. 1,151 billion against which non-performing loans and advances (NPLs) were of Rs. 149 billion. As at December 31, 2019, the Bank holds the provision of Rs. 134 billion against NPLs and Rs. 9 billion as general provision against performing loans. The carrying value of loans and advances to customers may be materially misstated, if provision is not appropriately identified and estimated as the determination of impairment provisions remains subjective and judgmental area in addition to objective criteria for classification of loans and advances as per Prudential Regulations. Furthermore, the Bank is required to make provision, if any, identified by the regulator (SBP). We considered this as a key audit matter as the Bank in addition to the following objective criteria also makes significant and subjective judgements and makes assumptions to determine the provision and the timing of recognition of such provision and their impact could be material to the unconsolidated financial statements.	For selected samples, we: • Updated our understanding and evaluated design and implementation of relevant controls; • evaluated borrowers through repayment behavior and assessment of financial strength based on the available financial statements, adequacy of security / collateral, electronic credit information bureau reports and compliance with Prudential Regulations; • evaluated the appropriateness of subjective evaluation made by management for performing parties; • ensured that any provision identified by the SBP was recognized; and • 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 Prudential Regulations. In addition to the above, on a sample basis, we also reviewed minutes of the meeting of credit and audit committees to identify risky exposures on which we performed the procedures as stated above. 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.
2.	**Valuation of listed equity shares, units of mutual funds and term finance certificates classified as available-for-sale** As disclosed in note 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. 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 except where SBP relaxation has been obtained. 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 5.23(c), and • For TFCs, checked that listed TFCs which were traded in were valued as per the quoted prices and for unlisted TFCs, we checked that these were valued at cost less provision. Further, on sample bases, TFCs were also evaluated based on evidence of deterioration in the financial health of the investee.

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

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

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 the 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 the 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 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 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 event: 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 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 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 statement of profit and loss account, the unconsolidated statement of comprehensive income, the unconsolidated statement of changes in equity and the unconsolidated cash flows 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 (60) per cent of the total loans and advances of the Bank.

The engagement partners on the audit resulting in this independent auditors' report are Nadeem Yousuf Adil and Khaliq-ur-Rahman on behalf of Deloitte Yousuf Adil and Grant Thornton Anjum Rahman respectively.

Deloitte Yousuf Adil
Chartered Accountants

Grant Thornton Anjum Rahman
Chartered Accountants

Date: February 28, 2020
Place: Karachi

Unconsolidated Statement of Financial Position

As at December 31, 2019

2018	2019		Note	2019	2018
US Dollars in '000				Rupees in '000	
		ASSETS			
1,598,464	**1,889,040**	Cash and balances with treasury banks	7	**292,513,379**	247,518,270
78,800	**85,379**	Balances with other banks	8	**13,220,807**	12,202,020
687,073	**930,853**	Lendings to financial institutions	9	**144,140,344**	106,391,667
8,294,086	**9,294,042**	Investments	10	**1,439,160,062**	1,284,319,388
5,980,119	**6,510,524**	Advances	11	**1,008,139,084**	926,007,004
347,825	**350,690**	Fixed assets	12	**54,303,565**	53,859,883
1,586	**2,421**	Intangible assets	13	**374,950**	245,658
-	**46,635**	Right of use assets	14	**7,221,266**	-
1,085,082	**1,067,601**	Other assets	15	**165,315,413**	168,022,298
18,073,035	**20,177,185**			**3,124,388,870**	2,798,566,188
		LIABILITIES			
64,219	**128,303**	Bills payable	16	**19,867,424**	9,944,178
2,536,296	**3,046,591**	Borrowings	17	**471,757,352**	392,739,396
12,989,450	**14,194,920**	Deposits and other accounts	18	**2,198,049,281**	2,011,385,201
-	**49,340**	Lease liability against right of use assets	19	**7,640,188**	-
45,109	**70,494**	Deferred tax liabilities	20	**10,915,802**	6,985,042
1,102,012	**1,185,325**	Other liabilities	21	**183,544,990**	170,643,836
16,737,086	**18,674,973**			**2,891,775,037**	2,591,697,653
1,335,949	**1,502,212**	**NET ASSETS**		**232,613,833**	206,868,535
		REPRESENTED BY			
137,394	**137,394**	Share capital	22	**21,275,131**	21,275,131
344,044	**337,808**	Reserves	23	**52,308,742**	53,274,402
387,388	**453,634**	Surplus on revaluation of assets	24	**70,244,060**	59,986,125
467,123	**573,376**	Unappropriated profit		**88,785,900**	72,332,877
1,335,949	**1,502,212**			**232,613,833**	206,868,535
		CONTINGENCIES AND COMMITMENTS	25		

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

Zubyr Soomro Chairman	**Arif Usmani** President & CEO	**Abdul Wahid Sethi** Chief Financial Officer	**Muhammad Naeem** Director	**Imam Bakhsh Baloch** Director

Unconsolidated Profit and Loss Account

For the year ended December 31, 2019

2018	2019		Note	2019	2018
---------- US Dollars in '000 ---------				---------- Rupees in '000 ----------	
968,492	**1,546,536**	Mark-up / return / interest earned	26	**239,477,316**	149,968,712
576,712	**1,082,161**	Mark-up / return / interest expensed	27	**167,570,039**	89,302,482
391,780	**464,375**	Net mark-up / return / interest income		**71,907,277**	60,666,230
		NON MARK-UP / INTEREST INCOME			
113,185	**123,506**	Fee and commission income	28	**19,124,546**	17,526,399
16,873	**20,345**	Dividend income		**3,150,298**	2,612,755
61,287	**39,040**	Foreign exchange income		**6,045,229**	9,490,201
25,395	**13,637**	Gain on securities - net	29	**2,111,612**	3,932,344
17,354	**37,248**	Other income	30	**5,767,800**	2,687,237
234,094	**233,776**	Total non-mark-up / interest income		**36,199,485**	36,248,936
625,874	**698,151**	Total income		**108,106,762**	96,915,166
		NON MARK-UP / INTEREST EXPENSES			
359,627	**424,321**	Operating expenses	31	**65,705,029**	55,687,359
-	**-**	Workers welfare fund		**-**	-
1,576	**956**	Other charges	32	**148,091**	244,053
361,203	**425,277**	Total non-markup / interest expenses		**65,853,120**	55,931,412
264,671	**272,874**	Profit before provisions		**42,253,642**	40,983,754
72,977	**92,028**	Provisions and write offs - net	33	**14,250,275**	11,300,373
191,694	**180,846**	**PROFIT BEFORE TAXATION**		**28,003,367**	29,683,381
62,437	**78,746**	Taxation	34	**12,193,556**	9,668,259
129,257	**102,100**	**PROFIT AFTER TAXATION**		**15,809,811**	20,015,122
---------- US Dollars ----------				---------- Rupees ----------	
0.06	**0.05**	**Basic earnings per share**	35	**7.43**	9.41
0.06	**0.05**	**Diluted earnings per share**	36	**7.43**	9.41

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

Zubyr Soomro Chairman	**Arif Usmani** President & CEO	**Abdul Wahid Sethi** Chief Financial Officer	**Muhammad Naeem** Director	**Imam Bakhsh Baloch** Director

Unconsolidated Statement of Comprehensive Income

For the year ended December 31, 2019

2018	2019		2019	2018
US Dollars in '000			Rupees in '000	
129,257	**102,100**	Profit after taxation for the year	**15,809,811**	20,015,122
		Other comprehensive income		
		Items that may be reclassified to profit and loss account in subsequent periods:		
5,915	**9,386**	Exchange gain on translation of net assets of foreign branches	**1,453,359**	915,995
(62,611)	**60,599**	Movement in surplus / (deficit) on revaluation of investments - net of tax	**9,383,632**	(9,695,113)
(56,696)	**69,985**		**10,836,991**	(8,779,118)
		Items that will not be reclassified to profit and loss account in subsequent periods:		
1,006	**(13,015)**	Remeasurement (loss) / gain on defined benefit obligations - net of tax	**(2,015,359)**	155,785
130,850	**4,022**	Movement in surplus on revaluation of operating fixed assets - net of tax	**622,871**	20,261,759
(1,079)	**3,171**	Movement in surplus / (deficit) on revaluation of non-banking assets - net of tax	**490,984**	(167,094)
130,777	**(5,822)**		**(901,504)**	20,250,450
203,338	**166,263**	**Total comprehensive income**	**25,745,298**	31,486,454

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

Zubyr Soomro Chairman	**Arif Usmani** President & CEO	**Abdul Wahid Sethi** Chief Financial Officer	**Muhammad Naeem** Director	**Imam Bakhsh Baloch** Director

Unconsolidated Statement of Changes in Equity

For the year ended December 31, 2019

	Share capital	Reserve						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, 2017	21,275,131	8,002,438	29,489,317	343,802	12,000,000	521,338	50,356,895	25,970,733	23,718,669	49,689,402	54,060,653	175,382,081
Profit after taxation for the year ended December 31, 2018	-	-	-	-	-	-	-	-	-	-	20,015,122	20,015,122
Other comprehensive income - net of tax	-	915,995	-	-	-	-	915,995	(9,695,113)	20,094,665	10,399,552	155,785	11,471,332
Transfer to statutory reserve	-	-	2,001,512	-	-	-	2,001,512	-	-	-	(2,001,512)	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(102,829)	(102,829)	102,829	-
Transactions with owners, recorded directly in equity												
Cash dividend paid (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-
												-
Balance as at December 31, 2018	**21,275,131**	**8,918,433**	**31,490,829**	**343,802**	**12,000,000**	**521,338**	**53,274,402**	**16,275,620**	**43,710,505**	**59,986,125**	**72,332,877**	**206,868,535**
Profit after taxation for the year ended December 31, 2019	-	-	-	-	-	-	-	-	-	-	15,809,811	15,809,811
Other comprehensive income - net of tax	-	1,453,359	-	-	-	-	1,453,359	9,383,632	1,113,855	10,497,487	(2,015,359)	9,935,487
Transfer to statutory reserve	-	-	1,580,981	-	-	-	1,580,981	-	-	-	(1,580,981)	-
Transfer from loss loan reserve to unappropriated profit	-	-	-	-	(4,000,000)	-	(4,000,000)	-	-	-	4,000,000	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	-	(239,552)	(239,552)	239,552	-
Transactions with owners, recorded directly in equity												
Cash dividend paid (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-
Balance 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**

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

Zubyr Soomro
Chairman

Arif Usmani
President & CEO

Abdul Wahid Sethi
Chief Financial Officer

Muhammad Naeem
Director

Imam Bakhsh Baloch
Director

Unconsolidated Cash Flow Statement

For the year ended December 31, 2019

2018	2019		Note	2019	2018
--------- US Dollars in '000 ---------				---------- Rupees in '000 ----------	
		CASH FLOW FROM OPERATING ACTIVITIES			
191,694	**180,846**	Profit before taxation		**28,003,367**	29,683,381
(16,873)	**(20,345)**	Less: dividend income		**(3,150,298)**	(2,612,755)
174,821	**160,501**			**24,853,069**	27,070,626
		Adjustments:			
15,137	**28,231**	Depreciation		**4,371,552**	2,343,876
2,088	**2,948**	Amortization		**456,532**	323,312
72,978	**92,028**	Provision and write-offs	33	**14,250,275**	11,300,373
(858)	**(191)**	Gain on sale of fixed assets		**(29,569)**	(132,829)
97	**4,812**	Finance charges on leased assets		**745,083**	15,034
7	**71**	Unrealized loss on revaluation of investments classified as held-for-trading		**10,996**	1,033
38,916	**48,408**	Charge for defined benefit plans - net		**7,495,742**	6,026,025
128,365	**176,307**			**27,300,611**	19,876,824
303,186	**336,808**			**52,153,680**	46,947,450
		(Increase) / decrease in operating assets			
(469,985)	**(293,508)**	Lendings to financial institutions		**(45,448,677)**	(72,775,554)
3,445,115	**749,946**	Held-for-trading securities		**116,126,609**	533,464,673
(1,309,784)	**(609,565)**	Advances		**(94,389,067)**	(202,815,775)
427,600	**(8,401)**	Other assets (excluding advance taxation)		**(1,300,855)**	66,212,428
2,092,946	**(161,528)**			**(25,011,990)**	324,085,772
		Increase / (decrease) in operating liabilities			
(20,994)	**64,084**	Bills payable		**9,923,246**	(3,250,876)
89,302	**495,364**	Borrowings		**76,705,422**	13,828,071
1,835,901	**1,205,477**	Deposits and other accounts		**186,664,080**	284,283,182
(360,195)	**43,155**	Other liabilities		**6,682,377**	(55,775,017)
1,544,014	**1,808,080**			**279,975,125**	239,085,360
(97)	**(4,812)**	Financial charges paid		**(745,083)**	(15,034)
(64,065)	**(75,913)**	Income tax paid		**(11,754,887)**	(9,920,235)
(18,069)	**(10,444)**	Benefits paid		**(1,617,201)**	(2,797,931)
3,857,915	**1,892,191**	Net cash flow from operating activities		**292,999,644**	597,385,382
		CASH FLOW FROM INVESTING ACTIVITIES			
(3,516,355)	**(718,033)**	Net investments in available-for-sale securities		**(111,185,087)**	(544,495,980)
43,077	**(944,750)**	Net investments in held-to-maturity securities		**(146,291,431)**	6,670,332
16,873	**20,345**	Dividends received		**3,150,298**	2,612,755
(13,620)	**(13,781)**	Investments in operating fixed assets		**(2,133,961)**	(2,108,936)
1,171	**355**	Proceeds from sale of operating fixed assets		**54,929**	181,394
5,915	**9,386**	Effect of translation of net investment in foreign branches		**1,453,359**	915,995
(3,462,939)	**(1,646,478)**	Net cash flow used in investing activities		**(254,951,893)**	(536,224,440)
		CASH FLOW FROM FINANCING ACTIVITIES			
(94)	**(13,201)**	Payments of lease obligations	37.1	**(2,044,189)**	(14,509)
(164)	**(14)**	Dividend paid	37.1	**(2,200)**	(25,319)
(258)	**(13,215)**	Net cash flow used in financing activities		**(2,046,389)**	(39,828)
394,718	**232,498**	**Increase in cash and cash equivalents**		**36,001,362**	61,121,114
1,076,108	**1,470,828**	Cash and cash equivalents at beginning of the year		**227,752,888**	166,631,774
1,470,826	**1,703,326**	Cash and cash equivalents at end of the year	37	**263,754,250**	227,752,888

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

Zubyr Soomro	**Arif Usmani**	**Abdul Wahid Sethi**	**Muhammad Naeem**	**Imam Bakhsh Baloch**
Chairman	President & CEO	Chief Financial Officer	Director	Director

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

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 Pakistan Stock Exchange (PSX). It's 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 1,509 (2018: 1,504) branches in Pakistan and 21 (2018: 21) overseas branches (including the Export Processing Zone branch, Karachi). The Bank also provides services in respect of Endowment Fund for student loans 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 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 is 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. 154.8476 to 1 US Dollar has been used for 2018 and 2019 as it was the prevalent rate as on December 31, 2019.

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 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 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, through SRO 220(I)/2019 dated February 14, 2019, has notified that IFRS 9, Financial Instruments, is applicable for accounting periods ending on or after June 30, 2019. However, based on the guidance received from the SBP, the requirements of IFRS 9 have not been considered for Pakistan operations of the Bank in preparation of these unconsolidated financial statements. However, bank is required to submit their pro-forma financial statements based on IFRS-9 to 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.

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

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, 2019

The following standards, amendments and interpretations are effective for the year ended December 31, 2019. 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:

- Amendments to IAS 28 'Investments in Associates and Joint Ventures' Long-term interests in Associates and Joint Ventures. Effective from accounting period beginning on or after January 01, 2019.

- Amendments to IAS 19 'Employee Benefits'. Plan amendment, curtailment or settlement. Effective from accounting period beginning on or after January 01, 2019.

- IFRIC 23 'Uncertainty over Income Tax Treatments'. Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. Effective from accounting period beginning on or after January 01, 2019.

- During the current period, IFRS 16, Leases, became applicable for the Bank. The impact of the adoption of IFRS 16 on the Bank's financial statements is disclosed in note 6.1.

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 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 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	Effective date is deferred indefinitely earlier adoption is permitted
Amendments to References to the Conceptual Framework in IFRS	January 01, 2020
Amendments to IFRS 3 'Business Combinations' Amendment in the definition of business'	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'. Clarify the definition of 'Material' and align the definition used in the Conceptual Framework and the Standards	January 01, 2020

There are certain new and amended standards and interpretations that are mandatory for the Bank's accounting periods beginning on or after January 1, 2020 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.

3.5.3 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

3.5.4 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 the unconsolidated financial statements of the Bank in the period of initial application.

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

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 statement are consistent with those of the previous financial year except as disclosed in note 6 of the notes to unconsolidated financial statements.

5.1 Cash and cash equivalents

Cash and cash equivalents include cash and balances with treasury banks and 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 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.

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.

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

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 is taken to the profit and loss account.

5.5 Financial instruments

All financial assets and financial liabilities are recognized 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 an age 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.

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. 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 Bank and the customer enter 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. Cost of fixed assets of foreign branches include exchange differences arising on translation at 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 is charged from the month in which the assets are brought into use and no depreciation is charged for the month the assets are disposed.

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 amount does not differ materially from their fair value.

- Any revaluation increase arising on the revaluation of such assets is recognised in 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 the fixed assets revaluation reserve 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 deferred taxation 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 and;

- 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 impairment. 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 recognized as income in profit and loss account.

5.8 Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged to profit and loss account applying the straight-line method at the rates stated in note 13. 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.

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

5.9 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 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 capitalised.

5.10 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.

5.11 Taxation

5.11.1 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.

5.11.2 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 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 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.

5.12 Employee benefits

5.12.1 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 recognized immediately in other comprehensive income. Past-service costs are recognized immediately in profit and loss account when the plan amendment occurs.

5.12.2 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.

5.13 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 issued by SBP.

Fee, brokerage and commission income other than commission on letter of credit and guarantees is 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.

5.14 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 minimum lease payment including any guaranteed residual value and excluding unearned finance income, write-offs and provision for doubtful lease finances, if any.

5.15 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 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 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 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.

5.16 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.

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

5.17 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 realize the assets and to settle the liabilities simultaneously.

5.18 Fiduciary assets

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

5.19 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.

5.20 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, 2019.

5.21 Bai Muajjal

Bai Muajjal transactions represent sales of Sukuks on a deferred payment basis and are shown in lendings to financial institutions.

5.22 Segment reporting

A segment is a distinguishable component of the Bank that is engaged in business activities (business segment), within a particular economic environment (geographical segment). The Bank's chief operating decision maker reviews the results and assesses performance of these segments separately.

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 is operating following business lines for monitoring and reporting purpose:

I. **Branch Banking** consists of loans, deposits and other banking services to individuals, agriculture, consumers, SME and commercial customers.

II. **Corporate & Investment Banking** consists of lending for project finance, trade finance and working capital to corporate customers.

III. **Treasury** consists of proprietary trading, fixed income, equity, derivatives and foreign exchange business. Also includes credit, lending and funding activities with professional market counterparties.

IV. **International Financial Institution & Remittance** is considered as a separate segment for monitoring and reporting purpose and consists of the Bank's operations outside of Pakistan.

V. **Aitemaad and Islamic Banking**; for monitoring and reporting purpose Islamic Banking has also been reported separately as a separate business segment.

VI. **Head Office / Others** includes corporate items and business results not shown separately in one of the above segment.

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

5.23 Accounting estimates and judgments

The preparation of 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 is 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 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 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 would be 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.

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

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 38. 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. CHANGE IN ACCOUNTING POLICY

6.1 The Bank has adopted IFRS 16 from January 1, 2019 using the modified retrospective restatement approach and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

On adoption of IFRS 16, the Bank recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 01, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 01, 2019 was 10% for the agreements entered in Pakistan. For the foreign agreement the bank has applied average incremental rate of borrowing 6.54%

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- 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 interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, 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.

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; and
- 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.

Until the 2018 financial year, leases of property were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to statement of profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The effect of this change in accounting policy is as follows:

Impact on unconsolidated statement of financial position	December 31, 2019	January 1, 2019
	---------- Rupees in '000 ----------	
Increase in fixed assets - right-of-use assets	7,221,266	7,908,684
(Decrease) in other assets - advances, deposits, advance rent and other prepayments	(111,544)	(252,132)
Increase in total assets	7,109,722	7,656,552
Increase in other liabilities - lease liability against right-of-use assets	(7,640,188)	(7,656,552)
(Decrease) in exchange translation reserves	124,779	-
(Decrease) / increase in net assets	(405,688)	-

Impact on unconsolidated of profit and loss account	January - December 2019
	Rupees in '000
Increase in mark-up expense - lease liability against right-of-use assets	(719,136)
(Increase) / decrease in administrative expenses:	
- Depreciation on right-of-use assets	(1,872,971)
- Rent expense	1,927,044
Decrease in profit before tax	(665,063)
Decrease in tax	259,375
Decrease in profit after tax	(405,688)

6.2 IFRS 15 introduces a single five step revenue recognition model for all contracts with customers, unless those contracts are in the scope of other standards and, accordingly, has superseded IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to customers. The adoption of IFRS 15 does not have any material impact on the unconsolidated financial statements of the Bank.

	Note	2019	2018
		---------- Rupees in '000 ---------	
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand:			
Local currency		48,571,567	39,549,448
Foreign currency		4,565,061	4,415,703
		53,136,628	43,965,151
With State Bank of Pakistan in:			
Local currency current accounts	7.1	168,326,804	130,180,519
Foreign currency current accounts	7.2	9,116,381	7,029,780
Foreign currency deposit accounts	7.2	27,850,977	21,240,971
Foreign currency collection accounts		1,473,861	1,812,339
		206,768,023	160,263,609
With other central banks in:			
Foreign currency current accounts	7.3	25,994,672	41,438,832
Foreign currency deposit accounts	7.3	4,865,977	1,455,866
		30,860,649	42,894,698
Prize bonds		1,748,079	394,812
		292,513,379	247,518,270

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

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 2.17% per annum (2018: 0% to 0.75% per annum).

	Note	2019	2018
		-------- Rupees in '000 ----------	
8. BALANCES WITH OTHER BANKS			
In Pakistan:			
In deposit accounts	8.1	**5,841**	4,307
		5,841	4,307
Outside Pakistan:			
In current accounts		**6,476,086**	6,437,346
In deposit accounts	8.2	**6,738,880**	5,760,367
		13,214,966	12,197,713
		13,220,807	12,202,020

8.1 These include various deposits with banks and carry interest at rates ranging from 2.5% to 11.25% per annum (2018: 4% to 9.25% per annum).

8.2 These include various deposits with correspondent banks outside Pakistan and carry interest at rates ranging from 0% to 2.17% per annum (2018: 0% to 2.16% per annum).

	Note	2019	2018
		--------- Rupees in '000 ----------	
9. LENDINGS TO FINANCIAL INSTITUTIONS			
Call / clean money lendings	9.1	**540,800**	8,240,800
Repurchase agreement lendings (reverse repo)	9.2	**132,180,048**	96,733,168
Bai Muajjal receivable with State Bank of Pakistan	9.3	**11,419,496**	1,417,699
Letters of placement	9.4	**176,150**	176,150
	9.5	**144,316,494**	106,567,817
Less: provision held against lendings to financial institutions	9.6	**(176,150)**	(176,150)
Lendings to financial institutions - net of provision		**144,140,344**	106,391,667

9.1 This includes zero rate lending to a financial institution amounting to Rs. 40.8 million (2018: Rs. 40.8 million) which is guaranteed by the SBP.

9.2 These carry mark-up at rates ranging from 13.0% to 13.58% per annum (2018: 8.45% to 10.41% per annum) with maturities ranging from January 2, 2020 to January 17, 2020.

9.3 This represents Bai Muajjal agreement entered into with SBP and carries mark-up average rate of 12.57% (2018: 6.33%) per annum.

9.4 These are overdue placements and full provision has been made against these placements as at December 31, 2019.

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

	2019	2018
	Rupees in '000	

9.5 Particulars of lending

In local currency	**144,316,494**	106,567,817
In foreign currencies	**-**	-
	144,316,494	106,567,817

9.6 Movement in provision held against lendings is as follows:

Opening balance	**176,150**	176,150
Charge for the year	**-**	-
Closing balance	**176,150**	176,150

9.7 Securities held as collateral against Lendings to financial institutions

	2019			2018		
	Held by Bank	**Further given as collateral**	**Total**	Held by Bank	Further given as collateral	Total
	Rupees in '000					
Market Treasury Bills	**124,080,048**	**-**	**124,080,048**	70,283,168	-	70,283,168
Pakistan Investment Bonds	**8,100,000**	**-**	**8,100,000**	26,450,000	-	26,450,000
Total	**132,180,048**	**-**	**132,180,048**	96,733,168	-	96,733,168

9.7.1 Market value of the securities under repurchase agreement lendings amounts to Rs. 132,453 million (2018: Rs. 95,739 million).

9.8 Category of classification

	2019		2018	
	Classified lending	**Provision held**	Classified lending	Provision held
	Rupees in '000			
Domestic				
Loss	**176,150**	**176,150**	176,150	176,150
Total	**176,150**	**176,150**	176,150	176,150

10. INVESTMENTS

10.1 Investments by type:

	Note	2019				2018			
		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		26,911,821	-	(24,649)	26,887,172	149,885,647	-	(973)	149,884,674
Pakistan Investment Bonds		9,116,239	-	15,695	9,131,934	2,333,574	-	(67)	2,333,507
Ordinary shares of listed companies		75,705	-	(2,042)	73,663	1,190	-	7	1,197
		36,103,765	-	(10,996)	36,092,769	152,220,411	-	(1,033)	152,219,378
Available-for-sale securities									
Pakistan Investment Bonds		322,248,605	-	(1,961,853)	320,286,752	207,581,489	-	(12,318,101)	195,263,388
Market Treasury Bills		593,936,881	-	967,544	594,904,425	592,123,867	-	(28,707)	592,095,160
Ijarah Sukuks		2,000,000	-	(21,200)	1,978,800	9,740,000	-	(56,116)	9,683,884
Ordinary shares of listed companies	10.12/10.13	29,025,568	(5,723,164)	18,487,730	41,790,134	26,005,893	(3,978,333)	17,031,223	39,058,783
Ordinary shares of unlisted companies		2,101,182	(507,573)	-	1,593,609	2,005,182	(410,893)	-	1,594,289
Preference shares		570,214	(490,826)	-	79,388	570,535	(433,444)	(11,155)	125,936
Investments in mutual funds		619,646	(41,167)	1,324,745	1,903,224	819,646	(40,642)	1,248,404	2,027,408
Ordinary shares of a bank outside Pakistan	10.6	463,294	-	18,368,462	18,831,756	463,295	-	15,570,989	16,034,284
Term Finance Certificates / Musharika and Sukuk Bonds		60,253,886	(4,942,505)	941,278	56,252,659	58,762,773	(4,761,669)	2,264,936	56,266,040
GoP Foreign Currency Bonds		21,138,771	-	1,337,759	22,476,530	25,462,626	-	(515,692)	24,946,934
Foreign Government Securities		3,474,324	-	17,527	3,491,851	968,567	-	(148,117)	820,450
Foreign Currency Debt Securities		1,408,492	-	13,779	1,422,271	1,551,903	-	(94,342)	1,457,561
		1,037,240,863	(11,705,235)	39,475,771	1,065,011,399	926,055,776	(9,624,981)	22,943,322	939,374,117
Held-to-maturity securities									
Pakistan Investment Bonds		184,864,103	-	-	184,864,103	157,346,442	-	-	157,346,442
Market Treasury Bills		114,091,320	-	-	114,091,320	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates		416,707	(407,134)	-	9,573	696,956	(412,384)	-	284,572
GoP Foreign Currency Bonds		4,087,591	-	-	4,087,591	2,859,233	-	-	2,859,233
Foreign Government Securities		29,600,343	-	-	29,600,343	25,866,066	-	-	25,866,066
Foreign Currency Debt Securities		596	-	-	596	532	-	-	532
		333,060,660	(407,134)	-	332,653,526	186,769,229	(412,384)	-	186,356,845

	Note	2019 Cost / amortised cost	2019 Provision for diminution	2019 Surplus / (deficit)	2019 Carrying value	2018 Cost / amortised cost	2018 Provision for diminution	2018 Surplus / (deficit)	2018 Carrying value
		Rupees in '000							
Associates	10.8/10.9	**4,970,863**	**(3,999,416)**	**-**	**971,447**	4,970,863	(3,793,405)	-	1,177,458
Joint Venture	10.11	**2,362,433**	**-**	**-**	**2,362,433**	2,362,433	-	-	2,362,433
Subsidiaries		**3,906,750**	**(1,838,262)**	**-**	**2,068,488**	3,906,750	(1,077,593)	-	2,829,157
Total investments		**1,417,645,334**	**(17,950,047)**	**39,464,775**	**1,439,160,062**	1,276,285,462	(14,908,363)	22,942,289	1,284,319,388
10.2 Investments by segments:									
Federal Government Securities									
Market Treasury Bills		**734,940,022**	**-**	**942,895**	**735,882,917**	742,009,514	-	(29,680)	741,979,834
Pakistan Investment Bonds		**516,228,947**	**-**	**(1,946,158)**	**514,282,789**	367,261,505	-	(12,318,168)	354,943,337
Ijarah Sukuks		**2,000,000**	**-**	**(21,200)**	**1,978,800**	9,740,000	-	(56,116)	9,683,884
		1,253,168,969	**-**	**(1,024,463)**	**1,252,144,506**	1,119,011,019	-	(12,403,964)	1,106,607,055
Shares									
Listed Companies	10.12/10.13	**29,101,273**	**(5,723,164)**	**18,485,688**	**41,863,797**	26,007,083	(3,978,333)	17,031,230	39,059,980
Unlisted Companies		**2,101,182**	**(507,573)**	**-**	**1,593,609**	2,005,182	(410,893)	-	1,594,289
		31,202,455	**(6,230,737)**	**18,485,688**	**43,457,406**	28,012,265	(4,389,226)	17,031,230	40,654,269
Non Government Debt Securities Term Finance Certificates / Musharika / Bonds / Debentures and Sukuk Bonds									
Listed		**22,471,459**	**(971,908)**	**405,860**	**21,905,411**	16,118,891	(971,906)	-	15,146,985
Unlisted		**38,199,134**	**(4,377,732)**	**535,418**	**34,356,820**	43,340,838	(4,202,147)	2,264,936	41,403,627
		60,670,593	**(5,349,640)**	**941,278**	**56,262,231**	59,459,729	(5,174,053)	2,264,936	56,550,612
Foreign Securities									
GoP Foreign Currency Bonds		**25,226,362**	**-**	**1,337,759**	**26,564,121**	28,321,859	-	(515,692)	27,806,167
Foreign Government Securities		**33,074,667**	**-**	**17,527**	**33,092,194**	26,834,633	-	(148,117)	26,686,516
Foreign Currency Debt Securities		**1,409,088**	**-**	**13,779**	**1,422,867**	1,552,435	-	(94,342)	1,458,093
		59,710,117	**-**	**1,369,065**	**61,079,182**	56,708,927	-	(758,151)	55,950,776
Preference shares		**570,214**	**(490,826)**	**-**	**79,388**	570,535	(433,444)	(11,155)	125,936

	Note	2019				2018			
		Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
		Rupees in '000							
Investments in mutual funds		619,646	(41,167)	1,324,745	1,903,224	819,646	(40,642)	1,248,404	2,027,408
Ordinary shares of a bank outside Pakistan	10.6	463,294	-	18,368,462	18,831,756	463,295	-	15,570,989	16,034,284
Associates									
- Listed									
First Credit and Investment Bank Limited		157,429	(106,430)	-	50,999	157,429	(106,430)	-	50,999
Land Mark Spinning Mills Limited		39,710	(39,710)	-	-	39,710	(39,710)	-	-
SG Allied Businesses Limited		218,535	(218,535)	-	-	218,535	(218,535)	-	-
Nina Industries Limited		49,060	(49,060)	-	-	49,060	(49,060)	-	-
NBP Stock Funds		600,000	(156,183)	-	443,817	600,000	-	-	600,000
Agritech Limited	10.7	3,665,605	(3,217,164)	-	448,441	3,665,605	(3,167,336)		498,269
	10.8	4,730,339	(3,787,082)	-	943,257	4,730,339	(3,581,071)	-	1,149,268
- 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	(16,627)	-	28,190	44,817	(16,627)	-	28,190
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	(212,334)	-	28,190	240,524	(212,334)	-	28,190
	10.9	4,970,863	(3,999,416)	-	971,447	4,970,863	(3,793,405)	-	1,177,458
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	(660,880)	-	1,524,764
CJSC Subsidiary Bank of NBP in Tajikistan		953,783	(500,151)	-	453,632	953,783	(289,766)	-	664,017
NBP Exchange Company Limited		300,000	-	-	300,000	300,000	-	-	300,000
NB Modaraba Management Company Limited		105,000	(105,000)	-	-	105,000	(75,702)	-	29,298
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	(1,077,593)	-	2,829,157
Total investments		1,417,645,334	(17,950,047)	39,464,775	1,439,160,062	1,276,285,462	(14,908,363)	22,942,289	1,284,319,388

	2019	2018
	----------Rupees in '000 ----------	
10.2.1 Investments given as collateral		
Pakistan Investment Bonds	**4,150,000**	9,500,000
Market Treasury Bills	**360,000,000**	274,350,000
	364,150,000	283,850,000

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, 2019	1,385,301	666,708	116,844	9,517	(3,658)
National Fibres Limited	17,030,231	20.19	Pakistan	-	-	-	-	-	-
Land Mark Spinning Mills Limited	3,970,859	32.79	Pakistan	June 30, 2019	192,322	244,272	-	(2,042)	10,359
SG Allied Businesses Limited	3,754,900	25.03	Pakistan	June 30, 2019	553,295	420,585	4,624	(16,307)	(4,179)
Nina Industries Limited	4,906,000	20.27	Pakistan	-	-	-	-	-	-
Agritech Limited	106,014,565	27.01	Pakistan	December 31, 2018	46,209,442	51,097,983	4,533,316	(3,343,673)	(3,343,799)
NBP Stock Fund	31,347,444	3.16	Pakistan	June 30, 2019	12,122,129	226,870	(2,380,792)	(2,848,721)	(2,848,721)
Unlisted									
Pakistan Emerging Venture Limited	12,500,000	33.33	Pakistan	June 30, 2018	1,369	345	-	(445)	(445)
National Fructose Company Limited	1,300,000	39.50	Pakistan	N/A*	-	-	-	-	-
Venture Capital Fund Management	33,333	33.33	Pakistan	N/A	-	-	-	-	-
Kamal Enterprises Limited	11,000	20.37	Pakistan	N/A	-	-	-	-	-
Mehran Industries Limited	37,500	32.05	Pakistan	N/A	-	-	-	-	-
National Assets Insurance Company Limited	4,481,500	8.96	Pakistan	December 31, 2018	635,639	5,670	39,357	8,589	8,722
Tharparkar Sugar Mills Limited	2,500,000	21.52	Pakistan	N/A	-	-	-	-	-
Youth Investment Promotion Society	644,508	25.00	Pakistan	N/A	-	-	-	-	-
Dadabhoy Energy Supply Company Limited	9,900,000	23.11	Pakistan	N/A	-	-	-	-	-
K-Agricole Limited	5,000	20.00	Pakistan	N/A	-	-	-	-	-
New Pak Limited	200,000	20.00	Pakistan	N/A	-	-	-	-	-

* Not available

	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, 2019	2,965,814	2,956,654	318,976	52,347	52,347
Prudential Fund Management Limited	150,000	20.00	Pakistan	N/A	-	-	-	-	-
10.2.3 Joint Venture									
United National Bank Limited	20,250,000	45.00	United Kingdom	December 31, 2019	104,276,425	88,290,229	2,217,629	(214,079)	1,614,231
10.2.4 Subsidiaries									
CJSC Subsidiary Bank of NBP in Kazakhstan	8,650	100.00	Kazakhstan	December 31, 2019	1,977,140	241,119	103,841	(62,552)	(62,552)
CJSC Subsidiary Bank of NBP in Tajikistan	10,000	100.00	Tajikistan	December 31, 2019	2,128,187	1,268,617	102,229	27,275	27,275
NBP Exchange Company Limited	85,758,750	100.00	Pakistan	December 31, 2019	1,140,677	21,730	29,283	112,257	112,257
NBP Modaraba Management Company Limited	10,500,000	100.00	Pakistan	December 31, 2019	120,590	97,259	3,906	(4,936)	(4,936)
Taurus Securities Limited	7,875,002	58.32	Pakistan	December 31, 2019	599,202	308,503	13,604	915	915
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, 2019	1,900,909	892,427	1,395,791	190,224	182,931

* Not available

	2019	2018
	Rupees in '000	
10.3 Provision for diminution in value of investments		
Opening balance	**14,908,363**	14,679,566
Charge / reversals		
Charge for the year	**3,425,825**	1,599,536
Reversals for the year	**(384,143)**	(1,370,739)
	3,041,682	228,797
Closing balance	**17,950,047**	14,908,363

10.3.1 Particulars of provision against debt securities

Category of classification	2019		2018	
	NPI	Provision	NPI	Provision
	Rupees in '000			
Domestic				
Doubtful	**426,170**	**213,086**	-	-
Loss	**5,145,314**	**5,136,554**	5,182,817	5,174,053
Total	**5,571,484**	**5,349,640**	5,182,817	5,174,053

10.4 Quality of available for sale securities

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

	2019	2018
	----------Rupees in '000 ----------	
Federal government securities - government guaranteed		
Market Treasury Bills	**593,936,881**	592,123,867
Pakistan Investment Bonds	**322,248,605**	207,581,489
Ijarah Sukuks	**2,000,000**	9,740,000
Cost	**918,185,486**	809,445,356
Shares		
Listed companies sector - wise		
Automobile Assembler	**212,858**	78,753
Automobile Parts & Accessories	**757,309**	848,644
Cable and Electrical Goods	**249,604**	235,374
Cement	**2,876,794**	1,976,437
Chemical	**261,598**	297,650
Commercial Banks	**2,874,502**	2,915,297
Engineering	**670,867**	680,678
Fertilizer	**1,539,023**	1,716,509
Food and Personal Care	**1,359,655**	1,347,825
Glass and Ceramics	**73,016**	73,016
Insurance	**980,165**	1,015,885
Investment Banks / Investment companies / Securities companies	**341,624**	186,718
Leasing Companies	**21,891**	21,891
Leather and Tanneries	**189,470**	215,712
Modarabas	**120**	120
Oil and Gas Exploration Companies	**2,357,129**	520,332
Oil and Gas Marketing Companies	**5,799,864**	5,794,620
Paper and Board	**172,695**	299,373
Pharmaceuticals	**361,833**	465,244
Power Generation and Distribution	**2,778,748**	2,791,685
Real Estate Investment Trust	**586,526**	583,581
Refinery	**1,253,494**	1,253,494
Sugar and Allied Industries	**288,527**	288,527
Synthetic and Rayon	**91,980**	91,980
Technology and Communication	**993,620**	950,961
Textile Composite	**1,242,681**	690,218
Textile Spinning	**485,713**	514,186
Textile Weaving	**25,854**	-
Transport	**32,385**	32,385
Vanaspati and Allied Industries	**58,890**	31,665
Woollen	**647**	647
Miscellaneous	**86,486**	86,486
	29,025,568	26,005,893

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

Unlisted companies	2019		2018	
	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	4,784	331,931
Gelcaps Pakistan Limited	4,665	9,801	4,665	25,340
Pakistan Agriculture Storage Service Corporation	5,500	109,831	5,500	109,831
Al Ameen Textile	327	N/A*	327	N/A
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	N/A	6,500	N/A
Atlas Power Limited	375,000	1,130,503	375,000	822,501
Attock Textile Mills Limited	200	N/A	200	N/A
Bunny's Limited	235,200	140,743	235,200	128,556
Pakistan Mortgage Refinance Company Limited	600,000	608,951	600,000	400,950
F.T.C. Management Company Private Limited	250	36,908	250	34,657
Fauji Akbar Portia Marines Terminal Limited	321,076	515,937	321,076	171,350
Fauji Oil Terminals and Distribution Limited	10,886	69,747	10,886	45,199
First Women Bank Limited	21,100	71,946	21,100	71,946
Fortune Securities Limited	5,000	7,408	5,000	8,975
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	43,979	30,346	36,058
Junaid Cotton Mills Limited	327	N/A	327	N/A
Kaisar Arts and Krafts Limited	8,395	N/A	8,395	N/A
Kaytex Mills Limited	3,778	N/A	3,778	N/A
Mian Mohammad Sugar Mills Limited	15	N/A	15	N/A
Muslim Ghee Mills Limited	1,810	N/A	1,810	N/A
Myfip Video Industries Limited	5,373	N/A	5,373	N/A
National Asset Leasing Corporation Limited	14	N/A	14	N/A
National Construction Limited	250	597	250	597
National Institution of Facilitation Technology (Private) Limited	1,526	71,187	1,526	71,187
National Investment Trust Limited	100	832,931	100	1,796
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	24,983	100	24,983
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
Rishabh Metals and Chemicals Private Limited	4,589	N/A	4,589	N/A
Rousch Power Pakistan Limited	132,888	1,269,793	132,888	1,175,636
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

* Not available

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

Unlisted companies	2019 Cost	2019 Breakup value	2018 Cost	2018 Breakup value
	Rupees in '000			
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**	**147,332**	50,000	N/A
Pakistan Corporate Restructuring Company Limited	**96,000**	**N/A**	-	-
	2,101,182		2,005,182	

	2019	2018
	Rupees in '000	
Debt Securities		
Listed		
- AAA	**1,547,830**	1,897,847
- AA+, AA, AA-	**7,739,909**	4,447,877
- A+, A, A-	**299,880**	419,073
- Unrated	**12,855,892**	9,326,145
Cost	**22,443,511**	16,090,943
Unlisted		
- AAA	**23,554,109**	5,805,117
- AA+, AA, AA-	**801,000**	-
- A+, A, A-	**500,000**	495,299
- Unrated	**12,955,266**	36,371,414
Cost	**37,810,375**	42,671,830

* Not available

Foreign Securities

Government Securities	2019 Cost	2019 Rating	2018 Cost	2018 Rating
	Rupees in '000			
USA	**3,474,324**	**AA+**	968,567	AA+

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

Non Government Debt Securities

	2019	2018
Listed	---------- Rupees in '000 ---------	
	Cost	
- A2 / BBB+	**1,408,492**	1,551,903

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

Federal Government Securities - Government guaranteed		
Market Treasury Bills	**114,091,320**	-
Pakistan Investment Bonds	**184,864,103**	157,346,442
	298,955,423	157,346,442
Debt Securities		
Listed		
- AA+, AA, AA-	**27,948**	27,948
Unlisted		
- A+, A, A-	**-**	100,000
- Unrated	**388,759**	569,008
	388,759	669,008

Foreign Securities

	2019		2018	
	Cost	Rating	Cost	Rating
	---------- Rupees in '000 ----------			
Government Securities				
Azerbaijan	**484,683**	**BB+**	568,321	BB+
Bangladesh	**24,741,528**	**BB-**	22,116,609	BB-
Kyrgyzstan	**1,400,585**	**B2**	1,115,602	B2
Kingdom of Saudi Arabia	**2,302,369**	**A+**	2,065,534	A+
Korea	**671,179**	**AA**	-	AA
	29,600,344		25,866,066	

	2019	2018
	---------- Rupees in '000 ---------	
	Cost	
Non Government Debt Securities		
Listed		
- Unrated	**596**	532

10.5.1 The market value of securities classified as held-to-maturity as at December 31, 2019 amounted to Rs. 328,496 million (2018: Rs. 172,378 million).

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

The Bank holds 30,333,333 (2018: 30,333,333) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 3.7% (2018: 3.7%) holding in total equity of BAJ. The investment has been marked to market using closing price as quoted on the Saudi Stock Exchange in accordance with SBP concurrence vide letter No. BSD/SU-13/331/685/2006 dated February 17, 2006. BAJ's Viability Rating is BB+ with short term and long term IDR at BBB+ by Fitch Rating Agency.

10.7 The 94,273,510 (2018: 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, 2019 amounted to Rs. 4.23 per share resulting in an impairment of Rs. 3,217 million (2018: Rs. 3,167 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. 1,014 million (2018: Rs. 1,267 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, 2018	56,464
Pakistan Emerging Venture Limited	June 30, 2018	341
Pakistan Mercantile Exchange Limited	June 30, 2019	3,112

	Note	2019	2018
		-------- 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 (2018: 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, 2019 amounts to Rs. 8,741 million. These shares can not be sold without concurrence of privatization commission.

11. ADVANCES

	Note	Performing		Non Performing		Total	
		2019	2018	2019	2018	2019	2018
		Rupees in '000					
Loans, cash credits, running finances, etc.		936,148,400	880,003,382	141,787,259	126,902,168	1,077,935,659	1,006,905,550
Islamic financing and related assets		33,880,111	26,741,733	203,934	364,825	34,084,045	27,106,558
Net Investment in Finance Lease	11.1	71,576	80,543	-	24,104	71,576	104,647
Bills discounted and purchased		32,463,246	19,294,694	6,760,524	6,068,698	39,223,770	25,363,392
Advances - gross	11.2	1,002,563,333	926,120,352	148,751,717	133,359,795	1,151,315,050	1,059,480,147
Provision against advances							
- Specific		-	-	134,170,016	126,266,039	134,170,016	126,266,039
- General		9,005,950	7,207,104	-	-	9,005,950	7,207,104
	11.4	9,005,950	7,207,104	134,170,016	126,266,039	143,175,966	133,473,143
Advances - net of provision		993,557,383	918,913,248	14,581,701	7,093,756	1,008,139,084	926,007,004

11.1 Net investment in finance lease

	2019				2018			
	Not later than one year	Later than one and less than five years	Over five years	Total	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in '000							
Lease rentals receivable	11,634	10,434	-	22,069	29,146	27,840	-	56,986
Residual value	45,666	9,617	-	55,283	41,211	16,477	-	57,688
Minimum lease payments	57,300	20,051	-	77,351	70,357	44,317	-	114,673
Financial charges for future periods	4,982	793	-	5,775	7,516	2,510		10,026
Present value of minimum lease payments	52,318	19,258	-	71,576	62,841	41,807	-	104,647

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 19.46% (2018: 10.19% to 14.47%) per annum.

11.2 Particulars of advances (Gross)

	2019	2018
	Rupees in '000	
In local currency	1,052,019,665	969,752,303
In foreign currencies	99,295,385	89,727,844
	1,151,315,050	1,059,480,147

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

11.3 Advances includes Rs.148,752 million (2018: Rs.133,360 million) which have been placed under non-performing status as detailed below:

Category of Classification	2019 Non Performing Loans	2019 Provision	2018 Non Performing Loans	2018 Provision
	Rupees in '000			
Domestic				
Other Assets Especially Mentioned	**1,290,081**	**78,430**	1,272,606	64,543
Substandard	**10,292,449**	**2,550,709**	3,783,452	923,008
Doubtful	**6,439,788**	**3,207,031**	1,398,861	689,032
Loss	**89,680,047**	**88,523,275**	87,723,307	86,518,782
	107,702,365	**94,359,445**	94,178,226	88,195,365
Overseas				
Not past due but impaired	**-**	**-**	-	-
Overdue by:				
> 365 days	**41,049,352**	**39,810,571**	39,181,569	38,070,674
	41,049,352	**39,810,571**	39,181,569	38,070,674
Total	**148,751,717**	**134,170,016**	133,359,795	126,266,039

11.4 Particulars of provision against advances

	Note	2019 Specific	2019 General	2019 Total	2018 Specific	2018 General	2018 Total
		Rupees in '000					
Opening balance		**126,266,039**	**7,207,104**	**133,473,143**	110,650,722	6,515,067	117,165,789
Exchange adjustments		**3,803,802**	**28,732**	**3,832,534**	7,687,525	111,206	7,798,731
Charge for the year		**11,335,930**	**2,018,117**	**13,354,047**	14,157,878	1,330,247	15,488,125
Reversals		**(4,681,591)**	**(248,003)**	**(4,929,594)**	(5,956,687)	(749,416)	(6,706,103)
		6,654,339	**1,770,114**	**8,424,453**	8,201,191	580,831	8,782,022
Amounts written off	11.5.1	**(33,004)**	**-**	**(33,004)**	(12,118)	-	(12,118)
Amounts charged off - agriculture financing	11.4.1.3	**(232,480)**	**-**	**(232,480)**	(261,281)	-	(261,281)
Amount charged off international branches		**(1,776,734)**	**-**	**(1,776,734)**	-	-	-
Other movement		**(511,946)**	**-**	**(511,946)**	-	-	-
Closing balance		**134,170,016**	**9,005,950**	**143,175,966**	126,266,039	7,207,104	133,473,143

11.4.1 Particulars of provision against advances

	2019 Specific	2019 General	2019 Total	2018 Specific	2018 General	2018 Total
	Rupees in '000					
In local currency	**94,359,445**	**8,550,135**	**102,909,580**	88,195,365	6,949,253	95,144,618
In foreign currencies	**39,810,571**	**455,815**	**40,266,386**	38,070,674	257,851	38,328,525
	134,170,016	**9,005,950**	**143,175,966**	126,266,039	7,207,104	133,473,143

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

11.4.1.1 The Bank maintains general reserve in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing and Prudential Regulations for Small and Medium Enterprise Financing issued by the SBP.

The Bank has also maintained general provision of Rs. 2,500 million (2018: Rs. 2,500 million) in respect of its corporate 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, 2019.

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	2019	2018
			-------- Rupees in '000 --------	
11.5	**Particulars of write-offs**			
11.5.1	Against provisions	11.5.2	**33,004**	12,118
11.5.2	Write-offs of Rs. 500,000 and above			
	- Domestic	11.6	**5,957**	1,835
	Write-offs of below Rs. 500,000		**27,047**	10,283
			33,004	12,118

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 is given in Annexure-I (except where such disclosure is restricted by overseas regulatory authorities).

		Note	2019	2018
			-------- Rupees in '000 --------	
12.	**FIXED ASSETS**			
	Capital work-in-progress	12.1	**2,114,172**	1,934,605
	Property and equipment	12.2	**52,189,393**	51,925,278
			54,303,565	53,859,883
12.1	**Capital work-in-progress**			
	Civil works		**1,999,863**	1,863,208
	Equipment		**15,446**	15,884
	Advances to suppliers and contractors		**58,372**	55,513
	License and implementation fee for core banking software		**40,491**	-
			2,114,172	1,934,605

12.2 Property and equipment

	2019									
	Freehold land	Leasehold land	Building on freehold land	Building on leasehold land	Furniture and fixture	Computer and peripheral equipment	Electrical, office equipment	Vehicles	Assets held under finance lease - vehicles	Total
	---------- Rupees in '000 ----------									
At January 1, 2019										
Cost / revalued amount	20,108,881	18,684,751	6,465,668	3,954,408	5,021,096	3,984,144	5,125,318	1,219,804	165,253	64,729,323
Accumulated depreciation	-	-	(662,018)	(555,859)	(3,320,728)	(3,686,363)	(3,980,964)	(432,861)	(165,252)	(12,804,045)
Net book value	20,108,881	18,684,751	5,803,650	3,398,549	1,700,368	297,781	1,144,354	786,943	1	51,925,278
Year ended December 2019										
Opening net book value	20,108,881	18,684,751	5,803,650	3,398,549	1,700,368	297,781	1,144,354	786,943	1	51,925,278
Additions	-	-	-	50,606	686,788	86,550	595,897	127,606	-	1,547,447
Movement in surplus on assets revalued	-	566,789	-	86,281	-	-	-	-	-	653,070
Disposals	-	-	-	-	(15,440)	(2,283)	(4,998)	(115,378)	-	(138,099)
Depreciation charge	-	-	(286,510)	(173,871)	(667,117)	(283,627)	(571,077)	(325,670)	-	(2,307,872)
Depreciation adjustment - disposal	-	-	-	-	12,942	2,064	3,839	93,894	-	112,739
Exchange rate adjustments	-	-	-	12,204	19,719	24,013	21,177	1,444	-	78,557
Other adjustments / transfers	-	111,330	-	206,943	-	-	-	-	-	318,273
Closing 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
At December 31, 2019										
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
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	

	2018									
	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, 2018										
Cost / Revalued amount	11,209,212	10,380,661	3,036,962	2,912,966	4,287,262	3,691,588	4,539,232	1,105,121	165,253	41,328,257
Accumulated depreciation	-	-	(554,785)	(458,819)	(2,722,106)	(3,266,810)	(3,466,794)	(307,302)	(165,252)	(10,941,868)
Net book value	11,209,212	10,380,661	2,482,177	2,454,147	1,565,156	424,778	1,072,438	797,819	1	30,386,389
Year ended December 2018										
Opening net book value	11,209,212	10,380,661	2,482,177	2,454,147	1,565,156	424,778	1,072,438	797,819	1	30,386,389
Additions	-	-	4,307	21,811	740,534	294,461	587,715	322,148		1,970,976
Movement in surplus on assets revalued	8,917,543	8,304,090	3,425,617	939,428	-	-	-	-	-	21,586,678
Disposals	(17,874)	-	(1,218)	-	(6,700)	(1,905)	(1,629)	(207,465)	-	(236,791)
Depreciation charge	-	-	(107,233)	(97,040)	(604,145)	(421,146)	(515,117)	(305,722)	-	(2,050,403)
Depreciation adjustment - disposal	-	-	-	-	5,523	1,593	947	180,163		188,226
Exchange rate adjustments	-	-	-	80,203	-	-	-	-	-	80,203
Closing net book value	20,108,881	18,684,751	5,803,650	3,398,549	1,700,368	297,781	1,144,354	786,943	1	51,925,278
At December 31, 2018										
Cost / Revalued amount	20,108,881	18,684,751	6,465,668	3,954,408	5,021,096	3,984,144	5,125,318	1,219,804	165,253	64,729,323
Accumulated depreciation	-	-	(662,018)	(555,859)	(3,320,728)	(3,686,363)	(3,980,964)	(432,861)	(165,252)	(12,804,045)
Net book value	20,108,881	18,684,751	5,803,650	3,398,549	1,700,368	297,781	1,144,354	786,943	1	51,925,278
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	

During the year ended December 31, 2019, land and building were revalued. The basis of revaluations were desk scope valuations and were carried by RBS associates Private Limited (PBA registered valuer) resulting in surplus of Rs. 653 million. For the purpose of the value assessment, factors like commercial value, location, utilization, nature of title etc. were kept in mind.

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

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	Buyer Name
	----------Rupees in '000----------						
Office Equipment	90	56	56	-	As per entitlement	Ex-Employee	Zahid Mahmood Chaudry
Office Equipment	35	35	35	-	As per entitlement	Ex-Employee	Waseem Akhtar Khan
Office Equipment	15	13	13	-	As per entitlement	Ex-Employee	Qurban Ali Kunbhar
Office Equipment	50	38	38	-	As per entitlement	Ex-Employee	Muhammad Nusrat Ilyas
Office Equipment	50	33	33	-	As per entitlement	Ex-Employee	Muhammad Naeemullah Jan
Office Equipment	15	13	13	-	As per entitlement	Ex-Employee	Qurban Ali Kunbhar
Office Equipment	50	31	31	-	As per entitlement	Ex-Employee	Jawed Anwar Khan
Office Equipment	128	58	58	-	As per entitlement	Ex-Employee	Shahid Saeed
Office Equipment	145	0	0	-	As per entitlement	Ex-Employee	Shahid Saeed
Office Equipment	286	0	0	-	As per entitlement	Ex-Employee	Shahid Saeed
Office Equipment	93	0	0	-	As per entitlement	Ex-Employee	Shahid Saeed
Office Equipment	74	9	9	-	As per entitlement	Ex-Employee	Qamar Hussain
Office Equipment	95	28	28	-	As per entitlement	Ex-Employee	Qamar Hussain
Office Equipment	50	25	25	-	As per entitlement	Ex-Employee	Basharat Ali
Office Equipment	50	5	5	-	As per entitlement	Ex-Employee	Aziz Ur Rehman Khan
Office Equipment	15	0	0	-	As per entitlement	Ex-Employee	Farrukh Saeed Khan
	1,240	**345**	**345**	**-**			
Electrical Installations	720	120	120	-	As per entitlement	Ex-Employee	Mudassir Husain Khan
Electrical Installations	800	693	693	-	As per entitlement	Ex-Employee	Qamar Hussain
	1,520	**813**	**813**	**-**			
Computer Equipment	97	0	10	10	As per entitlement	Employee	Qaisar Alam
Computer Equipment	285	214	214	-	As per entitlement	Ex-Employee	Kausar Iqbal Malik
Computer Equipment	64	0	6	6	As per entitlement	Employee	Gurbuksh Rajpal
Computer Equipment	102	0	10	10	As per entitlement	Ex-Employee	Sarfaraz Ahmed
Computer Equipment	93	5	5	-	As per entitlement	Ex-Employee	Aziz Ur Rehman Khan
Computer Equipment	102	0	0	-	As per entitlement	Ex-Employee	Farrukh Saeed Khan
	743	**219**	**245**	**26**			
Furniture and fixtures	175	29	29	-	As per entitlement	Ex-Employee	Waseem Bashir
Furniture and fixtures	150	13	13	-	As per entitlement	Ex-Employee	Muhammad Azhar Khan
Furniture and fixtures	150	22	22	-	As per entitlement	Ex-Employee	Pervaiz Iqbal
Furniture and fixtures	500	158	158	-	As per entitlement	Ex-Employee	Shehzad A Shami
Furniture and fixtures	175	69	69	-	As per entitlement	Ex-Employee	Zahra Kausar
Furniture and fixtures	150	4	4	-	As per entitlement	Ex-Employee	Ian Saeed
Furniture and fixtures	175	15	15	-	As per entitlement	Ex-Employee	Muhammad Anwar Shinwari
Furniture and fixtures	175	76	76	-	As per entitlement	Ex-Employee	Maqsood Ahmed Rashad
Furniture and fixtures	175	16	16	-	As per entitlement	Ex-Employee	Ali Ahmed Panezal
Furniture and fixtures	150	11	11	-	As per entitlement	Ex-Employee	Ali Asghar Channa
Furniture and fixtures	175	42	42	-	As per entitlement	Ex-Employee	Muhammad Saleem Baig
Furniture and fixtures	150	10	10	-	As per entitlement	Ex-Employee	Muhammad Azharulla
Furniture and fixtures	150	15	15	-	As per entitlement	Ex-Employee	Muhammad Ayub Bhatti
Furniture and fixtures	300	74	74	-	As per entitlement	Ex-Employee	Ansar Raza Goraha

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

Particulars of property and equipment	Original Cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of Purchaser	Buyer Name
	----------Rupees in '000----------						
Furniture and fixtures	150	69	69	-	As per entitlement	Ex-Employee	Atif Najam
Furniture and fixtures	150	9	9	-	As per entitlement	Ex-Employee	Abid Akhtar
Furniture and fixtures	175	16	16	-	As per entitlement	Ex-Employee	Farrukh Wazir
Furniture and fixtures	175	15	15	-	As per entitlement	Ex-Employee	Tariq Bin Hanif
Furniture and fixtures	150	41	41	-	As per entitlement	Ex-Employee	Imdad Ali Babar
Furniture and fixtures	150	14	14	-	As per entitlement	Ex-Employee	Ghulam Dastagir
Furniture and fixtures	150	8	8	-	As per entitlement	Ex-Employee	Muhammad Farooq
Furniture and fixtures	175	13	13	-	As per entitlement	Ex-Employee	Sikandar Hayat
Furniture and fixtures	150	9	9	-	As per entitlement	Ex-Employee	Ghulam Ali Memon
Furniture and fixtures	150	8	8	-	As per entitlement	Ex-Employee	Khalid Mehmood
Furniture and fixtures	150	90	90	-	As per entitlement	Ex-Employee	Muhammad Saeed Noor
Furniture and fixtures	175	31	31	-	As per entitlement	Ex-Employee	Samuel Robin
Furniture and fixtures	175	26	26	-	As per entitlement	Ex-Employee	Muhammad Hassain Rin
Furniture and fixtures	175	7	7	-	As per entitlement	Ex-Employee	Jaffer Hussain Shah
Furniture and fixtures	150	8	8	-	As per entitlement	Ex-Employee	Tajammal Hussain Zafar
Furniture and fixtures	150	41	41	-	As per entitlement	Ex-Employee	Bashir Ahmed Rahojo
Furniture and fixtures	175	97	97	-	As per entitlement	Ex-Employee	Qurban Ali Kunbhar
Furniture and fixtures	150	41	41	-	As per entitlement	Ex-Employee	Muhammad Tanveer Khan
Furniture and fixtures	150	25	25	-	As per entitlement	Ex-Employee	Tariq Hussain
Furniture and fixtures	150	70	70	-	As per entitlement	Ex-Employee	Ghulam Haider Shaikh
Furniture and fixtures	175	47	47	-	As per entitlement	Ex-Employee	Syed Kazim Raza
Furniture and fixtures	150	69	69	-	As per entitlement	Ex-Employee	Seema Masood
Furniture and fixtures	175	28	28	-	As per entitlement	Ex-Employee	Javed Anwar Khan
Furniture and fixtures	150	9	9	-	As per entitlement	Ex-Employee	Liaqat Ali Junejo
Furniture and fixtures	175	58	58	-	As per entitlement	Ex-Employee	Muhammad Naeemullah Jan
Furniture and fixtures	150	6	6	-	As per entitlement	Ex-Employee	Jawed Masood
Furniture and fixtures	150	7	7	-	As per entitlement	Ex-Employee	Muhammad Azam Khan
Furniture and fixtures	150	9	9	-	As per entitlement	Ex-Employee	Syed Nigha Hussain Shah
Furniture and fixtures	150	53	53	-	As per entitlement	Ex-Employee	Muhammad Khalid Khanzada
Furniture and fixtures	150	39	39	-	As per entitlement	Ex-Employee	Zia Ahmed Siddiqi
Furniture and fixtures	150	50	50	-	As per entitlement	Ex-Employee	Syed Afzal Sadiq
Furniture and fixtures	150	36	36	-	As per entitlement	Ex-Employee	Muhammad Akram Khan
Furniture and fixtures	150	5	5	-	As per entitlement	Ex-Employee	Shafaullah Khan
Furniture and fixtures	150	19	19	-	As per entitlement	Ex-Employee	Samina Mansoor
Furniture and fixtures	150	36	36	-	As per entitlement	Ex-Employee	Akhtar Hussain Khowaja
Furniture and fixtures	175	80	80	-	As per entitlement	Ex-Employee	Arshad Mehmood Mian
Furniture and fixtures	150	2	2	-	As per entitlement	Ex-Employee	Arshad Mehmood Mian
Furniture and fixtures	175	11	11	-	As per entitlement	Ex-Employee	Zia Afshan Akram
Furniture and fixtures	150	80	80	-	As per entitlement	Ex-Employee	Nawab Zada
Furniture and fixtures	175	36	36	-	As per entitlement	Ex-Employee	Ahmed Bilal Hussain
Furniture and fixtures	500	217	217	-	As per entitlement	Ex-Employee	Qamar Hussain
Furniture and fixtures	150	58	58	-	As per entitlement	Ex-Employee	Jan Muhammad
Furniture and fixtures	150	69	69	-	As per entitlement	Ex-Employee	Zeeshan Wakeel
Furniture and fixtures	175	23	23	-	As per entitlement	Ex-Employee	Basharat Ali

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

Particulars of property and equipment	Original Cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of Purchaser	Buyer Name
	----------Rupees in '000----------						
Furniture and fixtures	175	11	11	-	As per entitlement	Ex-Employee	Zulfiqar Ali Memon
Furniture and fixtures	150	48	48	-	As per entitlement	Ex-Employee	Muhammad Qasim
Furniture and fixtures	150	33	33	-	As per entitlement	Ex-Employee	Hafeez Ur Rehman
Furniture and fixtures	175	18	18	-	As per entitlement	Ex-Employee	Pervaiz Ahmed Kiyani
Furniture and fixtures	150	55	55	-	As per entitlement	Ex-Employee	Nauman Shahid
Furniture and fixtures	175	20	20	-	As per entitlement	Ex-Employee	Ali Azam
Furniture and fixtures	150	9	9	-	As per entitlement	Ex-Employee	ChLiaquat Iqbal
Furniture and fixtures	150	1	1	-	As per entitlement	Ex-Employee	Muhammad Saleem
Furniture and fixtures	150	63	63	-	As per entitlement	Ex-Employee	Juma Gul Khattak
Furniture and fixtures	150	2	2	-	As per entitlement	Ex-Employee	Habib Ali
	11,625	**2,498**	**2,498**	**-**			
Vehicles	1,658	608	608	-	As per entitlement	Ex-Employee	Ali Ahmed Panezi
Vehicles	5,106	1,532	1,532	-	As per entitlement	Ex-Employee	Shahzad A Shami
Vehicles	1,538	154	154	-	As per entitlement	Ex-Employee	Muhammad Ashfaq Khan
Vehicles	1,628	497	497	-	As per entitlement	Ex-Employee	Qurban Ali Kunbhar
Vehicles	1,538	0	154	154	As per entitlement	Ex-Employee	M Yaqoob
Vehicles	5,106	1,021	1,021	-	As per entitlement	Employee	Amir Sattar
Vehicles	5,106	1,021	1,021	-	As per entitlement	Employee	Sultana Naheed
Vehicles	5,106	1,021	1,021	-	As per entitlement	Employee	Tariq Jamali
Vehicles	1,764	1,382	1,382	-	As per entitlement	Ex-Employee	Muhammad Nusrat Ilyas
Vehicles	1,269	973	973	-	As per entitlement	Ex-Employee	Rizwan Hameed
Vehicles	1,764	1,235	1,235	-	As per entitlement	Ex-Employee	Muhammad Naeemullah Jan
Vehicles	1,664	887	887	-	As per entitlement	Ex-Employee	Basharat Ali
Vehicles	1,628	1,022	1,022	-	As per entitlement	Ex-Employee	Arshad Mahmood Mian
Vehicles	1,658	580	580	-	As per entitlement	Ex-Employee	Tariq Bin Hanif
Vehicles	1,664	971	971	-	As per entitlement	Ex-Employee	Javed Anwar Khan
Vehicles	5,105	766	766	-	As per entitlement	Ex-Employee	Qamar Hussain
Vehicles	1,658	304	304	-	As per entitlement	Employee	S.M Ayub
Vehicles	1,552	310	310	-	As per entitlement	Ex-Employee	Farrukh Saeed Khan
Vehicles	1,664	804	804	-	As per entitlement	Employee	Muhammad Irfan Khan
Vehicles	1,858	372	372	-	As per entitlement	Employee	Shahid Iqbal Dar
Vehicles	1,858	341	341	-	As per entitlement	Employee	Mirza Babar Baig
Vehicles	1,658	332	332	-	As per entitlement	Employee	Rana Imdad Hussain
Vehicles	1,858	372	372	-	As per entitlement	Employee	Azra Naila Uzair
Vehicles	1,658	332	332	-	As per entitlement	Employee	Tahir Shahbaz Anjum
Vehicles	1,658	332	332	-	As per entitlement	Employee	Saleem Tahir
Vehicles	1,658	332	332	-	As per entitlement	Employee	Abdul Wajid
Vehicles	1,658	332	332	-	As per entitlement	Employee	Nasir Abbas
Vehicles	1,858	372	372	-	As per entitlement	Employee	Faisal Ahmed Topra
Vehicles	1,658	332	332	-	As per entitlement	Employee	Mudassir Nabi
Vehicles	1,658	332	332	-	As per entitlement	Employee	Rizwana Ammar
Vehicles	1,658	332	332	-	As per entitlement	Employee	Aqib Malik
Vehicles	1,658	332	332	-	As per entitlement	Employee	Mumtaz Rafi
	70,518	**19,526**	**19,680**	**154**			
	85,646	**23,401**	**23,581**	**180**			

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

		Core Banking Application	Computer software	Total
13.	**INTANGIBLE ASSETS**	---------- Rupees in '000 ----------		
	At January 1, 2019			
	Cost	**2,913,952**	**414,907**	**3,328,859**
	Accumulated amortisation and	**(2,800,926)**	**(282,275)**	**(3,083,201)**
	Net book value	**113,026**	**132,632**	**245,658**
	Year ended December 2019			
	Opening net book value	**113,026**	**132,632**	**245,658**
	Additions:			
	- through acquisitions / purchased	**-**	**406,947**	**406,947**
	Adjustments - addition	**-**	**178,877**	**178,877**
	Amortisation charge	**(113,026)**	**(204,842)**	**(317,868)**
	Adjustments - depreciation	**-**	**(138,664)**	**(138,664)**
	Closing net book value	**-**	**374,950**	**374,950**
	At December 31, 2019			
	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**
	Rate of amortisation (percentage)	**33.33 % on cost**	**33.33 % on cost**	
	Useful life	**3 years**	**3 years**	
	At January 1, 2018			
	Cost	2,913,952	387,861	3,301,813
	Accumulated amortisation and	(2,614,324)	(145,565)	(2,759,889)
	Net book value	299,628	242,296	541,924
	Year ended December 2018			
	Opening net book value	299,628	242,296	541,924
	Additions:			
	- through acquisitions / purchased	-	27,046	27,046
	Amortisation charge	(186,602)	(136,710)	(323,312)
	Closing net book value	113,026	132,632	245,658
	At December 31, 2018			
	Cost	2,913,952	414,907	3,328,859
	Accumulated amortisation and impairment	(2,800,926)	(282,275)	(3,083,201)
	Net book value	113,026	132,632	245,658
	Rate of amortisation (percentage)	33.33 % on cost	33.33 % on cost	
	Useful life	3 years	3 years	

There is no such intangible asset having indefinite useful life.

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

		2019	2018
14.	**RIGHT OF USE ASSETS**	--------- Rupees in '000 ----------	
	The recognized right of use assets relate to the following types of assets:		
	Balance as at initial application i.e. January 01, 2019	**7,908,684**	-
	Additions during the period	**1,185,554**	-
	Depreciation charged for the period	**1,872,972**	-
	Balance as at December 31, 2019	**7,221,266**	**-**

The right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right of use assets at the date of initial application.

		Note	2019	2018
15.	**OTHER ASSETS**		--------- Rupees in '000 ----------	
	Income / return / mark-up accrued in local currency - net of provision		**53,660,237**	31,149,949
	Income / return / mark-up accrued in foreign currency - net of provision		**2,551,275**	2,478,075
	Advances, deposits, advance rent and other prepayments	15.1	**7,816,695**	7,039,988
	Advance taxation (payments less provisions)		**9,155,744**	11,743,706
	Income tax refunds receivable		**42,667,383**	45,531,634
	Compensation for delayed tax refunds		**13,722,128**	8,082,559
	Non-banking assets acquired in satisfaction of claims	15.4	**3,284,853**	3,796,527
	Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)		**208,423**	228,483
	Unrealized gain on forward foreign exchange contracts		**-**	6,929,960
	Commission receivable on Government. treasury transactions		**4,065,704**	4,627,921
	Stationery and stamps on hand		**435,733**	381,722
	Barter trade balances		**195,399**	195,399
	Receivable on account of Government transactions	15.2	**323,172**	323,172
	Receivable from Government under VHS scheme	15.3	**418,834**	418,834
	Receivable against sale of shares		**310,374**	311,383
	Acceptances		**26,934,779**	45,884,978
	Others		**9,941,050**	7,984,536
			175,691,785	177,108,826
	Less: Provision held against other assets	15.5	**10,853,587**	8,884,661
	Other assets (net of provision)		**164,838,198**	168,224,165
	Surplus / (Deficit) on revaluation of non-banking assets acquired in satisfaction of claims		**477,215**	(201,867)
	Other assets - total		**165,315,413**	168,022,298

15.1 This includes Rs. 5,808 million (2018: Rs. 4,644 million) advance against Pre-IPO placement of Term Finance Certificates.

15.2 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.

15.3 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.

		2019	2018
		---------- Rupees in '000 ----------	
15.4	Market value of Non-banking assets acquired in satisfaction of claims	**3,762,068**	3,594,660

An independent valuation of the Bank's non-banking assets were performed by an independent professional valuer to determine the fair value of the assets as at 31 December 2019. The valuation was carried out by an independent valuer Imtech (private) Limited, registered at SBP panel of valuers. The valuation conforms to International Valuation Standards.

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

		2019	2018
		--------- Rupees in '000 ----------	
15.4.1	**Non-banking assets acquired in satisfaction of claims**		
	Opening balance	**3,594,660**	3,831,300
	Revaluation	**477,215**	(201,867)
	Depreciation	**(29,577)**	(34,773)
	Adjustment	**38,043**	-
	Transfer to operating fixed Assets	**(318,273)**	-
	Closing balance	**3,762,068**	3,594,660
15.5	**Provision held against other assets**		
	Income / mark-up accrued in local currency	**152,607**	152,607
	Advances, deposits, advance rent and other prepayments	**837,949**	837,949
	Stationery and stamps on hand	**96,542**	96,542
	Barter trade balances	**195,399**	195,399
	Receivable on account of Government transactions	**323,172**	323,172
	Receivable from Government under VHS scheme	**418,834**	418,834
	Protested bills	**2,555,322**	2,405,689
	Compensation claimed by SBP due to delay in settlement of Goverment transactions	**127,857**	158,579
	Provision against FE-25 loans	**1,734,591**	1,734,591
	Ex-MBL / NDFC - other assets	**534,173**	534,173
	Assets Acquired from CIRC	**208,423**	228,484
	Others	**3,668,718**	1,798,642
		10,853,587	8,884,661
15.5.1	**Movement in provision held against other assets**		
	Opening balance	**8,884,661**	8,772,698
	Charge for the year	**1,589,466**	2,289,554
	Transfer in	**457,739**	-
	Adjustment of compensation claimed by SBP to SBP balances	**(78,277)**	(2,174,277)
	Amount written off	**-**	(3,314)
	Closing balance	**10,853,587**	8,884,661
16.	**BILLS PAYABLE**		
	In Pakistan	**19,648,708**	9,838,706
	Outside Pakistan	**218,716**	105,472
		19,867,424	9,944,178
17.	**BORROWINGS**		
	Secured		
	Borrowings from State Bank of Pakistan		
	Under Export Refinance Scheme	**1,908,291**	1,553,200
	Under Export Refinance Scheme (New Scheme)	**20,687,441**	15,711,423
	Financing Scheme for Renewable Energy	**236,175**	-
	Refinance Facility for Modernization of SMEs	**45,000**	-
	Financing Facility for storage of Agriculture Produce (FFSAP)	**284,012**	222,727
	Under Long-Term Financing Facility (LTFF)	**8,923,286**	5,418,613
		32,084,205	22,905,963
	Repurchase agreement borrowings	**332,053,770**	278,631,608
	Bai Muajjal	**59,069,167**	45,954,085
	Total secured	**423,207,142**	347,491,656
	Unsecured		
	Call borrowings	**39,052,969**	36,400,855
	Overdrawn nostro accounts	**3,467,767**	3,807,347
	Bai Muajjal	**6,029,474**	5,039,538
	Total unsecured	**48,550,210**	45,247,740
		471,757,352	392,739,396

		2019	2018
		---------- Rupees in '000 ----------	
17.1	**Particulars of borrowings with respect to currencies**		
	In local currency	**432,843,644**	356,338,554
	In foreign currencies	**38,913,708**	36,400,842
		471,757,352	392,739,396

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

- The Bank has entered into agreements with the SBP for extending export refinance to customers. As per the terms of the agreement, the Bank has granted SBP the right to recover the outstanding amount from the Bank at the date of maturity of finances by directly debiting the current account maintained by the Bank with the SBP. These borrowings carry mark-up 3% (2018: 3%.).

- Repurchase agreement borrowings carry mark-up ranging from 13.2% to 13.32% per annum (2018: 8.4% to 10.16% per annum) having maturity ranging from January 2, 2020 to January 20, 2020.

- Call borrowings carry interest ranging from 1.75% to 4.0% per annum (2018: 0% to 4.22% per annum).

17.3 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.

17.4 Pakistan Investment Bonds and Market Treasury Bills having maturity of 5-10 years and 3 months respectively, are pledged as security under borrowing having carrying amount of Rs. 332,054 million (2018: Rs. 283,850 million).

18. DEPOSITS AND OTHER ACCOUNTS

	2019			2018		
	In Local currency	**In Foreign currencies**	**Total**	In Local currency	In Foreign currencies	Total
	---------- Rupees in '000 ----------					
Customers						
Current deposits - remunerative	**320,884,110**	**-**	**320,884,110**	323,623,737	-	323,623,737
Current deposits - non-remunerative	**387,100,580**	**138,036,876**	**525,137,456**	342,557,322	122,864,545	465,421,867
Savings deposits	**533,399,568**	**52,363,840**	**585,763,408**	498,375,321	37,724,865	536,100,186
Term deposits	**285,062,513**	**75,428,176**	**360,490,689**	273,475,804	66,124,944	339,600,748
Others	**4,970,352**	**3,924**	**4,974,276**	9,377,504	3,409	9,380,913
	1,531,417,123	**265,832,816**	**1,797,249,939**	1,447,409,688	226,717,763	1,674,127,451
Financial Institutions						
Current deposits	**357,600,795**	**1,225,295**	**358,826,090**	285,775,752	27,312,676	313,088,428
Savings deposits	**4,405,416**	**2,911,091**	**7,316,507**	812,330	778	813,108
Term deposits	**21,888,152**	**5,932,636**	**27,820,788**	7,335,635	1,814,815	9,150,450
Others	**6,549,217**	**286,740**	**6,835,957**	4,523,363	9,682,401	14,205,764
	390,443,580	**10,355,762**	**400,799,342**	298,447,080	38,810,670	337,257,750
	1,921,860,703	**276,188,578**	**2,198,049,281**	1,745,856,768	265,528,433	2,011,385,201

		2019	2018
		--------- Rupees in '000 ---------	
18.1	**Composition of deposits**		
	Individuals	**700,462,343**	664,981,329
	Government (Federal and Provincial)	**602,779,800**	586,365,968
	Public Sector Entities	**237,284,226**	138,286,912
	Banking companies	**380,226,047**	320,755,853
	Non-Banking Financial Institutions	**20,573,295**	16,501,898
	Private sector	**256,723,570**	284,493,241
		2,198,049,281	2,011,385,201

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

18.2 Foreign currencies deposits includes deposit of foreign branches amounting to Rs. 85,488 million (2018: Rs. 104,127 million).

18.3 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 859,148 million (2018: Rs. 774,901 million) including islamic branches.

	2019	2018
	--------- Rupees in '000 ----------	

19. LEASE LIABILITY AGAINST RIGHT OF USE ASSETS

Lease liabilities included in the statement of financial position As at December 31, 2019	7,640,188	-
Of which are:		
Current lease liability	1,237,717	-
Non-current lease liability	6,402,471	-
	7,640,188	-
Maturity analysis - contractual undiscounted cash flows		
Less than one year	1,948,040	-
One to five years	6,610,167	-
More than five years	6,652,960	-
Total undiscounted lease liabilities as at December 31, 2019	15,211,167	-

20. DEFERRED TAX

	At January 01, 2019	Recognised in profit and loss account	Recognised in other comprehensive income	At December 31, 2019
	---------- Rupees in 000----------			
Deductible temporary differences on				
- Tax losses carried forward	10,705	-		10,705
- Post retirement employee benefits	2,767,522	-	1,085,194	3,852,716
- Provision for diminution in the value of investments	236,751	-	-	236,751
- Provision against loans and advances	622,390	2,003,105	-	2,625,495
- Provision against off-balance sheet obligations	115,222	-	-	115,222
- Other provisions	105,416	-	-	105,416
	3,858,006	2,003,105	1,085,194	6,946,305
Taxable temporary differences on				
- Surplus on revaluation of fixed assets	(1,805,306)	146,188	(30,199)	(1,689,317)
- Surplus on revaluation of investments	(6,667,702)	-	(7,148,817)	(13,816,519)
- Surplus on revaluation of non-banking assets	(55,208)	-	13,769	(41,439)
- Other	(2,314,832)	-	-	(2,314,832)
	(10,843,048)	146,188	(7,165,247)	(17,862,107)
	(6,985,042)	2,149,293	(6,080,053)	(10,915,802)

	At January 01, 2018	Recognised in profit or loss account	Recgonised in Other comprehensive income	At December 31, 2018
	---------- Rupees in 000----------			
Deductible Temporary Differences on				
- Tax losses carried forward	10,705	-	-	10,705
- Post retirement employee benefits	13,615,636	(10,764,230)	(83,884)	2,767,522
- Provision for diminution in the value of investments	3,278,835	(3,042,084)	-	236,751
- Provision against loan and advances	622,390	-	-	622,390
- Unrealised loss / (gain) on derivatives	439,026	(439,026)	-	-
- Provision against off-balance sheet obligations	116,622	(1,400)	-	115,222
- Other provisions	2,186,076	(2,080,660)	-	105,416
	20,269,290	(16,327,400)	(83,884)	3,858,006
Taxable Temporary Differences on				
- Surplus on revaluation of fixed assets	(362,625)	85,085	(1,527,766)	(1,805,306)
- Excess of accounting book value of leased assets over lease liabilities	5,078	(5,078)	-	-
- Surplus on revaluation of investments	(12,504,929)	-	5,837,227	(6,667,702)
- Surplus on revaluation of non-banking assets	(89,981)		34,773	(55,208)
- Other	-	(2,314,832)	-	(2,314,832)
	(12,952,457)	(2,234,825)	4,344,234	(10,843,048)
	7,316,833	(18,562,223)	4,260,350	(6,985,042)

21. OTHER LIABILITIES

	Note	2019	2018
		---------- Rupees in '000 ----------	
Mark-up / Return / Interest payable in local currency		**57,027,903**	31,324,102
Mark-up / Return / Interest payable in foreign currency		**439,959**	555,608
Unearned commission and income on bills discounted		**3,045,278**	635,699
Accrued expenses		**19,000,508**	11,629,326
Advance payments		**397,099**	339,788
Unclaimed dividends	37.1	**186,668**	188,868
Unrealized loss on forward foreign exchange contracts		**4,358,883**	-
Unrealized loss on put option		**306,339**	306,339
Branch adjustment account		**926,311**	5,864,695
Employee benefits:			
Pension fund		**14,785,647**	13,069,665
Post retirement medical benefits		**18,333,947**	15,371,225
Benevolent fund		**1,749,006**	1,604,689
Gratuity scheme		**2,206,599**	1,730,265
Compensated absences		**8,344,182**	7,541,419
Staff welfare fund		**371,257**	371,257
Liabilities relating to Barter trade agreements		**5,539,436**	18,034,813
Provision against off-balance sheet obligations		**627,494**	627,494
Provision against contingencies	21.1	**4,629,645**	3,734,889
Payable to brokers		**38,667**	180,594
PIBs shortselling		**256,284**	366,896
Acceptances		**26,934,779**	45,884,978
Others		**14,039,099**	11,281,227
		183,544,990	170,643,836

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

		Note	2019	2018
			--------- Rupees in '000 ----------	
21.1	**Provision against contingencies**			
	Opening balance		**3,734,889**	3,634,889
	Charge during the year		**1,152,495**	-
	Transfer out		**(457,739)**	-
	Other movement		**200,000**	100,000
	Closing balance	21.1.1	**4,629,645**	3,734,889

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

2019	2018		2019	2018
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

2019	2018		2019	2018
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 held 75.60% (2018: 75.60%) shares of the Bank.

22.3 Shares of the Bank held by subsidiary and associate

	2019	2018
	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
NBP Stock Fund	**330,000**	-
	400,000	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	2019	2018
		---------- Rupees in '000 ----------	
Surplus on revaluation of:			
- Available for sale securities	10.1	**39,475,771**	22,943,322
- Fixed assets	24.1	**44,576,547**	44,292,018
- Non-banking assets accquired in satisfaction of claims	24.2	**2,539,695**	2,062,480
		86,592,013	69,297,820
Deferred tax on surplus on revaluation of:			
- Available for sale securities		**(13,816,519)**	(6,667,702)
- Fixed assets	24.1	**(2,489,995)**	(2,588,785)
- Non-banking assets accquired in satisfaction of claims	24.2	**(41,439)**	(55,208)
		(16,347,953)	(9,311,695)
		70,244,060	59,986,125

24.1 Surplus on revaluation of fixed assets

Surplus on revaluation of fixed assets as at January 1	**44,292,018**	22,660,691
Recognised during the year	**653,070**	21,789,525
Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax	**(239,552)**	(102,829)
Related deferred tax liability on incremental depreciation charged during the year	**(128,989)**	(55,369)
Surplus on revaluation of fixed assets as at December 31	**44,576,547**	44,292,018
Less: related deferred tax liability on:		
- revaluation as at January 1	**(2,588,785)**	(1,116,388)
- revaluation recognised during the year	**(30,199)**	(1,527,766)
- incremental depreciation charged during the year	**128,989**	55,369
	(2,489,995)	(2,588,785)
	42,086,552	41,703,233

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

		Note	2019	2018
			---------- Rupees in '000 ----------	
24.2	**Surplus on revaluation of non-banking assets accquired in satisfaction of claims**			
	Surplus on revaluation as at January 1		**2,062,480**	2,264,347
	Recognised during the year		**477,215**	(201,867)
	Surplus on revaluation as at December 31		**2,539,695**	2,062,480
	Less: related deferred tax liability on:			
	- revaluation as at January 1		**(55,208)**	(89,981)
	- revaluation recognised during the year		**13,769**	34,773
			(41,439)	(55,208)
			2,498,256	2,007,272
25.	**CONTINGENCIES AND COMMITMENTS**			
	Guarantees	25.1	**161,579,745**	94,340,275
	Commitments	25.2	**1,761,652,119**	1,286,438,703
	Other contingent liabilities	25.3	**30,664,297**	29,259,673
			1,953,896,161	1,410,038,651
25.1	**Guarantees**			
	Financial guarantees		**101,841,274**	55,505,600
	Performance guarantees		**59,738,471**	38,834,675
			161,579,745	94,340,275
25.2	**Commitments**			
	Documentary credits and short-term trade-related transactions			
	- letters of credit		**937,616,635**	716,304,478
	Commitments in respect of:			
	- forward foreign exchange contracts	25.2.1	**801,290,548**	512,873,075
	- forward government securities transactions	25.2.2	**22,164,581**	56,816,129
	Commitments for acquisition of:			
	- operating fixed assets		**566,855**	431,521
	Other commitments	25.2.3	**13,500**	13,500
			1,761,652,119	1,286,438,703
25.2.1	**Commitments in respect of forward foreign exchange contracts**			
	Purchase		**478,842,756**	312,710,160
	Sale		**322,447,792**	200,162,915
			801,290,548	512,873,075

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.

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

	Note	2019	2018
		---------- Rupees in '000 ----------	
25.2.2 Commitments in respect of forward government securities transactions			
Purchase		**256,814**	50,950,025
Sale		**21,907,767**	5,866,104
		22,164,581	56,816,129

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

		2019	2018
		---------- Rupees in '000 ----------	
25.2.3	Professional services to be received	**13,500**	13,500
25.3	**Other contingent liabilities**		
25.3.1	Claim against the Bank not acknowledged as debt	**30,664,297**	29,259,673

Claims against the Bank not acknowledged as debts includes claims relating to former Mehran Bank Limited amounting to Rs.1,597 million (2018: Rs. 1,597 million).

25.3.2 Taxation

The tax returns of the Bank have been filed up to tax year 2018 and amended by the tax authorities up to Tax Year 2018. For Azad Kashmir and Gilgit Baltistan branches no amendment to returns filed u/s 120 of the Income Tax Ordinance, 2001 has been made, hence returns filed are deemed assessments for all the years till the tax year 2019.

a) Surplus on revaluation of Available for Sale Securities disclosed in the Statement of Comprehensive Income has been taxed in respect of Tax Year 2013 during the year which issue was decided by learned Commissioner Appeals against the Bank, without considering that double taxation of same may occur when gain or loss would be reported in Profit & Loss account on realization stage.The bank has filed appeal before ATIR, which is pending adjudication.

b) The other matters under tax contingencies include interest credited to suspense account, allocation of common expenditure between taxable income and exempt / low tax rate income and reversal of bad debts expense. The aggregate effect of contingencies as on December 31, 2019 amounts to Rs. 17.9 billion (December 31, 2018: Rs. 10.7 billion). No provision has been made against these contingencies based on the opinion of tax consultants of the Bank who expect favourable outcome upon decision of pending appeals.

c) The Bank has filed an Appeal before the Honorable Appellate Tribunal, PRA in terms of Section 66 of the Act read with the Punjab Sales Tax on Services (Adjudication and Appeals) Rules, 2012 against the Order passed by the Commissioner HQ, Punjab Revenue Authority u/s 52 of the Punjab Sales Tax on Services Act, 2012 (the Act) regarding Non withholding of Punjab Sales Tax on Services for the Tax Periods from January-2016 to December-2016 wherein the principal demand of Rs 386 million has been raised.

d) The Sindh Workers Welfare Fund Act, 2015 (Sindh WWF Act) has been promulgated in the month of May 2015. Earlier as per the Workers Welfare Fund Ordinance, 1971, the Bank in which Government holds more than 51% shareholding remained exempt from levy of WWF. The Sindh WWF Act, 2015 is retrospective in its effect and it attempts to impose levy from the date even prior to its promulgation. As the chargeability of tax imposed is retrospective and the law is defective considering constitutional issues – Fee or Tax including geographical / territorial jurisdiction for bank operating in all the provinces of Pakistan as well as the Bank employees do not fall in the definition of workers, therefore, on legal grounds against the said levy bank has decided to file suit before Honourable High Court of Sindh. Accordingly, no provision has been made for Sindh WWF in these unconsolidated financial statements based on the advice of the Tax consultant.

e) The Bank has filed an Appeal before the Commissioner (Appeals) Sindh Revenue Board on the order passed by Assistant Commissioner SRB for levy of Sindh Sales Tax on the services provided to the Federal Government through the State Bank of Pakistan for the tax period July 2011 till March 2015 amounting to Rs. 358.28 million based on data provided by SBP. No provision has been made for this amount in these unconsolidated financial statements based on the opinion of Tax Consultants of the Bank who expect favorable outcome upon decision of filed Appeal.

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 and Restoration of commuted pension note 25.3.3.3, 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 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.

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

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 judgment 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 judgment dated January 16, 2017. The Bank assailed the said judgment 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 then 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 Petitions were last fixed on January 09, 2020, however as the Video link was not working, no proceedings took place and the honorable Supreme court directed for relisting of the matters.

In case this matter is decided unfavorably, the bank estimates based on the actuarial advice that the financial impact arising from the additional liability would be approximately Rs. 67.1 billion excluding any penal interest / profit payment (if any) due to delayed payment. Pension expense for 2020 onward will also increase by Rs. 7.0 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 Post retirement medical facilities

In September, 2011 Ch. Muhammad Qasim and 5 others, who had opted for separation from service under GHS/ VHS filed a writ petition for an increase in the medical ceiling under the Bank issued Circular no.19/95. The Bank contested the writ petition on the grounds that the petitioners had opted for separation from the service of the Bank under GHS and VHS after receiving payment of compensation as contemplated under the said Schemes. With regard to medical ceiling for such persons who had opted voluntarily, an option was given to such employees either to accept the present medical ceiling for 10 years in lump sum or to continue with the present payment as if they had retired on attaining the age of superannuation. The petitioners had opted for continuing with the present ceiling as prevalent at the time of the separation scheme; therefore, they were not entitled for any benefit under the said circular. It was also urged by the Bank that in view of judgment of Apex Court in Naseem Arif Abbasi case, the petitioners, after having signed a disclaimer at the time of receipt of benefits under GHS, were not entitled to any further payment. The High Court while disregarding these arguments allowed the writ petition. The Bank has filed an Intra Court Appeal against the order of the single bench which is still pending adjudication with a date in office. The Bank's management is confident that the case will be decided in the favor of the Bank. Accordingly, no provision has been made in these financial statements.

25.3.3.3 Restoration of commuted pension

The portion of pension of an employee commuted at the time of retirement is restored after the lapse of the period for which the commutation was made. The restoration is made without applying any increase granted in pension during that period. Some of the retired employees filed writ petitions before Lahore High Court seeking restoration of the commuted portion of their pension with all the increments granted during the period for which the pension was commuted.

The single bench of the High Court decided the matter against the Bank vide order dated April 14, 2017 which was assailed by the Bank through an Intra Court Appeal. The said appeal is ongoing.

In the meantime two Writ Petitions filed before the Lahore High Court, Lahore on the same subject matter, were dismissed vide order dated November 25, 2019. The Petitioners have assailed the said order through Intra court appeals which are also ongoing. Management is confident that case will be decided in favor of the Bank and therefore no provision has been made in these financial statements.

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

The Bank outsourced certain noncore 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 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.

25.3.3.5 Golden Handshake (GHS)

The Bank had introduced the Golden Shake Hand Schemes in 1997 with a cut-off date. However, some of the employees who had opted for separation under the said scheme were not relieved on the said date and continued to perform duties. Subsequently some of those employees filed Petitions before various high courts regarding payment of certain pensionary benefits. Most of the cases have been disposed of on the basis of Apex Court judgment in Naseem Arif Abbasi case (2011 SCMR 446). There are still some pending Petitions; however, keeping in view the said Judgment prima facie the Bank has a good case.

25.3.3.6 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, Sukkar in CP No. D-417/2010.

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

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

The aforementioned order of the Sindh High Court was assailed by the Bank before the Apex Court through CP No. 805/2013. The Civil Appeal was dismissed vide order September 21, 2016 in terms of which the Order of the Sindh High Court was upheld to pay arrears. Review Petition filed by the Bank was also dismissed vide order dated April 14, 2017.

Moreover, a number of Bank Employees, after their representations were declined by the Bank, filed Writ Petitions before Various Benches of the Sindh High Court, Lahore High Court and Islamabad High Court. The Petitions filed before the Sindh High Court were disposed of with directions to the Bank to constitute a Committee for examining the cases of not only the Petitioners but all employees of the NBP with regard to their entitlement of the benefits as available to the similarly placed staff members keeping in view the judgment given by the honorable Supreme Court of Pakistan in Civil appeal number 1644/2013 dated September 21, 2016. Subsequently, the Karachi Bench of Sindh High Court modified their earlier judgment and restricted the same to the extent of Petitioners only. The Bank formed a Committee and cases of the Petitioners/employees, claiming to be similarly placed with the MTOs, were reviewed by the Bank on the touch stone of intelligible differentia.

One of those Writ Petitions filed by Mr. Muhammad Naeem in the year 2013 was allowed by the Peshawar High Court, Peshawar, vide order dated May 30, 2018, in the light of the aforesaid judgment of the Supreme Court. The Bank assailed the said order before the Apex court however the same was dismissed vide order dated October 2, 2019 which has now attained finality.

The Bank is exploring various options to bring closure to this ongoing issue, including settlement options. In light of the above, the management has reflected any potential impact it may have in an appropriate manner in these unconsolidated financial statements.

25.4 Foreign exchange repatriation case

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

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

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

25.5 Compliance and risk matters relating to anti-money laundering

The Bank and its New York Branch have entered into a Written Agreement with the Federal Reserve Bank of New York and New York State Department of Financial Services (US regulators) in 2016 which inter-alia requires 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. Management continues to address the matters highlighted in the Written Agreement and in the subsequent inspections and gets them independently validated. The Bank seeks to comply with all possible laws and regulations and at this stage there is no indication of any financial impact or penal consequences.

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

		Note	2019	2018
			---------- Rupees in '000 ----------	
26	**MARK-UP / RETURN / INTEREST EARNED**			
	Loans and advances		**109,645,808**	69,358,862
	Investments		**122,337,007**	76,287,863
	On securities purchased under resale agreements		**5,366,881**	3,593,293
	Balances with other banks		**2,127,620**	728,694
			239,477,316	149,968,712
27.	**MARK-UP / RETURN / INTEREST EXPENSED**			
	Deposits		**110,075,180**	61,704,147
	Borrowings		**6,981,845**	2,942,429
	Cost of foreign currency swaps against foreign currency deposits / borrowings		**9,157,133**	6,075,207
	Finance charge on lease liability against right of use assets		**719,136**	-
	Securities sold under repurchase agreements		**40,636,745**	18,580,699
			167,570,039	89,302,482
28.	**FEE AND COMMISSION INCOME**			
	Branch banking customer fees		**1,450,895**	1,251,884
	Consumer finance related fees		**810,367**	802,721
	Card related fees		**657,077**	437,670
	Credit related fees		**237,625**	284,106
	Investment banking fees		**616,320**	644,931
	Commission on trade		**3,359,376**	3,122,027
	Commission on guarantees		**440,867**	428,051
	Commission on cash management		**22,656**	16,431
	Commission on remittances including home remittances		**912,379**	822,212
	Commission on bancassurance		**392,746**	343,621
	Commission on government transactions		**9,958,006**	9,223,016
	Others		**266,232**	149,729
			19,124,546	17,526,399
29.	**GAIN / (LOSS) ON SECURITIES - NET**			
	Realised	29.1	**2,122,608**	3,933,377
	Unrealised - held for trading	10.1	**(10,996)**	(1,033)
			2,111,612	3,932,344
29.1	**Realised gain on**			
	Federal Government Securities		**557,418**	513,577
	Shares		**1,536,727**	3,332,560
	Ijarah Sukuks		**28,463**	87,240
			2,122,608	3,933,377
30.	**OTHER INCOME**			
	Rent on property		**49,969**	64,664
	Gain on sale of fixed assets - net		**29,569**	132,829
	Postal, SWIFT and other charges recovered		**44,202**	-
	Compensation for delayed tax refunds	30.1	**5,639,569**	2,456,174
	Others		**4,491**	33,570
			5,767,800	2,687,237

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

	Note	2019	2018
		Rupees in '000	
31. OPERATING EXPENSES			
Total compensation expenses	31.1	**45,284,522**	37,270,272
Property expenses			
Rent and taxes		**911,933**	2,490,042
Insurance		**34,124**	32,374
Utilities cost		**1,192,225**	1,022,510
Security (including guards)		**2,530,919**	2,317,315
Repair and maintenance (including janitorial charges)		**1,055,179**	1,000,267
Depreciation		**460,382**	204,273
Depreciation on non banking assets		**29,577**	34,770
Depreciation on Ijarah assets		**161,131**	258,703
Depreciation on ROUA		**1,872,972**	-
		8,248,442	7,360,254
Information technology expenses			
Software maintenance		**1,066,582**	616,394
Hardware maintenance		**14,370**	19,371
Depreciation		**283,627**	421,146
Amortisation		**317,868**	323,312
Network charges		**522,070**	509,007
Others		**1,049**	69,722
		2,205,566	1,958,952
Other operating expenses			
Directors' fees and allowances		**38,613**	25,895
Fees and allowances to Shariah Board		**9,163**	7,508
Legal and professional charges		**709,368**	494,384
Outsourced services costs	31.3	**794,629**	783,669
Travelling and conveyance		**1,050,731**	972,984
NIFT clearing charges		**153,825**	152,937
Depreciation		**1,563,863**	1,424,984
Training and development		**112,538**	134,811
Postage and courier charges		**199,800**	323,479
Communication		**303,023**	293,844
Stationery and printing		**1,009,799**	942,363
Marketing, advertisement and publicity		**299,864**	706,122
Contributions for other corporate and social responsibility	31.4	**26,868**	77,728
Auditors' remuneration	31.5	**345,264**	252,477
Fixed assets / Non-banking asset deficit		**-**	202,847
Financial charges on leased assets		**25,947**	15,034
Entertainment		**276,128**	189,687
Clearing charges, verification and licence fee		**436,517**	284,227
Brokerage		**110,284**	87,428
Insurance general	31.2	**415,779**	305,628
Vehicle expenses		**145,957**	152,181
Deposit premium expense		**1,244,433**	479,027
Repairs and maintenance general		**387,878**	466,654
Others		**306,228**	321,983
		9,966,499	9,097,881
		65,705,029	55,687,359

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

		2019	2018
		Rupees in '000	
31.1	**Total compensation expense**		
	Fees and Allowances etc	-	-
	Managerial Remuneration		
	i) Fixed	**17,727,960**	12,737,987
	ii) Variable	-	-
	of which;		
	a) Cash Bonus / Awards etc.	**4,187,847**	3,279,473
	b) Bonus & Awards in Shares etc.	-	-
	Charge for defined benefit plan	**7,495,742**	6,026,025
	Contribution to defined contribution plan	-	-
	Rent & house maintenance	**4,471,577**	4,084,501
	Utilities	**1,661,707**	1,508,358
	Medical	**3,101,904**	2,786,746
	Conveyance	**3,289,910**	3,344,021
	Club Membership & Subscription	**42,519**	46,663
	Education Allowance	**1,570,297**	1,064,981
	Insurance	**292,665**	261,750
	Honorarium to Staff and Staff Welfare	**262,111**	209,485
	Overtime	**53,628**	42,095
	Special Duty Allowance	**1,143**	442
	Washing Allowance	**16,707**	16,721
	Key Allowance	**78,886**	48,795
	Unattractive Area Allowance	**48,282**	45,662
	Leave Encashment	**80,128**	12,827
	Teaching Allowance	**7,962**	2,303
	Incentive on CASA deposits mobilization	**26,063**	-
	Entertainment	**126,561**	108,927
	Liveries	**490**	8,071
	Hill, Late Sitting & Saturday allowance etc.	**740,433**	1,634,439
	Sub-total	**45,284,522**	37,270,272
	Sign-on-bonus	-	-
	Severance Allowance	-	-
	Grand Total	**45,284,522**	37,270,272

31.2 This includes Rs. 3.201 million (2018: Rs. 2.759 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. 795 million (2018: Rs. 784 million). Out of this cost, Rs. 787 million (2018: Rs. 773 million) pertains to the payment to companies incorporated in Pakistan and Rs. 8 million (2018: Rs. 11 million) pertains to payment to companies incorporated outside Pakistan. Total cost of outsourced activities for the year given to related parties is Rs. Nil (Prior Year: Rs. Nil). Outsourcing shall have the same meaning as specified in Annexure-I of BPRD Circular No. 06 of 2017. The material oursoucing arrangements along with their nature of services are as follows:

Name of Company	Nature of Services	2019	2018
		Rupees in '000	
ICON Consultant (Private) Limited	IT support services, sales services, collection, reconciliation and engineering services etc.	**265,011**	244,326
Virtual World (Private) Limited	Call center management	**60,994**	71,317
		326,005	315,643

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

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

Description	2019	2018
	Rupees in '000	
Supreme Court for Dam Construction	-	19,493
Agribusiness School at Namal Knowledge City	-	10,000
Abdul Wali Khan University Mardan	-	2,665
Akhuwat University at Lahore	-	2,500
Jijal Maau Hospital Hyderabad	-	2,500
IBA Sukkur	-	2,100
National Epilepsy Center Karachi	-	1,800
Namal College-Mianwali	5,198	3,000
DHQ Hospital Gawadar	3,750	-
Teach for Pakistan, Islamabad	-	1,500
New motorcycle rickshaws in Mohmand Agency	-	850
Motorcycle Rickshaws to Rehabilitate Special Person	-	800
Sindh Madressatul Islam University Karachi	-	1,440
Mr. Basheer Ahmed	-	565
Syed Abad Botanical Garden University of Chitral	525	-
Earthquake Effectees of Mirpur AJ&K	7,500	-
Aman Foundation	2,000	-
Marie Adelaide Leprosy Centre Karachi	-	990
Professional Education Foundation, Karachi	-	1,200
Wise Education Society-Lahore	-	1,200
Lyari Town, Karachi	-	810
Total	18,973	53,413

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

31.5 Auditors' remuneration

	Deloitte Yousuf Adil	Grant Thornton Anjum Rahman	Total 2019	Total 2018
	Rupees in '000			
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	-	3,500	3,500	3,000
Special certifications and sundry advisory services	7,136	1,336	8,472	8,472
Tax services	-	20,000	20,000	20,000
Sales Tax	1,648	3,064	4,712	4,672
Out-of-pocket expenses	4,500	4,500	9,000	9,000
	26,748	45,864	72,612	72,072
Fee for audit of overseas branches including advisory services and out-of-pocket expenses			272,652	180,405
	26,748	45,864	345,264	252,477

32. OTHER CHARGES

	Note	2019	2018
		Rupees in '000	
Penalties imposed by State Bank of Pakistan		141,015	237,480
Penalties imposed by other regulatory bodies (Central bank of international branches)		7,076	6,573
		148,091	244,053

33. PROVISIONS AND WRITE OFFS - NET

Provisions for diminution in value of investments	10.3	3,041,682	228,797
Provisions against loans and advances	11.4	8,424,453	8,782,022
Provision against other assets and other liabilities		2,784,140	2,289,554
		14,250,275	11,300,373

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

	Note	2019	2018
		Rupees in '000	
34. TAXATION			
Current	34.1	**13,286,008**	11,861,164
Prior years		**1,056,841**	(20,755,128)
Deferred		**(2,149,293)**	18,562,223
		12,193,556	9,668,259

34.1 Current taxation includes Rs. 319 million (2018: Rs. 519 million) of overseas branches.

	Note	2019	2018
		Rupees in '000	
34.2 Relationship between tax expense and accounting profit			
Accounting profit before tax		**28,003,367**	29,683,381
Income tax at statutory rate @ 35% (2018: 35%)		**9,801,178**	10,389,183
Super tax at statutory rate @ 4% (2018: 4%)		**1,120,135**	1,187,335
Inadmissible items		**57,755**	95,181
Prior year tax effects	34.2.1	**1,056,841**	(2,112,896)
Others		**157,647**	109,456
Tax charge for current and prior years		**12,193,556**	9,668,259

34.3 The Federal Government vide The Finance Supplementary (Second Amendment) Bill, 2019 has imposed a super tax at the rate of 4% on income of banks for the year ended December 31, 2017 (Tax Year 2018). Accordingly, provisions of Rs.1,057 million (2018: Rs. (2,113) million) for Super tax has been made in prior year.

	2019	2018
35. BASIC EARNINGS PER SHARE		
Profit for the year (Rupees in 000's)	**15,809,811**	20,015,122
Weighted average number of ordinary shares (Number in 000's)	**2,127,513**	2,127,513
Basic earnings per share (Rupees)	**7.43**	9.41

	2019	2018
36. DILUTED EARNINGS PER SHARE		
Profit for the year (Rupees in 000's)	**15,809,811**	20,015,122
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)	**7.43**	9.41

	Note	2019	2018
		Rupees in '000	
37. CASH AND CASH EQUIVALENTS			
Cash and balances with treasury banks	7	**292,513,379**	247,518,270
Balances with other banks	8	**13,220,807**	12,202,020
Call / clean money lendings	9	**540,800**	8,240,800
Call borrowings	17	**(39,052,969)**	(36,400,855)
Overdrawn nostro accounts	17	**(3,467,767)**	(3,807,347)
		263,754,250	227,752,888

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

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

	Note	2019 Lease Obligation	2019 Unclaimed Dividend
		Rupees in 000'	
Balance as at January 1, 2019	37.1.1	**7,656,551**	**188,868**
Changes from financing cashflows			
Payment of lease obligation / dividend		**(2,044,189)**	**(2,200)**
Total charges from financing activities		**(2,044,189)**	**(2,200)**
Other charges			
Renewed lease during the period		**1,183,911**	**-**
Interest unwinding		**719,136**	**-**
Foreign exchange gain		**124,779**	**-**
Total other charges		**2,027,826**	**-**
Balance as at December 31, 2019		**7,640,188**	**186,668**

	2018 Lease Obligation	2018 Unclaimed Dividend
	Rupees in 000'	
Balance as at January 1, 2018	14,509	163,549
Changes from financing cashflows		
Payment of lease obligation / dividend	(14,509)	(25,319)
Total charges from financing activities	(14,509)	(25,319)
Other charges		
Increase in unclaimed dividend	-	50,638
Total other charges	**-**	50,638
Balance as at December 31, 2018	-	188,868

37.1.1 During the year, the Bank has adopted IFRS 16 accordingly recoginised lease obligation on January 1, 2019, amounting to Rs. 7,657 Million.

38. STAFF STRENGTH

	2019	2018
	Numbers	
Permanent	**11,096**	11,748
On Bank contract	**4,092**	3,990
Bank's own staff strength at the end of the year	**15,188**	15,738

38.1 In addition to the above, 2,102 (2018: 2,185) 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. Further, 2,096 employees are working domestically (2018: 2,185) and abroad 6 (2018: Nil) 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 5.12 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:

	2019	2018
	Numbers	
Pension fund	**11,430**	11,547
Gratuity fund	**3,776**	3,859
Benevolent Fund	**11,430**	11,547

39.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2019 using the following significant assumptions:

	2019	2018
	Per annum	
Discount rate	11.25%	13.25%
Expected rate of return on plan assets	11.25%	13.25%
Expected rate of salary increase	11.25%	13.25%
Expected rate of increase in pension	6.75%	8.75%
Expected rate of increase in medical benefit	11.25%	13.25%

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

	2019						2018					
	Pension fund	Post retirement medical scheme	Benevolent Scheme	Gratuity fund	Compensated Absences	Total	Pension fund	Post retirement medical scheme	Benevolent Scheme	Gratuity fund	Compensated Absences	Total
	Rupees in '000						Rupees in '000					
Present value of obligations	66,473,466	18,333,947	1,749,006	2,206,599	8,344,182	97,107,200	61,084,925	15,371,225	1,604,689	1,730,265	7,541,419	87,332,523
Fair value of plan assets	(51,687,819)	-	-	-	-	(51,687,819)	(48,015,260)	-	-	-	-	(48,015,260)
Payable	14,785,647	18,333,947	1,749,006	2,206,599	8,344,182	45,419,381	13,069,665	15,371,225	1,604,689	1,730,265	7,541,419	39,317,263

39.5 Movement in defined benefit obligations

Obligations at the beginning of the year	61,084,925	15,371,225	1,604,689	1,730,265	7,541,419	87,332,523	57,951,864	14,342,369	1,977,230	1,467,310	6,600,690	82,339,463
Current service cost	1,422,746	524,008	51,215	252,641	181,761	2,432,371	1,298,574	401,474	66,305	251,131	1,187,529	3,205,013
Interest cost	7,869,225	1,975,232	196,021	226,381	973,033	11,239,892	5,360,600	1,321,656	178,311	137,009	-	6,997,576
Benefits paid by the Bank	(3,389,098)	(927,632)	(250,563)	(43,460)	(395,546)	(5,006,299)	(3,048,981)	(860,398)	(200,539)	(50,210)	(246,800)	(4,406,928)
Re-measurement loss / (gain) - Profit and loss	-	-	-	-	43,515	43,515	-	-	-	-	-	-
Re-measurement loss / (gain) - OCI	(514,332)	1,391,114	147,644	40,772	-	1,065,198	(477,132)	166,124	(416,618)	(74,975)	-	(802,601)
Obligations at the end of the year	66,473,466	18,333,947	1,749,006	2,206,599	8,344,182	97,107,200	61,084,925	15,371,225	1,604,689	1,730,265	7,541,419	87,332,523

39.6 Movement in fair value of plan assets

Fair value at the beginning of the year	48,015,260	-	-	-	-	48,015,260	44,966,044	-	-	-	-	44,966,044
Interest income on plan assets	6,220,036	-	-	-	-	6,220,036	4,176,565	-	-	-	-	4,176,565
Contribution by the Bank - net	1,245,917	-	-	-	-	1,245,917	1,044,583	-	-	-	-	1,044,583
Benefits paid	(3,389,098)	-	-	-	-	(3,389,098)	(3,048,981)	-	-	-	-	(3,048,981)
Benefits paid on behalf of fund	1,631,059	-	-	-	-	1,631,059	1,439,981	-	-	-	-	1,439,981
Actuarial gain or (loss) on assets	(2,035,355)	-	-	-	-	(2,035,355)	(562,932)	-	-	-	-	(562,932)
Fair value at the end of the year	51,687,819	-	-	-	-	51,687,819	48,015,260	-	-	-	-	48,015,260
Movement in (receivable) / payable under defind benefits scheme												
Opening balance	13,069,665	15,371,225	1,604,689	1,730,265	7,541,419	39,317,263	12,985,820	14,342,369	1,977,230	1,467,310	6,600,690	37,373,419
Charge / (reversal) for the year	3,071,935	2,499,240	247,236	479,022	1,198,309	7,495,742	2,482,609	1,723,130	244,616	388,140	1,187,529	6,026,025
Contribution by the bank - net	(1,245,917)	-	-		-	(1,245,917)	(1,044,583)	(860,398)	(200,539)	(50,210)	(246,800)	(2,402,530)
Re-measurement loss / (gain) recognized in OCI during the year	1,521,023	1,391,114	147,644	40,772	-	3,100,553	85,800	166,124	(416,618)	(74,975)	-	- (239,669)
Benefits paid by the bank	(1,631,059)	(927,632)	(250,563)	(43,460)	(395,546)	(3,248,260)	(1,439,981)	-	-	-	-	(1,439,981)
	14,785,647	18,333,947	1,749,006	2,206,599	8,344,182	45,419,381	13,069,665	15,371,225	1,604,689	1,730,265	7,541,419	39,317,264

39.7 Charge for defined benefit plans

39.7.1 Cost recognised in profit and loss

Current service cost	1,422,746	524,008	51,215	252,641	181,761	2,432,371	1,298,574	401,474	66,305	251,131	1,187,529	3,205,013
Actuarial loss recognized - Profit and Loss	-	-	-	-	43,515	43,515	-	-	-	-	-	-
Net interest on defined benefit asset / liability	1,649,189	1,975,232	196,021	226,381	973,033	5,019,856	1,184,035	1,321,656	178,311	137,009	-	2,821,011
	3,071,935	2,499,240	247,236	479,022	1,198,309	7,495,742	2,482,609	1,723,130	244,616	388,140	1,187,529	6,026,024

39.7.2 Re-measurements recognised in OCI during the year

Loss / (gain) on obligation												
- Demographic assumptions	-	-	-	-	-	-	-	-	-	-	-	-
- Financial assumptions	-	-	-	-	-	-	-	-	-	-	-	-
- Experience adjustment	1,521,023	1,391,114	147,644	40,772	-	3,100,553	85,800	166,124	(416,618)	(74,975)	-	(239,669)
Return on plan assets over interest income	-	-	-	-	-	-	-	-	-	-	-	-
Total re-measurements recognised in OCI	1,521,023	1,391,114	147,644	40,772	-	3,100,553	85,800	166,124	(416,618)	(74,975)	-	(239,669)

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

		2019	2018
		------- Rupees in '000 --------	
39.8	**Components of plan assets**		
	Pakistan Investment Bonds	**22,127,729**	268,527
	Term Finance Certificates	**104,000**	104,000
	Mutual Funds / Shares	**5,870,329**	5,421,318
	Shares	**6,288,248**	6,371,337
	Term Deposits Receipts	**-**	11,182,753
	Defence saving certificates	**7,538,348**	6,491,911
	Special saving certificates	**8,523,972**	17,716,001
	Cash at bank	**1,235,194**	459,413
		51,687,819	48,015,260

39.9 Sensitivity analysis

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

	2019					
	Pension fund	**Post retirement medical scheme**	**Benevolent scheme**	**Gratuity fund**	**Compensated absences**	**Total**
	---------- Rupees in 000' ----------					
1% increase in discount rate	**59,731,023**	**16,029,501**	**1,634,760**	**1,952,652**	**7,696,503**	**87,044,439**
1% decrease in discount rate	**74,656,525**	**21,207,687**	**1,878,615**	**2,509,748**	**9,087,126**	**109,339,701**
1 % increase in expected rate of salary increase	**69,982,864**	**19,187,427**	**1,771,915**	**2,517,736**	**9,119,946**	**102,579,888**
1 % decrease in expected rate of salary increase	**63,324,141**	**17,569,572**	**1,726,026**	**1,942,064**	**7,657,182**	**92,218,985**
1% increase in expected rate of pension increase	**70,709,400**	**19,733,042**	**-**	**-**	**-**	**90,442,442**
1% decrease in expected rate of pension increase	**62,838,244**	**17,127,894**	**-**	**-**	**-**	**79,966,138**
1% increase in expected rate of medical benefit increase	**-**	**18,876,280**	**-**	**-**	**-**	**18,876,280**
1% decrease in expected rate of medical benefit increase	**-**	**17,878,339**	**-**	**-**	**-**	**17,878,339**

39.10	**Expected contributions to be paid to the funds in the next financial year**	**1,377,606**
39.11	**Expected charge for the next financial year**	**7,412,823**

39.12 Maturity profile

The weighted average duration of the obligation

	Years
Pension Fund	11.23
Post retirement medical fund	14.12
Benevolent fund	6.97
Gratuity fund	12.62
Compensated absences	8.33

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	**1,235,194**	**2.4%**
Government Securities	**38,190,048**	**73.9%**
Shares	**6,288,248**	**12.2%**
Non-Government Debt Securities	**104,000**	**0.2%**
Mutual Funds	**5,870,329**	**11.4%**
	51,687,819	**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.

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

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.

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

41. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

41.1 Total Compensation Expense

2019

Items	Directors		Members Shariah Board	President / CEO*	Key Management Personnel
	Chairman	Non-Executives			
	----------Rs. in '000----------				
Fees and Allowances etc.	2,550	28,650	-	-	-
Managerial Remuneration					
i) Fixed	-	-	7,359	49,557	146,697
ii) Total Variable					
of which					
a) Cash Bonus / Awards	-	-	402	-	-
b) Bonus & Awards in Shares	-	-	-	-	54,435
Charge for defined benefit plan	-	-	-	4,500	38,739
Contribution to defined contribution plan	-	-	-	-	-
Rent & house maintenance	-	-	681	790	80,897
Utilities	-	-	211	310	24,939
Medical	-	-	155	396	23,531
Conveyance	-	-	330	-	16,825
Others	1,654	5,759	25	2,784	14,858
Total	4,204	34,409	9,163	58,337	400,921
Number of Persons	1	10	3	2	861

*In initial months of the year 2019 Mr. Arif Usmani was CEO as well Chairman of the bank, However, his remuneration was reported in President / CEO column.

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

Performance bonus is accounted for on payment basis.

2018

Items	Directors		Members Shariah Board	President / CEO *	Key Management Personnel
	Chairman	Non-Executives			
	----------Rs. in '000----------				
Fees and Allowances etc.	-	20,250	-	-	-
Managerial Remuneration					-
i) Fixed	-	-	5,630	44,479	86,006
ii) Total Variable					
of which	-	-	-	-	-
a) Cash Bonus / Awards	-	-	667	-	-
b) Bonus & Awards in Shares	-	-	-	10,176	67,647
Charge for defined benefit plan	-	-	-	9,358	32,530
Contribution to defined contribution plan	-	-	-	-	-
Rent & house maintenance	-	-	557	1,495	70,272
Utilities	-	-	172	584	21,606
Medical	-	-	127	63	22,473
Conveyance	-	-	330	-	14,754
Others	-	5,645	25	2,246	10,399
Total	-	25,895	7,508	68,401	325,687
Number of Persons	-	6	3	2	718

* In 2018, Mr. Saeed Ahmed was CEO as well as Chairman. However, his remuneration has been repored in President / CEO column.

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

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

2019

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 & Rumuneration Committee	Board Technology & Digitalization Committee	Board Inclusive Development Committee	Board International Franchises & Remittance Committee	Total Amount Paid
		Rs. in '000							
1	Mr. Zubyr Soomro	2,276	-	578	1,350	-	-	-	4,204
2	Mr. Muhammad Naeem	2,545	1,722	766	1,434	323	-	-	6,790
3	Mr. Muhammad Sohail Rajput	2,237	1,104	-	-	-	-	-	3,341
4	Ms. Sadaffe Abid	1,877	-	-	-	1,050	-	-	2,927
5	Mr. Tawfiq Asghar Hussain	1,050	1,050	600	-	-	-	300	3,000
6	Mr. Zafar Masud	1,200	-	-	1,350	1,200	-	300	4,050
7	Mr. Farid Malik	3,066	-	826	721	2,237	-	-	6,850
8	Mr. Imam Bukhsh Baloch	1,950	-	450	-	-	-	-	2,400
9	Mr. A. Akbar Sharifzada	1,050	498	-	583	-	-	-	2,131
10	Mr. Asad Munir	1,144	-	-	426	-	-	-	1,570
11	Mr. Muhammad Imran Malik	750	300	150	150	-	-	-	1,350
	Total Amount Paid	19,145	4,674	3,370	6,014	4,810	-	600	38,613

2018

S. No.	Name of Director	Meeting Fees and Allowances Paid					
		For Board Meetings	For Board Committees				
			Board Audit & Complaince Committee	Board Risk Committee	Board HR & Remuneration Committee	Board IT Committee	Total Amount Paid
		Rs. in '000					
1	Mr. A. Akbar Sharifzada	2,242	1,387	-	1,629	-	5,258
2	Mr. Asad Munir	2,690	-	-	1,459	-	4,149
3	Mr. Farid Malik	3,336	-	490	-	656	4,482
4	Mr. Mir Balakh Sher Marri	1,155	416	55	631	-	2,258
5	Mr. Muhammad Imran Malik	2,149	1,200	450	-	-	3,799
6	Mr. Muhammad Naeem	2,263	1,502	215	1,377	591	5,948
	Total Amount Paid	13,836	4,505	1,210	5,096	1,247	25,895

41.3 Remuneration paid to Shariah Board Members

Items	2019				2018			
	Chairman	Resident Member	Non-Resident Member(s)	Total	Chairman	Resident Member	Non-Resident Member(s)	Total
	Rs. in '000'							
1. Meeting Fees and Allowances	-	-	-	-	-	-	-	-
2. Retainer Fee & Fixed Remuneration	3,240	3,043	2,880	9,163	2,349	2,891	2,268	7,508
Total Amount paid	3,240	3,043	2,880	9,163	2,349	2,891	2,268	7,508
Total Number of Persons	1	1	1	3	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 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).

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

The table below analysis 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:

	2019				
	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	621,791,597	-	621,791,597	-	621,791,597
Pakistan Investment Bonds	329,418,686	-	329,418,686	-	329,418,686
Ijarah Sukuks	1,978,800	-	1,978,800	-	1,978,800
Ordinary shares of listed companies	41,863,797	41,863,797	-	-	41,863,797
Preference shares	79,388	35,956	-	43,432	79,388
Investments in mutual funds	1,903,224	1,903,224	-	-	1,903,224
Term Finance Certificates / Musharika and Sukuk Bonds	56,252,659	9,204,193	47,048,466	-	56,252,659
GoP Foreign Currency Bonds	22,476,530	-	22,476,530	-	22,476,530
Foreign Government Securities	3,491,851	-	3,491,851	-	3,491,851
Foreign Currency Debt Securities	1,422,271	-	1,422,271	-	1,422,271
Ordinary shares of a bank outside Pakistan	18,831,756	18,831,756	-	-	18,831,756
	1,099,510,559	71,838,926	1,027,628,201	43,432	1,099,510,559
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	292,513,379	-	-	-	-
Balances with other banks	13,220,807	-	-	-	-
Lending to financial institution	144,140,344	-	-	-	-
Investments					
Pakistan Investment Bonds	184,864,103	-	-	-	-
GoP Foreign Currency Bonds	4,087,591	-	-	-	-
Ordinary shares of unlisted companies	1,593,609	-	-	-	-
Market Treasury Bills	114,091,320	-	-	-	-
Foreign Government Securities	29,600,343	-	-	-	-
Foreign Currency Debt Securities	596	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	9,573	-	-	-	-
Advances	1,008,139,084	-	-	-	-
Other assets	165,315,413				-
	1,957,576,162	-	-	-	-
	3,057,086,721	71,838,926	1,027,628,201	43,432	1,099,510,559
Off-balance sheet financial instruments - measured at fair value					
Foreign exchange contracts purchase and sale	801,290,548	-	(4,358,883)	-	(4,358,883)
Forward government securities transactions	22,164,581	-	107,348	-	107,348

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

	2018				
	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	741,979,834	-	741,979,834	-	741,979,834
Pakistan Investment Bonds	197,596,895	-	197,596,895	-	197,596,895
Ijarah Sukuks	9,683,884	-	9,683,884	-	9,683,884
Ordinary shares of listed companies	39,059,980	39,059,980	-	-	39,059,980
Preference shares	125,936	39,072	-	86,864	125,936
Investments in mutual funds	2,027,408	2,027,408	-	-	2,027,408
Term Finance Certificates / Musharika and Sukuk Bonds	56,266,040	-	56,266,040	-	56,266,040
GoP Foreign Currency Bonds	24,946,934	-	24,946,934	-	24,946,934
Foreign Government Securities	820,450	-	820,450	-	820,450
Foreign Currency Debt Securities	1,457,561	-	1,457,561	-	1,457,561
Ordinary shares of a bank outside Pakistan	16,034,284	16,034,284	-	-	16,034,284
	1,089,999,206	57,160,744	1,032,751,598	86,864	1,089,999,206
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	247,518,270	-	-	-	-
Balances with other banks	12,202,020	-	-	-	-
Lending to financial instruments	106,391,667	-	-	-	-
Investments					-
Pakistan Investment Bonds	157,346,442	-	-	-	-
GoP Foreign Currency Bonds	2,859,233	-	-	-	-
Ordinary shares of unlisted companies	1,594,289	-	-	-	-
Foreign Government Securities	25,866,066	-	-	-	-
Foreign Currency Debt Securities	532	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	284,572	-	-	-	-
Advances	926,007,004	-	-	-	-
Other assets	168,022,298	-	-	-	-
	1,648,092,393	-	-	-	-
	2,738,091,599	57,160,744	1,032,751,598	86,864	1,089,999,206
Off-balance sheet financial instruments - measured at fair value					
Foreign exchange contracts purchase and sale	512,873,075	-	512,873,075	-	512,873,075
Forward government securities transactions	56,816,129	-	56,816,129	-	56,816,129

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

Item	Valuation approach and input used
Market Treasury Bills	PKRV (MUFAP)
Pakistan Investment Bonds	PKRV (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

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:

	2019				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total**
	Rupees in '000				
Land & building (property and equipment)	**48,569,603**	**-**	**48,569,603**	**-**	**48,569,603**
Non-banking assets acquired in satisfaction of claims	**3,284,853**	**-**	**3,284,853**	**-**	**3,284,853**
	51,854,456	**-**	**51,854,456**	**-**	**51,854,456**

	2018				
	Carrying Value	Level 1	Level 2	Level 3	Total
	Rupees in '000				
Land & building (property and equipment)	47,995,831	-	47,995,831	-	47,995,831
Non-banking assets acquired in satisfaction of claims	3,796,527	-	3,796,527	-	3,796,527
	51,792,358	-	51,792,358	-	51,792,358

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. Last year the operating segments were commercial & retail banking, corporate banking, treasury, international banking, aitemaad & islamic banking, & head office/others.

	2019						
	Branch Banking	Corporate & Investment Banking	Treasury	International Financial Institution & Remittance	Aitemaad & Islamic Banking	Head Office / Others	Total
	Rupees in '000						
Profit and loss account							
Net mark-up / return / profit	(67,521,771)	54,921,742	76,654,512	3,143,738	4,396,685	312,371	71,907,277
Inter segment revenue - net	132,894,813	(54,445,167)	(83,724,892)	-	(375,722)	5,650,967	-
Non mark-up / return / interest income	15,710,640	2,858,776	9,668,264	1,831,482	543,892	5,586,431	36,199,485
Total income	81,083,682	3,335,351	2,597,884	4,975,220	4,564,855	11,549,770	108,106,762
Segment direct expenses	30,696,744	801,063	310,208	4,276,639	2,601,428	441,720	39,127,802
Inter segment expense allocation	-	-	-	-	-	26,725,318	26,725,318
Total expenses	30,696,744	801,063	310,208	4,276,639	2,601,428	27,167,039	65,853,120
Provisions charge / (Reversal)	2,804,748	8,030,100	1,899,416	(104,320)	(75,061)	1,695,392	14,250,275
Profit / (loss) before tax	47,582,190	(5,495,812)	388,260	802,901	2,038,488	(17,312,660)	28,003,367
Statement of financial position							
Cash and bank balances	175,619,656	238,501	82,716,513	42,748,449	4,410,976	91	305,734,186
Investments	-	38,801,666	1,316,800,220	61,079,182	19,416,280	3,062,714	1,439,160,062
Net inter segment lending	1,474,375,828	-	-	-	-	138,613,215	1,612,989,044
Lendings to financial institutions	-	-	132,718,198	-	11,419,496	2,650	144,140,344
Advances - performing	366,535,338	538,385,369	-	55,382,884	33,880,111	8,379,630	1,002,563,333
Advances - non-performing	20,476,154	32,196,797	-	41,049,352	203,934	54,825,480	148,751,717
Provision against advances	(20,660,860)	(23,223,824)	-	(40,266,386)	(203,934)	(58,820,961)	(143,175,966)
Advances - net	366,350,632	547,358,342	-	56,165,850	33,880,111	4,384,149	1,008,139,084
Others	27,160,773	40,745,805	3,971,387	4,014,363	5,925,563	145,397,304	227,215,194
Total assets	2,043,506,889	627,144,314	1,536,206,318	164,007,843	75,052,426	291,460,123	4,737,377,913
Borrowings	1,695,414	30,388,706	400,759,524	38,913,708	-	-	471,757,352
Deposits and other accounts	1,972,722,005	76,371,345	-	85,487,723	63,285,897	182,311	2,198,049,281
Net inter segment borrowing	-	488,444,930	1,081,180,371	36,248,475	7,115,268	-	1,612,989,044
Others	69,089,470	31,794,954	17,079,796	1,988,871	3,875,565	98,139,748	221,968,404
Total liabilities	2,043,506,889	626,999,935	1,499,019,691	162,638,778	74,276,729	98,322,059	4,504,764,080
Equity	-	144,379	37,186,627	1,369,066	775,697	193,138,065	232,613,833
Total equity and liabilities	2,043,506,889	627,144,314	1,536,206,318	164,007,843	75,052,426	291,460,123	4,737,377,913
Contingencies and commitments	833,218,160	236,880,686	823,455,129	28,997,140	-	31,345,046	1,953,896,161

	2018						
	Branch Banking	Corporate & Investment Banking	Treasury	International Financial Institution & Remittance	Aitemaad & Islamic Banking	Head Office / Others	Total
	Rupees in '000						
Profit and loss account							
Net mark-up / return / profit	(26,862,520)	30,396,142	51,121,992	2,654,886	2,411,880	943,850	60,666,230
Inter segment revenue - net	72,329,938	(25,417,455)	(52,546,888)	-	(457,595)	6,092,000	-
Non mark-up / return / interest income	14,414,607	2,675,229	14,706,403	1,463,209	342,962	2,646,526	36,248,936
Total income	59,882,025	7,653,917	13,281,507	4,118,094	2,297,247	9,682,376	96,915,166
Segment direct expenses	27,268,074	719,868	311,411	3,365,678	2,267,040	390,313	34,322,384
Inter segment expense allocation	-	-	-	-	-	21,609,028	21,609,028
Total expenses	27,268,074	719,868	311,411	3,365,678	2,267,040	21,999,341	55,931,412
Provisions charge / (reversal)	(1,237,477)	10,450,280	1,315,797	(730,549)	87,201	1,415,121	11,300,373
Profit / (loss) before tax	33,851,428	(3,516,232)	11,654,299	1,482,966	(56,994)	(13,732,086)	29,683,381
Statement of financial position							
Cash and bank balances	121,763,323	189,794	78,372,622	54,739,132	4,655,330	89	259,720,290
Investments	-	42,297,041	1,155,765,373	55,950,776	23,914,372	6,391,826	1,284,319,388
Net inter segment lending	1,321,328,630	-	-	-	-	120,549,579	1,441,878,209
Lendings to financial institutions	-	-	104,971,318	-	1,417,699	2,650	106,391,667
Advances - performing	341,581,933	500,111,019	17,990	46,230,666	26,741,353	11,437,390	926,120,352
Advances - non-performing	19,917,069	22,069,620	-	39,181,569	364,825	51,826,712	133,359,795
Provision against Advances	(20,155,956)	(20,141,547)	-	(38,328,525)	(278,995)	(54,568,120)	(133,473,143)
Advances - net	341,343,047	502,039,092	17,990	47,083,710	26,827,183	8,695,982	926,007,004
Others	28,212,221	50,731,814	9,761,367	3,904,176	2,142,202	127,376,060	222,127,839
Total assets	1,812,647,220	595,257,740	1,348,888,669	161,677,793	58,956,785	263,016,187	4,240,444,395
Borrowings	1,041,673	21,864,290	333,432,591	36,400,842	-	-	392,739,396
Deposits and other accounts	1,775,438,333	80,797,426	-	104,127,206	51,022,237	-	2,011,385,201
Net inter segment borrowing	-	445,791,031	969,750,676	20,257,431	6,079,071	-	1,441,878,209
Others	36,167,214	45,304,962	24,212,748	1,650,466	1,146,689	79,090,974	187,573,054
Total liabilities	1,812,647,220	593,757,709	1,327,396,015	162,435,944	58,247,997	79,090,974	4,033,575,860
Equity	-	1,500,031	21,492,654	(758,151)	708,789	183,925,212	206,868,535
Total equity and liabilities	1,812,647,220	595,257,740	1,348,888,669	161,677,793	58,956,785	263,016,187	4,240,444,395
Contingencies and commitments	579,228,335	203,590,159	569,689,204	27,725,864	-	29,805,088	1,410,038,652

43.2 Segment details with respect to geographical locations

	2019					
	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	68,763,540	(135,949)	81,192	1,028,536	2,169,958	71,907,277
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	34,368,002	373,516	303,359	579,091	575,517	36,199,485
Total income	103,131,542	237,567	384,551	1,607,627	2,745,475	108,106,762
Segment direct expenses	34,851,166	1,577,553	720,501	1,328,813	649,769	39,127,802
Inter segment expense allocation	26,725,318	-	-	-	-	26,725,318
Total expenses	61,576,484	1,577,553	720,501	1,328,813	649,769	65,853,120
Provisions	14,354,594	(165,239)	(5,771)	28,281	38,409	14,250,275
Profit / (loss) before tax	27,200,464	(1,174,748)	(330,180)	250,534	2,057,297	28,003,367
Statement of financial position						
Cash and bank balances	262,985,737	24,232,322	10,435,547	5,119,150	2,961,430	305,734,186
Investments	1,378,080,840	33,197,057	-	10,751,978	17,130,186	1,439,160,062
Net inter segment lendings	36,248,474	-	-	-	8,107,633	44,356,106
Lendings to financial institutions	144,140,344	-	-	-	-	144,140,344
Advances - performing	947,180,449	7,553,135	120,810	14,706,409	33,002,530	1,002,563,333
Advances - non-performing	107,702,365	34,471,816	1,168,349	-	5,409,187	148,751,717
Provision against Advances	(102,909,580)	(34,767,043)	(1,168,349)	(34,009)	(4,296,985)	(143,175,966)
Advances - net	951,973,233	7,257,908	120,810	14,672,401	34,114,731	1,008,139,084
Others	223,200,831	2,730,741	121,839	373,587	788,196	227,215,194
Total assets	2,996,629,460	67,418,029	10,678,196	30,917,116	63,102,176	3,168,744,977
Borrowings	432,843,644	1,825,928	-	2,322,714	34,765,066	471,757,352
Deposits & other accounts	2,112,561,558	39,234,297	6,812,172	12,396,062	27,045,193	2,198,049,281
Net inter segment borrowing	-	25,343,803	3,679,631	15,332,672	-	44,356,106
Others	219,979,492	893,674	186,393	480,780	428,067	221,968,405
Total liabilities	2,765,384,693	67,297,702	10,678,196	30,532,227	62,238,326	2,936,131,144
Equity	231,244,767	120,327	-	384,889	863,850	232,613,833
Total equity and liabilities	2,996,629,460	67,418,029	10,678,196	30,917,116	63,102,176	3,168,744,977
Contingencies and commitments	1,924,899,021	4,703,237	3,479,436	6,359,387	14,455,079	1,953,896,161

	2018					
	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	58,011,344	372,401	47,754	637,571	1,597,160	60,666,230
Non mark-up / return / interest income	34,785,728	640,497	214,100	282,268	326,344	36,248,936
Total Income	92,797,072	1,012,898	261,854	919,839	1,923,503	96,915,166
Segment direct expenses	30,558,523	1,292,532	604,635	912,033	556,476	33,924,200
Inter segment expense allocation	22,007,212	-	-	-	-	22,007,212
Total expenses	52,565,735	1,292,532	604,635	912,033	556,476	55,931,412
Provisions	12,030,922	(729,345)	(181)	(127,712)	126,689	11,300,373
Profit / (loss) before tax	28,200,414	449,711	(342,600)	135,518	1,240,338	29,683,381
Statement of financial position						
Cash and bank balances	204,981,158	19,275,569	7,576,196	25,721,371	2,165,997	259,720,290
Investments	1,228,368,613	28,246,370	-	8,201,033	19,503,372	1,284,319,388
Net inter segment lendings	20,257,430	-	-	-	3,975,816	24,233,246
Lendings to financial institutions	106,391,667	-	-	-	-	106,391,667
Advances - performing	879,889,686	8,863,859	559,157	5,373,523	31,434,126	926,120,352
Advances - non-performing	94,178,226	31,527,101	1,069,071	1,776,756	4,808,641	133,359,795
Provision against Advances	(95,144,619)	(31,653,822)	(1,074,372)	(1,781,391)	(3,818,940)	(133,473,143)
Advances - net	878,923,293	8,737,138	553,857	5,368,888	32,423,828	926,007,004
Others	218,223,663	2,341,154	112,792	588,903	861,326	222,127,839
Total assets	2,657,145,826	58,600,232	8,242,845	39,880,194	58,930,339	2,822,799,434
Borrowings	356,338,554	3,603,168	-	-	32,797,674	392,739,396
Deposits and other accounts	1,907,257,995	44,130,571	5,529,140	28,434,398	26,033,097	2,011,385,201
Net inter segment borrowing	-	10,200,719	2,551,012	11,481,515	-	24,233,246
Others	185,922,590	691,695	162,693	215,603	580,476	187,573,056
Total liabilities	2,449,519,139	58,626,154	8,242,845	40,131,515	59,411,247	2,615,930,899
Equity	207,626,686	(25,922)	-	(251,321)	(480,908)	206,868,535
Total equity and liabilities	2,657,145,825	58,600,232	8,242,845	39,880,194	58,930,339	2,822,799,434
Contingencies and commitments	1,382,312,787	5,496,677	2,338,069	1,785,079	18,106,040	1,410,038,651

44 TRUST ACTIVITIES

44.1 Endowment Fund

Students Loan Scheme was launched by Government of Pakistan with 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 SMEFD (Infra Structure 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 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. 758 million as at December 31, 2019 (2018: Rs.672 million).

45. RELATED PARTY TRANSACTIONS

The Bank has related party transactions with its parent, 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 bank.

The Banks enters into transacitons 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:

	2019										2018									
	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.I.D.A A/c)	Provident Fund	Other related parties	Directors	Key management personnel	Subsidiaries	Associates	Joint venture	Pension Fund (Current)	Pension Fund (Fixed Deposit)	Pension Fund (N.I.D.A A/c)	Provident Fund	Other related parties
	Rupees in '000																			
Balances with other banks																				
In current accounts	-	-	-	-	1,159	-	-	-	-	-	-	-	-	-	16,836	-	-	-	-	-
In deposit accounts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8,780	-	-	-	-	-
	-	-	-	-	1,159	-	-	-	-	-	-	-	-	-	25,616	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advances																				
Opening balance	-	222,967	528,198	3,105,907	-	-	-	-	-	217,063	-	145,369	398,914	3,314,085	-	-	-	-	-	-
Addition during the year	-	74,615	1,299,367	-	-	-	-	-	-	11,246,254	-	20,234	129,655	-	-	-	-	-	-	33,958
Repaid during the year	-	(22,888)	(1,413,000)	(69,157)	-	-	-	-	-	(14,896,873)	-	(27,052)	(371)	(208,178)	-	-	-	-	-	(39,503)
Transfer in / (out) - net*	-	(45,889)	-	-	-	-	-	-	-	26,819,881	-	84,416	-	-	-	-	-	-	-	222,608
Closing balance	-	228,805	414,565	3,036,750	-	-	-	-	-	23,386,325	-	222,967	528,198	3,105,907	-	-	-	-	-	217,063
Provision held against advances	-	-	284,565	2,827,375	-	-	-	-	-	-	-	-	288,565	2,849,657	-	-	-	-	-	-
Other Assets																				
Interest / mark-up accrued			204,443	1,710,481							-	-	197,027	1,704,892	-	-	-	-	-	-
Other receivable			78,982								-	-	78,258	-	-	-	-	-	-	-
	-	-	283,425	1,710,481	-	-	-	-	-	-	-	-	275,285	1,704,892	-	-	-	-	-	-
Provision against othe assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings																				
Opening balance	-	-	-	-	38,248	-	-	-	-	-	-	-	-	-	87,920	-	-	-	-	-
Borrowings during the year	-	-	-	-	241,566	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settled during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(49,672)	-	-	-	-	-
Closing balance	-	-	-	-	279,814	-	-	-	-	-	-	-	-	-	38,248	-	-	-	-	-
Deposits and other accounts																				
Opening balance	10,732	80,688	1,120,160	-	-	1,085	11,100,000	458,328	12,465,939	-	15,614	62,047	885,251	-	-	1,248	10,300,000	514,539	12,749,309	-
Received during the year	23,314	625,431	403,078	-	-	45,832,581	-	11,785,192	2,246,185	273,669,395	28,447	485,525	267,651	-	-	4,300,229	28,800,000	16,639,785	14,268,653	-
Withdrawn during the year	(22,146)	(591,564)	(446)	-	-	(45,833,593)	(11,100,000)	(11,008,400)	(1,415,241)	(278,409,470)	(33,087)	(454,455)	(32,742)	-	-	(4,300,392)	(28,000,000)	(16,695,996)	(14,552,023)	-
Transfer in (out) - net*	(8,065)	(19,840)	-	-	-	-	-	-	-	18,980,068	(242)	(12,429)	-	-	-	-	-	-	-	-
Closing balance	3,835	94,715	1,522,792	-	-	73	-	1,235,120	13,296,883	14,239,993	10,732	80,688	1,120,160	-	-	1,085	11,100,000	458,328	12,465,939	-
Other Liabilities																				
Other payables to subsidiaries	-	-	7,396	-	-	-	-	-	-	-	-	-	5,874	-	-	-	-	-	-	-
	-	-	7,396	-	-	-	-	-	-	-	-	-	5,874	-	-	-	-	-	-	-
Contingencies and Commitments	-	-	-	-	-	-	-	-	-	1,463,085	-	-	-	-	-	-	-	-	-	-

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

	2019							2018						
	Key management personnel	Subsidiaries	Associates	Joint venture	Pension Fund	Provident Fund	Funds / Others	Key management personnel	Subsidiaries	Associates	Joint venture	Pension Fund	Provident Fund	Funds / Others
	Rupees in '000													
Income														
Mark-up / return / interest earned	-	13,672	-	112	-	-	-	-	20,480	-	153,652	-	-	-
Debts due by Companies in which Directors of the Bank is interested as Directors	-	-	-	-	-	-	1,860,682	-	-	-	-	-	-	17,496
Fee and commission income	-	2,131	-	-	-	-	-	-	6,050	-	-	-	-	-
Dividend income	-	51,300	6,000	-	-	-	-	-	109,125	-	-	-	-	-
Rent income / Lighting & Power and Bank charges	-	38,268	4,638	-	-	-	15,558	-	25,670	4,636	-	-	-	15,558
Expense														
Mark-up / return / interest paid	-	29,672	-	780	204,666	1,690,456	4,345,823	-	18,025	-	937	767,837	1,687,126	-
Transaction Fee paid to company in which director of the bank is interested as director	-	-	-	-	-	-	-	-	-	-	-	-	-	5,874
Commission paid to subsidiaries	-	2,878	-	-	-	-	-	-	7,987	-	-	-	-	-
Remuneration to key management executives including charge for defined benefit plan	459,257	-	-	-	-	-	-	394,088	-	-	-	-	-	-
Post Retirement Benefit paid to Director cum Ex-employee	-	-	-	-	-	-	1,565	-	-	-	-	-	-	-

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. 9,958 million (2018: 9,223 million) for the year ended December 31, 2019. As at the statement of financial position date the loans and advances, deposits and contingencies relating to Government–related entities amounted to Rs. 377,158 million (2018: 353,001 million), Rs. 840,064 million (2018: 724,653 million) and Rs. 876,232 million (2018: 669,903 million) respectively and income earned on advances and investment and profit paid on deposits amounted to Rs. 30,498 million (2018: 25,959 million) and Rs. 50,926 million (2018: 30,942 million) respectively.

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

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.

The SBP has issued instructions for Basel-III Implementation vide BPRD Circular No. 06 of 2013 dated August 15, 2013. These instructions were effective from December 31, 2013 in a phased manner with full implementation 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:

The Capital Adequacy Ratio (CAR) 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 14.00%.

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 3.36% in the year December 31, 2019 (2018: 3.42%) and Tier-1 capital of Rs. 142,716 million (2018: Rs. 124,818 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.

Tier III capital, has been eliminated in Basel III Capital requirements. Also the Basel III capital rules requires bank to make certain deductions from the capital before arriving at the Capital Adequacy Ratio (CAR). These deductions are being done in phased manner starting from 2014, with full deductions in 2018.

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, 2019 stood at Rs. 21,275 billion (2018 : Rs. 21,275 billion) and is in compliance with the SBP requirement for the said year. In addition the Bank has maintained minimum Capital Adequacy Ratio (CAR) of 15.48% (2018: 16.35%).

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

Notes to the Unconsolidated Financial Statements

For the year ended December 31, 2019

	2019	2018
	Rupees in '000	
Minimum Capital Requirement		
Paid-up capital	**162,369,773**	146,882,410
Capital Adequacy Ratio		
Eligible Common Equity Tier 1 Capital	**142,716,150**	124,818,200
Eligible Additional Tier 1 Capital	**-**	-
Total Eligible Tier 1 Capital	**142,716,150**	124,818,200
Eligible Tier 2 Capital	**39,816,053**	43,840,140
Total Eligible Capital (Tier 1 + Tier 2)	**182,532,203**	168,658,340
Risk Weighted Assets		
Credit Risk	**913,568,310**	795,527,135
Market Risk	**91,752,715**	81,071,227
Operational Risk	**173,619,541**	155,078,622
Total	**1,178,940,566**	1,031,676,984
Common Equity Tier 1 Capital Adequacy ratio	**12.11%**	12.10%
Tier 1 Capital Adequacy Ratio	**12.11%**	12.10%
Total Capital Adequacy Ratio	**15.48%**	16.35%
Leverage Ratio		
Tier-1 Capital	**142,716,150**	124,818,200
Total Exposures	**4,252,343,911**	3,645,020,976
	3.36%	3.42%
Liquidity Coverage Ratio		
Total High Quality Liquid Assets	**890,965,256**	949,424,482
Total Net Cash Outflow	**603,741,462**	560,346,109
Liquidity Coverage Ratio	**148%**	169%
Net Stable Funding Ratio		
Total Available Stable Funding	**2,040,913,906**	1,745,679,890
Total Required Stable Funding	**875,207,068**	544,123,198
Net Stable Funding Ratio	**233%**	321%

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

46.1 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 websites. 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.

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.

The Project for Business Process Review and COSO Implementation has been conducted, which resulted in re-aligning the existing documentation with improved risk-based process flows, reviewing and updating existing policies / procedure manuals, streamlining operating models such as centralization of various functions and rationalizing various system functionalities / features for better Management information system (MIS) reporting and Core Banking Application (CBA) optimization.

In addition, Information Security Division (ISD) became an integral part of Risk Management Group to confronting the emerging risks arises due to the introduction and use of IT based systems.

47.1 Risk Governance Structure

Risk Management Group (RMG) operates as an independent group, i.e. separate from approvals and direct involvement in day-to-day activities. RMG 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 shareholder value that may be suffered by the Bank. Therefore, it is the responsibility of the Board to ensure that policies and frameworks are in place to recognize all significant/ material risks to which the Bank is / may be exposed and that the required human resource, culture, practices and systems are adequate to address such risks. The Board and its relevant committee, i.e. BRCC and the senior management along with its relevant committees i.e. Credit Committee, Enterprise Risk Committee (ERC), ALCO etc. are responsible to ensure formulation and implementation of risk management framework.

47.2 Risk Management Framework

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. Risk Management Group 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 & Inspection Group add value through independent and objective assurance in improving risk management functions of the Bank.

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

47.2.1 Credit Risk

Credit risk is the possibility that a debtor or counterparty can default on its contractual obligations to the Bank in accordance with agreed terms. Bank lending activities account for most of the Bank's credit risk, however, other sources of credit risk also exist throughout the undertakings of the Bank. The activities include 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. Bank has a separate setup that ensures the effectiveness of the framework for assessment / measurement, review and reporting of credit risk.

Bank has in place a concentration policy to classify the levels of credit risk it undertakes by placing limits on exposures in relation to existing or potential clients, counterparties, groups and to various industry segments. These risks are analysed on perpetual basis and is subject to frequent review. Vis-à-vis, Bank ensures that credit exposures are adequately collateralized and comprehensive risk palliating measures are taken to regulate overall credit risk exposure in accordance with Bank's tolerance limits.

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

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, Bank also has an Internal Ratings System / Model based on multiple risk factors. The model provides an understanding of borrowers' current and future financial health. This creates an integral contribution in decision making by senior management of the Bank. Concentration of exposure / risk in any of counterparty, group, or industry is assessed frequently and accordingly limit setting is tailored in accordance with the evolving socio-economic / market conditions.

Standardized Approach is used to calculate capital charge for credit risk as per Basel regulatory framework, 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 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	
	2019	2018	**2019**	2018	**2019**	2018
	Rupees in '000					
Public / Government	**11,419,496**	1,417,699	**-**	-	**-**	-
Private	**132,896,998**	105,150,118	**176,150**	176,150	**176,150**	176,150
	144,316,494	106,567,817	**176,150**	176,150	**176,150**	176,150

47.2.1.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2019	2018	**2019**	2018	**2019**	2018
	Rupees in '000					
Cement	**19,453**	19,453	**19,453**	19,453	**19,453**	19,453
Chemical	**2,073,812**	323,812	**323,812**	323,812	**323,812**	323,812
Construction	**3,885,489**	2,064,990	**1,633,738**	1,633,739	**1,633,738**	1,633,738
Engineering	**4,842**	4,842	**4,842**	4,842	**4,842**	4,842
Fertilizer	**1,425,089**	1,820,112	**656,831**	667,725	**656,831**	667,728
Sugar	**785,469**	835,681	**785,469**	396,799	**572,385**	396,799
Textile	**1,151,768**	651,768	**651,768**	651,768	**651,768**	651,768
Transport	**2,803,718**	7,267,013	**-**	-	**-**	-
Financial	**9,344,916**	7,089,844	**90,887**	90,888	**82,127**	82,122
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 & Tenneries	**5,287**	5,288	**5,288**	5,288	**5,288**	5,288
Food and Personal Care Products	**11,184**	66,660	**11,184**	11,184	**11,184**	11,184
Pharmaceuticals	**2,413**	2,413	**2,413**	2,413	**2,413**	2,413
Technology & Communication	**11,072**	178	**11,072**	178	**11,072**	178
Vanaspati & Allied Industries	**4,238**	4,238	**4,238**	4,238	**4,238**	4,238
Oil & Gas Marketing	**95,986**	95,986	**686**	686	**686**	686
Cable & Electrical Goods	**4,509**	4,509	**4,509**	4,509	**4,509**	4,509
Automobile Parts & Accessories	**1,185**	1,185	**1,185**	1,185	**1,185**	1,185
Power (electricity), Gas, Water, Sanitary	**35,464,521**	36,697,825	**-**	-	**-**	-
Tobacco	**144**	144	**144**	144	**144**	144
Paper & 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	**950,000**	-	**-**	-	**-**	-
Miscelleneous	**787,524**	665,814	**25,992**	25,992	**25,992**	25,992
	60,670,593	59,459,729	**5,571,484**	5,182,817	**5,349,640**	5,174,053

Credit risk by public / private sector

	Gross investments		Non-performing investments		Provision held	
	2019	2018	**2019**	2018	**2019**	2018
	Rupees in '000					
Public / Government	**32,463,359**	42,259,958	**7,620**	7,620	**7,620**	7,620
Private	**28,207,234**	17,199,771	**5,563,864**	5,175,197	**5,342,020**	5,166,433
	60,670,593	59,459,729	**5,571,484**	5,182,817	**5,349,640**	5,174,053

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

47.2.1.3 Advances

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2019	2018	**2019**	2018	**2019**	2018
	Rupees in '000					
Agriculture, Forestry, Hunting & Fishing	**59,016,306**	49,662,810	**5,565,495**	4,402,110	**4,133,877**	3,177,683
Mining & Quarrying	**2,079,833**	22,745	**870,598**	17,801	**465,220**	17,801
Textile	**130,556,474**	110,488,207	**35,115,055**	38,864,324	**33,826,039**	38,568,647
Chemical & Pharmaceuticals	**3,698,135**	6,412,431	**2,789,583**	3,063,802	**2,781,935**	3,003,942
Cement	**28,285,797**	26,257,014	**4,177,487**	1,979,734	**2,466,565**	1,979,734
Sugar	**34,366,817**	38,254,733	**14,392,989**	12,534,711	**12,666,718**	12,154,881
Footwear and Leather garments	**2,095,757**	2,360,408	**847,135**	807,322	**846,235**	807,322
Automobile & Transportation Equipment	**8,711,039**	7,054,570	**959,014**	945,441	**959,014**	944,517
Electronics & Electrical Appliances	**7,204,298**	6,409,085	**2,234,231**	2,285,963	**2,222,981**	2,229,713
Construction	**12,242,713**	12,368,450	**5,323,770**	5,118,701	**5,304,434**	5,079,926
Power (electricity), Gas, Water, Sanitary	**289,464,374**	276,911,048	**5,434,940**	3,773,655	**4,448,807**	3,773,655
Wholesale and Retail Trade	**36,169,269**	43,444,267	**10,710,483**	4,159,078	**10,437,288**	4,119,598
Exports / Imports	**1,486,667**	763,528	**68,583**	383,341	**68,583**	375,841
Transport, Storage and Communication	**56,638,111**	59,956,872	**10,091,004**	9,392,976	**7,925,250**	8,111,406
Financial	**40,693,010**	27,574,614	**294,380**	452,815	**294,380**	290,018
Services	**14,100,214**	12,926,433	**1,958,137**	2,403,166	**1,516,649**	2,403,166
Individuals	**170,312,059**	148,892,155	**6,086,261**	7,009,864	**4,181,677**	4,872,420
Fertilizer	**20,813,179**	19,677,499	**2,885,878**	2,899,669	**2,860,734**	2,899,008
Metal Products	**67,474,262**	64,875,984	**23,353,861**	19,090,063	**22,345,884**	17,967,424
Telecommunication	**16,307,814**	13,209,014	**1,135,662**	1,074,241	**1,135,662**	1,074,241
Public Sector Commodity Operations	**66,638,547**	67,222,362	**73,785**	73,785	**73,785**	73,785
Rice processing & Trading	**26,950,629**	28,657,001	**4,575,187**	4,574,543	**4,494,866**	4,545,340
Food and Tobacco	**11,927,347**	8,115,938	**3,862,399**	2,700,660	**3,336,685**	2,663,201
Glass and Ceramics	**5,043,655**	2,328,244	**423,641**	422,595	**423,641**	422,595
Paper & Board	**1,820,422**	1,709,687	**953,829**	700,655	**655,672**	588,257
Engineering	**24,966,577**	13,499,460	**1,423,696**	1,373,475	**1,421,196**	1,340,601
Plastic Products	**2,737,171**	2,156,121	**666,403**	945,564	**488,349**	923,077
Media	**2,222,899**	2,324,999	**151,457**	151,457	**151,457**	151,457
Flour Mills	**3,357,250**	2,959,383	**597,580**	543,893	**551,860**	493,115
Sports Goods	**727,511**	505,417	**93,818**	94,222	**87,818**	94,222
Others	**3,206,913**	2,479,668	**1,635,376**	1,120,170	**1,596,755**	1,119,449
	1,151,315,050	1,059,480,147	**148,751,717**	133,359,795	**134,170,016**	126,266,039

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2019	2018	**2019**	2018	**2019**	2018
	Rupees in '000					
Public / Government	**377,158,182**	353,000,659	**2,522,432**	2,526,128	**2,522,432**	2,526,128
Private	**774,156,868**	706,479,488	**146,229,285**	130,833,667	**131,647,584**	123,739,911
	1,151,315,050	1,059,480,147	**148,751,717**	133,359,795	**134,170,016**	126,266,039

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

	2019	2018
	--------- Rupees in '000 ---------	

47.2.1.4 Contingencies and Commitments

Credit risk by industry sector

Agriculture, Forestry, Hunting & Fishing	**235,536**	223,213
Mining & Quarrying	**3,000**	1,720,601
Textile	**9,792,996**	7,187,737
Chemical & Pharmaceuticals	**14,507,473**	14,423,521
Cement	**10,121,549**	5,922,193
Sugar	**742,270**	629,349
Footwear and Leather garments	**10,928**	22,890
Automobile & Transportation Equipment	**1,979,186**	2,702,508
Electronics & Electrical Appliances	**2,154,502**	2,200,308
Construction	**9,697,086**	5,946,949
Power (electricity), Gas, Water, Sanitary	**159,559,087**	162,518,899
Wholesale and Retail Trade	**1,555,095**	4,026,616
Exports / Imports	**27,996**	15,640
Transport, Storage and Communication	**17,513,951**	17,106,207
Financial	**901,993,463**	609,243,935
Services	**746,058,170**	505,211,701
Individuals	**264,219**	322,799
Fertilizer	**3,853,225**	2,112,212
Metal Products	**2,365,866**	2,621,921
Telecommunication	**15,745,882**	10,829,417
Public Sector Commodity Operations	**1,095,352**	1,145,176
Rice processing & Trading	**44,951**	145,000
Food and Tobacco	**687,387**	194,405
Glass and Ceramics	**1,553,100**	628,694
Paper & Board	**551,120**	657,319
Engineering	**48,284,197**	50,207,516
Plastic Products	**142,657**	265,048
Flour Mills	**19,352**	-
Surgical equipments	**750**	5,108
Others	**3,335,815**	1,801,769
	1,953,896,161	1,410,038,651

* 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	**876,232,352**	669,902,699
Private	**1,077,663,809**	740,135,952
	1,953,896,161	1,410,038,651

47.2.1.5 Concentration of Advances

The bank top ten (10) exposures on the basis of total (funded and non-funded exposures) aggregated to Rs. 1,036,638 million (2018: Rs. 832,299 million) are as follows:

	2019	2018
	--------- Rupees in '000 ---------	
Funded	**238,481,635**	252,217,265
Non Funded	**798,156,427**	580,082,098
Total Exposure	**1,036,638,062**	832,299,363

The sanctioned limits against these top 10 exposures aggregated to Rs. 1,073,636 million (2018: Rs. 866,076 million)

Total funded classified therein	**2019**		2018	
	Amount	**Provision held**	Amount	Provision held
	---------- Rupees in '000 ----------			
Loss	**2,522,432**	**2,522,432**	2,522,432	2,522,432
Total	**2,522,432**	**2,522,432**	2,522,432	2,522,432

47.2.1.6 Advances - Province / Region-wise Disbursement & Utilization

Province / Region	2019						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	Rupees in '000						
Punjab	228,866,286	228,147,162	303,200	-	-	125,043	299,671
Sindh	364,638,630	10,707,703	262,168,186	549,899	27,482,303	63,721,751	-
KPK including FATA	9,492,232	-	-	9,492,232	-	-	-
Balochistan	4,979	-	-	-	4,979	-	-
Islamabad	42,498,179	12,015,495	10,717,298	2,764,372	-	17,001,014	-
AJK including Gilgit - Baltistan	4,921,666	3,882	-	-	-	-	4,917,784
Total	650,421,972	250,874,242	273,188,684	12,806,503	27,487,282	80,847,808	5,217,455

Province / Region	2018						
	Disbursements	Utilization					
		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
	Rupees in '000						
Punjab	223,164,822	221,904,428	1,260,394	-	-	-	-
Sindh	418,508,463	19,080,988	337,521,741	4,575,993	1,860,380	55,469,362	-
KPK including FATA	10,156,322	-	-	10,156,322	-	-	-
Balochistan	4,762,370	-	-	-	4,762,370	-	-
Islamabad	68,921,607	8,303,687	17,918,593	628,607	-	42,070,720	-
AJK including Gilgit-Baltistan	5,489,347	-	-	-	-	-	5,489,347
Total	731,002,931	249,289,103	356,700,728	15,360,922	6,622,750	97,540,082	5,489,347

47.2.2 Market Risk

Market Risk is the potential for losses to arise from trading activities undertaken by the Bank as a result of movements in market rates or prices such as interest rates, foreign exchange rates, and equity prices.

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 through the engagement of various strategies in relation with prices, rates, and spread movements of its earning assets, liabilities and trading activities. Bank has also worked on devising improved criteria for various market risk limits. Under the developed Value-at-Risk (VaR) models and policy framework, VaR limits are being monitored through pilot run 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 regulatory framework. Whereas, stress testing for interest rate, equity prices, and exchange rates risks related to market and non-market based 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. These triggers are used for proposing / recommending actions to ALCO for deliberation and necessary action.

47.2.2.1 Balance sheet split by trading and banking books

	2019			2018		
	Banking book	**Trading book**	**Total**	Banking book	Trading book	Total
	---------- Rupees in '000 ----------					
Investments	**1,403,067,293**	**36,092,769**	**1,439,160,062**	1,132,100,010	152,219,378	1,284,319,388
	1,403,067,293	**36,092,769**	**1,439,160,062**	1,132,100,010	152,219,378	1,284,319,388

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 corporate. The Bank'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.

	2019				2018			
	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	**154,514,963**	**281,623,669**	**141,330,602**	**14,221,896**	171,326,260	254,401,610	92,479,631	9,404,281
Great Britain Pound	**4,369,802**	**6,303,626**	**6,257,773**	**4,323,949**	3,170,282	6,359,124	4,988,131	1,799,289
Japanese Yen	**5,137,117**	**1,304,374**	**(1,973,457)**	**1,859,286**	5,110,545	10,672,051	7,099,183	1,537,677
Euro	**8,456,085**	**9,416,285**	**6,608,767**	**5,648,567**	7,932,384	8,885,376	6,666,157	5,713,165
Other currencies	**73,993,469**	**27,220,404**	**4,171,279**	**50,944,344**	66,282,533	22,842,138	1,314,137	44,754,532
	246,471,436	**325,868,358**	**156,394,965**	**76,998,042**	253,822,004	303,160,299	112,547,239	63,208,944

	2019		2018	
	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	**5,612**	**-**	1,322	-

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.

	2019		2018	
	Banking book	**Trading book**	Banking book	Trading book
	---------- Rupees in '000 ----------			
Impact of 5% change in equity prices				
- Profit and loss account	**-**	**2,816**	-	-
- Other comprehensive income	**2,560,070**	**-**	3,254,053	-

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.

The above mentioned risks are not only measured, monitored, and managed from the regulatory purpose, but from the perspective of internal management.

	2019		2018	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 1% change in interest rates				
- Profit and loss account	-	175,771	-	4,418,739
- Other comprehensive income	14,259,122	-	7,254,690	-

47.2.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

2019

	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	0.0%	292,513,379	32,224,427	599,716	796,971	569,701	-	-	-	-	-	258,322,564
Balances with other banks	12.2%	13,220,807	4,443,852	1,202,496	435,643	662,730	-	-	-	-	-	6,476,086
Lendings to financial institutions	13.2%	144,140,344	132,680,048	2,099,962	-	-	1,417,699	7,942,635	-	-	-	-
Investments	10.9%	1,439,160,062	5,828,068	52,366,466	14,695,312	737,298,216	184,537,658	77,281,527	97,554,750	186,426,924	13,494,957	69,676,184
Advances	10.3%	1,008,139,084	258,873,260	353,412,778	177,991,773	48,724,169	24,384,306	31,460,521	65,056,293	29,993,575	17,065,764	1,176,645
Other assets	0.0%	85,392,160	-	-	-	-	-	-	-	-	-	85,392,160
		2,982,565,836	434,049,654	409,681,418	193,919,699	787,254,816	210,339,663	116,684,683	162,611,043	216,420,499	30,560,721	421,043,639
Liabilities												
Bills payable	0.0%	19,867,424	-	-	-	-	-	-	-	-	-	19,867,424
Borrowings	13.3%	471,757,352	379,837,482	37,713,498	22,070,344	23,324,881	863,588	2,927,955	2,908,254	2,111,350	-	-
Deposits and other accounts	6.3%	2,198,049,281	1,139,047,129	72,567,558	28,086,714	41,282,402	7,002,425	5,387,496	10,129,768	180,000	-	894,365,790
Liabilities against assets subject to finance lease	10.0%	7,640,188	78	14,849	39,013	73,210	355,554	764,897	1,692,291	3,424,044	1,276,252	-
Other liabilities	0.0%	180,137,239	-	-	-	-	-	-	-	-	-	180,137,239
		2,877,451,484	1,518,884,688	110,295,905	50,196,072	64,680,493	8,221,567	9,080,348	14,730,312	5,715,394	1,276,252	1,094,370,453
On-balance sheet gap		105,114,351	(1,084,835,034)	299,385,513	143,723,628	722,574,323	202,118,096	107,604,335	147,880,731	210,705,105	29,284,469	(673,326,814)
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions		937,616,635	-	-	-	-	-	-	-	-	-	937,616,635
Commitments in respect of:												
- forward foreign exchange contracts		156,394,964	49,843,489	66,860,830	29,004,137	10,686,509	-	-	-	-	-	-
- forward government securities transactions		(21,650,953)	(21,650,953)	-	-	-	-	-	-	-	-	-
Commitments for acquisition of:												
- fixed assets		566,855	554,779	8,228	-	3,848	-	-	-	-	-	-
- other commitments		13,500	-	6,750	-	6,750	-	-	-	-	-	-
Off-balance sheet gap		1,072,941,001	28,747,315	66,875,808	29,004,137	10,697,107	-	-	-	-	-	937,616,635
Total Yield/Interest Risk Sensitivity Gap			(1,056,087,719)	366,261,320	172,727,765	733,271,430	202,118,096	107,604,335	147,880,731	210,705,105	29,284,469	264,289,821
Cumulative Yield/Interest Risk Sensitivity Gap			(1,056,087,719)	(689,826,399)	(517,098,635)	216,172,795	418,290,891	525,895,227	673,775,958	884,481,063	913,765,532	1,178,055,352

		2018										
	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
		Rupees in '000										
On-balance sheet financial instruments												
Assets												
Cash and balances with treasury banks	0.0%	247,518,270	24,509,176	-	-	-	-	-	-	-	-	223,009,094
Balances with other banks	3.8%	12,202,020	3,360,575	899,549	800,616	703,934	-	-	-	-	-	6,437,346
Lendings to financial institutions	10.2%	106,391,667	104,773,968	100,000	100,000	-	-	1,417,699	-	-	-	-
Investments	7.3%	1,284,319,388	228,579,277	518,721,300	74,571,877	33,395,849	106,605,905	58,004,390	76,305,713	112,598,318	10,325,821	65,210,938
Advances	7.6%	926,007,004	151,301,522	328,961,309	211,277,199	83,030,025	25,012,801	19,844,648	65,971,676	26,297,797	13,079,526	1,230,501
Other assets	0.0%	92,475,161	-	-	-	-	-	-	-	-	-	92,475,161
		2,668,913,510	512,524,518	848,682,158	286,749,692	117,129,808	131,618,706	79,266,737	142,277,388	138,896,115	23,405,347	388,363,040
Liabilities												
Bills payable	0.0%	9,944,178	-	-	-	-	-	-	-	-	-	9,944,178
Borrowings	10.1%	392,739,396	359,775,652	19,111,863	10,036,682	252,115	137,518	-	113,425	3,312,140	-	-
Deposits and other accounts	4.2%	2,011,385,201	1,094,919,396	28,015,302	59,104,551	46,068,888	2,903,261	2,364,941	4,136,245	32,999	-	773,839,619
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	-	-
Other liabilities	0.0%	169,358,853	-	-	-	-	-	-	-	-	-	169,358,853
		2,583,427,629	1,454,695,047	47,127,165	69,141,233	46,321,003	3,040,779	2,364,941	4,249,671	3,345,139	-	953,142,650
On-balance sheet gap		85,485,881	(942,170,529)	801,554,993	217,608,459	70,808,805	128,577,927	76,901,796	138,027,717	135,550,976	23,405,347	(564,779,609)
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions		716,304,478	-	-	-	-	-	-	-	-	-	716,304,478
Commitments in respect of:												
- forward foreign exchange contracts		112,547,239	31,240,350	73,421,491	10,099,425	(2,214,027)	-	-	-	-	-	-
- forward government securities transactions		45,163,250	41,587,500	3,575,750	-	-	-	-	-	-	-	-
Commitments for acquisition of:												
- fixed assets		431,521	328,795	6,208	41,337	55,180	-	-	-	-	-	-
- other commitments		13,500	-	6,750	-	6,750	-	-	-	-	-	-
Off-balance sheet gap		874,459,988	73,156,645	77,010,199	10,140,762	(2,152,096)	-	-	-	-	-	716,304,478
Total Yield / Interest Risk Sensitivity Gap			(869,013,884)	878,565,192	227,749,222	68,656,709	128,577,927	76,901,796	138,027,717	135,550,976	23,405,347	151,524,869
Cumulative Yield / Interest Risk Sensitivity Gap			(869,013,884)	9,551,308	237,300,530	305,957,239	434,535,166	511,436,963	649,464,680	785,015,656	808,421,002	959,945,870

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

	2019	2018
	Rupees in '000	
Total Financial Assets as per note 47.2.2.5	**2,982,565,836**	2,668,913,510
Add: Non-Financial Assets		
Fixed Assets	**54,303,565**	53,859,883
Intangible Assets	**374,950**	245,658
Right of Use Assets	**7,221,266**	-
Other Assets	**79,923,253**	75,547,137
	141,823,034	129,652,678
Total assets as per statement of financial position	**3,124,388,870**	2,798,566,188
Total Financial Liabilities as per note 47.2.2.5	**2,877,451,484**	2,583,427,629
Add: Non-Financial Liabilities		
Deferred Tax Liabilities	**10,915,802**	6,985,042
Other Liabilities	**3,407,751**	1,284,983
	14,323,553	8,270,025
Total liabilities as per statement of financial position	**2,891,775,037**	2,591,697,653

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

47.2.3 Operational Risk

The Bank may suffer losses due to its exposure to Operational Risk. To mitigate, a comprehensive 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 realizes that operational risks cannot be fully mitigated, it therefore determines an appropriate balance between accepting potential losses and incurring costs of mitigation.

Further, Bank has adopted a comprehensive Operational Risk Management Strategy and Operational Risk Tolerance limits approved by the Board in-line with Basel framework. Furthermore, Bank has rolled-out Operational Loss Data Collection Mechanism whereby field functionaries 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.

Bank has also conducted Root Cause analysis of major Operational Risk Incidents covering key control lapses and accordingly suggested recommendations & mitigations. As per regulatory framework, Bank calculates capital charge for its operational risk using Basic Indicator Approach.

47.2.4 Information Security Risk

In today's highly technology dependent environment, where most of the business functions are performed with information technology for storing, processing and sharing information; the information "assets" that are being used to store, process and transmit the information, face various types of threats. If threats get materialized and are able to exploit the vulnerabilities (weaknesses) present in these information assets, the confidentiality, integrity and availability of information get compromised. In order to mitigate the risks, certain controls and countermeasures need to be assessed and implemented.

The Bank, hence, classifies Information as a critical asset and declares the related information storing, processing and transmitting facilities / systems as information assets. Information may exist in many forms across the organization such as digital as well as non-digital (paper based). Hence, the Risk Management Group is responsible to provide a framework for information security risk management of information assets to the respective stakeholders. The information security risk management includes risk identification, risk analysis, risk evaluation and risk treatment plans. Information Security Risk Management Framework (ISRMF) v1.0 has been approved by BoD in its 292nd meeting whereas Cyber Security Management Framework (CSMF) v1.0.has been recommended for BoD approval by ERC and BRCC Management Forums.

In addition to above IS Division is also working on Frameworks related IS Incident & Forensics and Card Security, there are other relevant information security domains in which the Information Security Division is responsible for governance and/or execution such as Information / Cyber Security awareness and trainings, Digital Payments Security and Internet / Mobile Banking Security reviews. The respective division is taking care of all such aspects by ensuring the information security in NBP while taking in loop other relevant stakeholders such as Technology and Digitalization Group, Compliance, Operations etc. The Information Security Division of Risk Management Group has also revised the Information Security Policy v3.0 in 2018 which is applicable Bank wide for information security assurance. The division reviews the policy matters related to the information security of NBP's international branches as and when contacted by the International Banking Group and currently overseeing implementation of GDPR at Frankfurt and Paris branches. The security reviews of various applications are conducted in coordination with the respective business group (owner) as well as the Technology and Digitalization Group (custodian). The establishment of Security Operations Center (SOC) to monitor Information Security operations and PCI DSS certification for Payment Card Infrastructure are major strategic initiatives that IS division is currently working on.

47.2.5 Enterprise-wide Risk

In addition to the above mentioned risks, the Bank has a structure to identify residual material risks through generation of various MIS reports 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), Downward Shift in NPL Categories, Reputational Risk, Strategic Risk, etc.

Moreover, all those brewing risks that are material and arise within the Bank or due to inherent behavior of country's market and economic conditions, whether in isolation or in 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.

The Bank has also started preparation on periodic basis to implement advanced methodologies of risk quantification based on sophisticated modeling techniques; macro-stress testing is, one of the tool developed and implemented by the Bank, conducted assuming synthetic deterioration in macro-economic factors to possibly measure the impact on capital of the Bank which is based on time series methodology and is validated.

47.2.6 Liquidity Risk

Liquidity risk is the risk that the Bank may be unable to meet short term financial demands. This usually occurs due to the inability to convert a security or hard asset to cash without a loss of capital and/or income in the process.Banks are often evaluated on their liquidity, or their ability to meet cash and collateral obligations without incurring substantial losses.

To mitigate this risk, management 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 or risking sustained damage to the Bank's reputation, 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.

ALCO is responsible for ensuring that the Bank has adequate liquidity and monitors liquidity gaps, to execute this responsibility. Regulatory stress as well as proprietary 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 [(LA/ D&B), Gross ADR (net of refinancing from SBP)] besides other internal liquidity measures like total approved securities to deposit, etc.

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

	2019													
	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	292,513,379	290,465,424	81,567	-	-	599,716	-	796,971	-	569,701	-	-	-	-
Balances with other banks	13,220,807	6,476,086	1,423,017	2,152,912	867,922	464,864	737,632	435,643	281,610	381,122	-	-	-	-
Lending to financial institutions	144,140,344	-	131,180,048	-	1,500,000	2,099,962	-	-	-	-	1,417,699	7,942,635	-	-
Investments	1,439,160,062	3,330,495	-	1,302,749	1,318,622	4,489,265	47,877,201	14,695,312	523,958,573	255,081,682	188,113,878	96,113,283	98,526,197	204,352,804
Advances	1,008,139,084	314,292,542	3,578,494	1,604,893	47,977,155	47,520,373	33,973,951	76,253,146	58,168,112	27,633,786	36,951,889	53,627,035	177,824,629	128,733,080
Fixed assets	54,303,565	-	-	-	-	-	-	-	-	740,557	2,854,729	740,557	1,398,116	48,569,605
Intangible assets	374,950	-	-	-	-	-	-	-	-	124,983	124,983	124,983	-	-
Right of Use Assets	7,221,266	20	-	-	57	12,813	1,094	39,062	18,712	49,893	333,520	691,665	1,611,699	4,462,730
Other assets	165,315,413	25,404,933	-	-	-	28,554,846	28,764,844	14,062,491	1,910,729	1,910,729	53,307,008	9,238,721	2,161,113	-
	3,124,388,870	639,969,499	136,263,127	5,060,554	51,663,757	83,741,839	111,354,721	106,282,625	584,337,736	286,492,453	283,103,707	168,478,879	281,521,754	386,118,218
Liabilities														
Bills payable	19,867,424	19,867,424	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	471,757,352	3,468,570	314,697,849	5,715,707	55,955,355	13,787,296	23,926,202	22,070,344	22,981,161	343,720	863,588	2,927,955	2,908,254	2,111,350
Deposits and other accounts	2,198,049,281	1,836,033,658	16,492,044	9,565,683	113,315,385	56,249,692	12,464,141	37,582,592	35,570,618	27,718,421	11,749,879	14,177,962	25,542,734	1,586,472
Liabilities against assets subject to right of use assets	7,640,188	-	-	-	78	13,695	1,155	39,013	20,309	52,901	355,554	764,897	1,692,291	4,700,296
Deferred tax liabilities	10,915,802	-	-	-	-	-	-	-	-	-	-	-	6,428,962	4,486,840
Other liabilities	183,544,990	79,092,922	563,769	406,431	608,849	15,135,008	29,701,280	15,973,276	1,056,906	956,692	18,239,151	4,509,248	8,773,318	8,528,141
	2,891,775,037	1,938,462,574	331,753,662	15,687,821	169,879,667	85,185,690	66,092,777	75,665,225	59,628,994	29,071,734	31,208,172	22,380,061	45,345,559	21,413,099
Net assets	232,613,833	(1,298,493,075)	(195,490,536)	(10,627,268)	(118,215,910)	(1,443,851)	45,261,944	30,617,400	524,708,742	257,420,719	251,895,535	146,098,818	236,176,196	364,705,119

Share capital	21,275,131
Reserves	52,308,742
Unappropriated profit	88,785,900
Surplus on revaluation of assets	70,244,060
	232,613,833

	2018														
	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	247,518,270	247,406,130	112,140	-	-	-	-	-	-	-	-	-	-	-
Balances with other banks	12,202,020	6,437,346	1,543,778	1,089,904	726,892	280,381	619,168	800,616	579,334	124,601	-	-	-	-
Lending to financial institutions	106,391,667	-	101,773,968	3,000,000	-	-	100,000	100,000	-	-	-	1,417,699	-	-
Investments	1,284,319,388	5,218,852	218,974,326	768,772	3,619,296	511,035,382	7,685,919	74,571,877	45,232,953	27,220,900	110,353,539	74,038,674	77,483,170	128,115,728
Advances	926,007,004	280,855,744	945,816	9,272,764	33,648,794	63,445,603	15,892,196	78,656,924	50,180,083	40,987,643	44,159,078	61,542,803	141,933,047	104,486,509
Fixed assets	53,859,883	-	-	-	-	-	-	-	-	825,594	2,760,199	825,592	1,452,666	47,995,832
Intangible assets	245,658	-	-	-	-	-	-	-	-	81,886	81,886	81,886	-	-
Other assets	168,022,298	15,088,595	952,126	714,421	944,389	33,922,311	33,514,576	13,437,028	1,596,152	1,573,578	51,909,434	11,958,391	2,411,297	-
	2,798,566,188	555,006,667	324,302,154	14,845,861	38,939,371	608,683,677	57,811,859	167,566,445	97,588,522	70,814,202	209,264,136	149,865,045	223,280,180	280,598,069
Liabilities														
Bills payable	9,944,178	9,944,178	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	392,739,396	3,807,347	209,012,046	133,854,642	13,101,617	9,838,857	9,273,007	10,036,682	137,518	114,598	137,518	-	113,425	3,312,139
Deposits and other accounts	2,011,385,201	1,671,322,381	15,517,772	16,567,114	97,152,770	20,661,300	41,741,703	60,123,706	34,859,415	16,165,005	10,684,700	9,897,854	15,465,016	1,226,465
Deferred tax liabilities	6,985,042	-	-	-	-	-	-	-	-	-	-	-	(4,087,385)	11,072,427
Other liabilities	170,643,836	51,174,304	32,470	34,399	81,138	23,508,212	36,506,269	10,252,890	805,529	805,198	28,670,924	3,869,852	7,547,452	7,355,200
	2,591,697,653	1,736,248,210	224,562,288	150,456,155	110,335,525	54,008,369	87,520,978	80,413,278	35,802,462	17,084,801	39,493,142	13,767,706	19,038,508	22,966,231
Net assets	206,868,535	(1,181,241,543)	99,739,866	(135,610,294)	(71,396,154)	554,675,308	(29,709,119)	87,153,167	61,786,060	53,729,401	169,770,994	136,097,339	204,241,672	257,631,838
Share capital	21,275,131													
Reserves	53,274,402													
Unappropriated profit	72,332,877													
Surplus on revaluation of assets	59,986,125													
	206,868,535													

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

	2019									
	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	292,513,379	164,896,209	3,238,348	58,620,388	58,393,118	7,365,317	-	-	-	-
Balances with other banks	13,220,807	10,919,938	1,202,496	435,643	662,730	-	-	-	-	-
Lending to financial institutions	144,140,344	132,680,048	2,099,962	-	-	1,417,699	7,942,635	-	-	-
Investments	1,439,160,062	5,951,867	52,366,466	14,695,312	779,040,256	188,113,879	96,113,283	98,526,197	186,426,924	17,925,878
Advances	1,008,139,084	301,060,066	167,009,328	58,627,787	84,406,442	36,851,889	53,626,734	177,824,629	87,170,265	41,561,945
Fixed assets	54,303,565	-	-	-	740,557	2,854,729	740,557	1,398,116	-	48,569,604
Intangible assets	374,950	-	-	-	124,983	124,983	124,983	-	-	-
Right of Use Assets	7,221,266	77	13,907	39,062	68,605	333,520	691,665	1,611,699	3,270,264	1,192,466
Other assets	165,315,413	51,892,509	32,967,800	11,926,805	3,821,457	53,307,008	9,238,721	2,161,113	-	-
	3,124,388,870	667,400,714	258,898,307	144,344,997	927,258,148	290,369,024	168,478,579	281,521,754	276,867,453	109,249,893
Liabilities										
Bills payable	19,867,424	9,433,021	570,011	204,891	8,241,485	1,418,016	-	-	-	-
Borrowings	471,757,352	379,837,482	37,713,498	22,070,344	23,324,881	863,588	2,927,955	2,908,254	2,111,350	-
Deposits and other accounts	2,198,049,281	666,496,270	109,958,653	270,008,867	321,715,872	270,687,403	273,115,486	284,480,259	1,586,472	-
Liabilities against assets subject to right of use assets	7,640,188	78	14,849	39,013	73,210	355,554	764,897	1,692,291	3,424,044	1,276,252
Deferred tax liabilities	10,915,802	-	-	-	-	-	-	6,428,961	4,486,841	-
Other liabilities	183,544,990	68,039,376	53,598,960	19,033,157	2,823,639	18,239,151	4,509,248	8,773,318	4,264,070	4,264,071
	2,891,775,037	1,123,806,227	201,855,971	311,356,272	356,179,088	291,563,712	281,317,586	304,283,082	15,872,778	5,540,323
Net assets	232,613,833	(456,405,513)	57,042,336	(167,011,275)	571,079,060	(1,194,688)	(112,839,006)	(22,761,327)	260,994,676	103,709,569
Share capital	21,275,131									
Reserves	52,308,742									
Unappropriated profit	88,785,900									
Surplus on revaluation of assets	70,244,060									
	232,613,833									

	2018									
	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	247,518,270	148,843,966	3,045,009	45,715,194	45,715,194	4,198,907	-	-	-	-
Balances with other banks	12,202,020	9,797,921	899,549	800,616	703,934	-	-	-	-	-
Lending to financial institutions	106,391,667	104,773,968	100,000	100,000	-	-	1,417,699	-	-	-
Investments	1,284,319,388	228,581,247	518,721,300	74,571,877	72,453,853	110,353,539	74,038,674	77,483,170	112,598,318	15,517,410
Advances	926,007,004	268,658,633	153,845,648	63,731,956	87,623,733	44,172,859	61,555,585	141,933,047	65,399,030	39,086,513
Fixed assets	53,859,883	-	-	-	825,594	2,760,199	825,593	1,452,666	-	47,995,831
Intangible assets	245,658	-	-	-	81,886	81,886	81,886	-	-	-
Other assets	168,022,298	33,224,664	53,167,095	12,181,685	3,169,730	51,909,434	11,958,391	2,411,299	-	-
	2,798,566,188	793,880,399	729,778,601	197,101,328	210,573,924	213,476,824	149,877,828	223,280,182	177,997,348	102,599,754
Liabilities										
Bills payable	9,944,178	4,582,707	346,059	263,711	4,467,402	284,299	-	-	-	-
Borrowings	392,739,396	359,775,652	19,111,863	10,036,682	252,115	137,518	-	113,425	3,312,141	-
Deposits and other accounts	2,011,385,201	600,692,427	87,023,660	281,536,280	288,413,100	249,499,932	248,713,086	254,280,249	1,226,467	-
Deferred tax liabilities	6,985,042	-	-	-	-	-	-	-	(4,087,385)	11,072,427
Other liabilities	170,643,836	44,399,685	64,686,470	11,792,470	2,321,784	28,670,923	3,869,852	7,547,452	3,677,600	3,677,600
	2,591,697,653	1,009,450,471	171,168,052	303,629,143	295,454,401	278,592,672	252,582,938	261,941,126	4,128,822	14,750,027
Net assets	206,868,535	(215,570,072)	558,610,549	(106,527,815)	(84,880,477)	(65,115,848)	(102,705,110)	(38,660,944)	173,868,525	87,849,727
Share capital	21,275,131									
Reserves	53,274,402									
Unappropriated profit	72,332,877									
Surplus on revaluation of assets	59,986,125									
	206,868,535									

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, fx 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. Nil per share (2018: Rs. Nil per share) amounting to Rs. Nil (2018: Rs. Nil) at its meeting held on February 28, 2020 for approval of the members at the annual general meeting to be held on March 24, 2020. These unconsolidated financial statements do not reflect this appropriation as explained in note 5.19.

49. CORRESPONDING FIGURES

Certain corresponding figures have been reclassified wherever necessary to confirm to the presentation adopted in the current year. Such reclassifications do not impact the Bank's previous year reported profit or equity.

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 February 28, 2020 by the Board of Directors of the Bank.

Zubyr Soomro Chairman	**Arif Usmani** President & CEO	**Abdul Wahid Sethi** Chief Financial Officer	**Muhammad Naeem** Director	**Imam Bakhsh Baloch** Director

Annexure - I

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2019

Rs. in 000

Sr. No.	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 (5+6+7)				
1	2	3	4	5	6	7	8	9	10	11	12
1	Muhammad Hayat Nasir Street Ahmad Faqeer Wali Near Mujahid Town Mianwali	Muhammad Hayat Nasir 38302-3075384-1	Malik Ali Muhammad	536	308	-	844	536	-	308	844
2	Asama Enterprises 210, 2ND Floor, Malla Plaza Multan Cantt. Multan	Mr. Shabbir Elahi Rana 36302-9515440-3	Mr. Asghar Elahi Rana	2,996	956	121	4,073	-	-	520	520
3	Khawar Naseer Baig House # 13 Mohallah Khan Colony Chungi No. 7, LMQ Road Multan	Mr. Khawar Naseer Baig 36302-7289487-5	Mirza Naseer Baig	2,100	864	180	3,144	-	-	645	645
4	Farooq Ahmed House # 149, Nemat Street Garden Town Multan	Mr. Farooq Ahmed 36302-0461756-5	Nemat Ali Khan	465	2,279	335	3,079	-	-	1,390	1,390
5	M/s Nadeem Textile Mills 890 - Ittefaq Pura Chungi # 14 Multan	Muhammad Naeem Iqbal 36302-8653737-1 Muhammad Nadeem Iqbal 36302-9994936-1	Haji Khushi Muhammad Haji Khushi Muhammad	-	1,665	105	1,770	-	-	1,217	1,217
6	Bhinder Traders Basiwal Guranwala C/o Zamindara Rice Mills Talwandi Musa Khan Distt Gujranwala.	Muhammad Bashir 34101-1317812-9 Muhammad Islam 34101-142167-9	Miraj Din Muhammad Bashir	-	605	5,438	6,043	-	-	2,598	2,598
7	Silk Route Transport Company General Bus Stand Jutial Gilgit	Col Karim Ahmad Shah 71501-4644425-3 Javed Wali 71502-2045149-3 Mirbaz Khan 71501-5375141-1	Shah Jahan Ghulam Wali Khan Mir Ahmad Khan	-	7,399	333	7,732	-	-	7,399	7,399
8	Tanveer Hassan H.No.CB=1028, Gali-6, Darus Salam,Dhoke Ziarat Kamalabad, Rawalpindi	Tanveer Hassan 37405-4789714-9	Manzoor Hussain	482	60	-	542	482	-	60	542
9	Muhammad Ramzan Dhoke Gujjran, P.O.Sadar, House No.460, Rawalpindi	Muhammad Ramzan 37405-5251018-3	Jan Muhammad Mughal	529	6	-	535	529	-	-	529
10	Zulkarnain Ali Shah Sheikhan Gul Ahmad Shah PO Bazar Ahmad Khan Bannu	Zulkarnain Ali Shah 11101-0487604-5	Syed Akber Ali Shah	582	7	-	589	582	-	7	589

Sr. No.	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 (5+6+7)				
11	(i) Murshid Cotton Ginning & Pressing Factory (ii) Hinglaj Oil Mill (iii)Dileep Kumar Fertilizer Survey No. 311 Nawabshah Road 6-B Dimtapa Rawtiani Taluka Sinjhoro District Sanghar	Ramesh Kumar 44203-9253012-5 Pehaj Mal 44203-6098905-7 Meero Mal 44203-2261716-1	Pehlaj Mal Geneso Mal Gawal Mal	17,603	23,893	-	41,496	-	-	1,407	1,407
12	Fakir Cotton ginning Pressing & Oil Mills Fakirabad Gambat Al Waheed House, FT # 2, 43, Rose Street, MCNeil Road, Cantt Karachi	F.S. ZAwwaruddin 42301-1541255-3 Iqtidar Uddin 42301-2230777-3 F.S.Aizazuddin 440-88-001410	F.S. Aizazuddin Fakir S. Aizazuddin F.S.Waheeduddin	-	9,477	-	9,477	-	-	2,367	2,367
13	G.M Fishries 1-B, Fish Harbour, West Wharf Road Karachi	M. Younus 42201-6461314-3 M.ahmood Yousuf 42201-4461513-3 Imran Mehmood 42201-2595267-5		-	4,748	-	4,748	-	-	2,173	2,173
14	Muhammad Arshad Band Road Mohallah, Masoom Pura Pindi Bhattian	Muhammad Arshad 34302-0129609-5	Muhammad Ashraf	619	37	-	656	619	-	37	656
15	Muhammad Farooq-e-Azam S/O Allah Bakhsh Thanda Pani,Islamabad	Muhammad Farooq-e-Azam 32402-7040301-5	Allah Bakhsh	311	298	-	609	311	-	298	609
16	Muhammad Iqbal S/o Muhammad Khan House No. 409 Street No. 02 Dhoke Sector-2 Bajora Phase - 8 Rawalpindi	Muhammad Iqbal 34402-1665065-3	Muhammad Khan	1,166	-	-	1,166	1,166	-	-	1,166
17	M/S Phoenix Metalware Toorabad, Daska Road Sialkot, Pakistan	Ms. Uzma Baig 34603-1726845-2 Shahnaz Akhtar 34603-3405569-6	Saleem Mirza Baig Shaheen Baig	-	-	4,934	4,934	-	-	3,900	3,900
18	Muhammad Yousaf Abid House No. 147 Faisal Colony No.1 Okara	Muhammad Yousaf Abid 35302-4458233-3	Shahadat	635	503	-	1,138	635	-	-	635
19	Late Imdad Ali Soomro Humal Muhallah Warrah, Dist: Kamber Shahdadkot.	Late Imdad Ali Soomro (Deceased) 43207-0809188-9	Ghulam Rasool Soomro	581	-	-	581	581	-	-	581
20	Muhammad Raziq (D) Mohallah Skar Koi, Danyore Gilgit	Muhammad Raziq (D) 71501-6096034-3	Shakoor Ali	516	175	-	691	516	-	-	516
21	M/S Malhi Travels House # 82, Block Y New Satellite Town Sargodha	Muhammad Azhar Malhi 38403-5972424-7	Muhammad Saleem	-	431	3,002	3,433	-	-	863	863
	Total			**29,121**	**53,711**	**14,448**	**97,280**	**5,957**	**-**	**25,189**	**31,146**

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

Annexure - II

ISLAMIC BANKING BUSINESS

The bank is operating 190 (2018: 192) Islamic banking branches and no Islamic banking windows at the year ended December 31, 2019.

		2019	2018
		---------- Rupees in '000 ----------	
ASSETS			
Cash and balances with treasury banks		**4,405,856**	4,649,968
Balances with other banks		**5,841**	4,319
Due from financial institutions	1	**11,419,496**	1,417,699
Investments	2	**19,416,280**	23,914,372
Islamic financing and related assets - net	3	**33,880,482**	26,827,280
Fixed assets		**174,862**	275,435
Right of use assets (ROUA)		**861,049**	-
Other assets		**5,888,864**	1,998,587
Total Assets		**76,052,730**	59,087,660
LIABILITIES			
Bills payable		**256,804**	228,382
Due to financial institutions		**-**	-
Deposits and other accounts	4	**63,285,896**	51,022,121
Due to head office		**2,784,801**	3,920,506
Lease liability against ROUA		**943,375**	-
Other liabilities		**3,767,018**	1,065,012
		71,037,894	56,236,021
NET ASSETS		**5,014,836**	2,851,639
REPRESENTED BY			
Islamic banking fund		**2,200,000**	2,200,000
Surplus / (deficit) on revaluation of assets		**775,696**	708,789
Unappropriated / unremitted profit / (loss)	6	**2,039,140**	(57,150)
		5,014,836	2,851,639

The profit and loss account of the Bank's Islamic banking branches for the year ended 2019 is as follows:

		2019	2018
		---------- Rupees in '000 ----------	
Profit / return earned	7	**7,144,877**	3,117,907
Profit / return expensed	8	**(3,284,831)**	(1,423,091)
Net profit / return		**3,860,046**	1,694,816
Other income			
Fee and commission income		**436,935**	285,190
Foreign exchange income		**105,951**	19,466
Other income		**1,006**	39,140
Total other income		**543,892**	343,796
Total income		**4,403,938**	2,038,612
Other expenses			
Operating expenses		**(2,440,512)**	(2,008,278)
Total other expenses		**(2,440,512)**	(2,008,278)
Profit / (loss) before provisions		**1,963,426**	30,334
Provisions and write offs - net		**75,714**	(87,484)
Profit / (loss) before taxation		**2,039,140**	(57,150)
Taxation		**-**	-
Profit / (loss) after taxation		**2,039,140**	(57,150)

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

		2019			2018		
		In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
		Rupees in '000					
1	**Due from Financial Institutions**						
	Secured						
	Unsecured						
	Bai Muajjal Receiveable from State Bank of Pakistan	**11,419,496**	**-**	**11,419,496**	1,417,699	-	1,417,699
		11,419,496	**-**	**11,419,496**	1,417,699	-	1,417,699

This represent Bai Muajjal agreement with Government of Pakistan and Statement Bank of Pakistan which carries profit rate 12.78% per annum. (2018: 12.82%)

		2019				2018			
		Cost / Amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
		Rupees in '000							
2	**Investments by segments:**								
	Federal Government Securities:								
	- Ijarah Sukuks	**2,000,000**	**-**	**(21,200)**	**1,978,800**	9,740,000		(56,116)	9,683,884
		2,000,000	**-**	**(21,200)**	**1,978,800**	9,740,000	-	(56,116)	9,683,884
	Non Government Debt Securities								
	- Listed	**4,400,000**	-	602,100	**5,002,100**	600,000	-	5,211	605,211
	- Unlisted	**12,371,391**	**(130,807)**	**194,796**	**12,435,380**	12,996,390	(130,807)	759,694	13,625,277
		16,771,391	**(130,807)**	**796,896**	**17,437,480**	13,596,390	(130,807)	764,905	14,230,488
	Total Investments	**18,771,391**	**(130,807)**	**775,696**	**19,416,280**	23,336,390	(130,807)	708,789	23,914,372

		Note	2019	2018
			Rupees in '000	
3	**Islamic financing and related assets**			
	Ijarah	3.1	**255,639**	436,069
	Murabaha	3.2	**1,716,542**	2,024,071
	Musawama		**22,243**	69,867
	Diminishing Musharaka		**15,869,641**	11,971,073
	Istisna		**-**	525,434
	Other Islamic Modes (Wakala tul Istismar)		**8,500,000**	8,500,000
	Advances against Islamic assets (Ijarah, Murbaha, DM, Istasna)		**7,180,631**	3,580,044
	Inventory related to Islamic financing (Istisna)		**539,349**	-
	Gross Islamic financing and related assets		**34,084,045**	27,106,558
	Less: provision against Islamic financings			
	- Specific		**(203,324)**	(278,995)
	- General		**(239)**	(283)
			(203,563)	(279,278)
	Islamic financing and related assets - net of provision		**33,880,482**	26,827,280

3.1 Ijarah

	2019						
	Cost			Depreciation			
	At January 1, 2019	Additions / (deletions)	As at December 31, 2019	At January 1, 2019	Charge for the year	As at December 31, 2019	Book Value as at December 31, 2019
	Rupees in '000						
Plant & Machinery	**738,959**	**28,958**	**449,702**	**356,592**	**110,354**	**178,289**	**271,413**
		(318,215)			**(288,657)**		
Vehicles	**153,536**	**-**	**83,185**	**99,834**	**50,777**	**98,959**	**(15,774)**
		(70,351)			**(51,652)**	**-**	**-**
Total	**892,495**	**28,958**	**532,887**	**456,426**	**161,131**	**277,248**	**255,639**
		(388,566)			**(340,309)**		

	2018						
	Cost			Accumulated depreciation			
	As at Jan 01, 2018	Additions / (deletions)	As at December 31, 2018	As at Jan 01, 2018	Charge for the year	As at December 31, 2018	Book Value as at December 31, 2018
	Rupees in '000						
Plant & Machinery	451,451	287,508	738,959	216,383	140,209	356,592	382,367
Vehicles	78,867	74,669	153,536	6,682	93,152	99,834	53,702
Total	530,318	362,177	892,495	223,065	233,361	456,426	436,069

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

Future Ijarah payments receivable

	2019				2018			
	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
Ijarah rental receivables	**86,070**	**217,069**	**-**	**303,139**	159,136	323,779	-	482,915

		Note	**2019**	2018
			Rupees in '000	
3.2	**Murabaha**			
	Murabaha financing	3.2.1	**1,716,542**	2,024,071
	Advances for Murabaha		**2,000,000**	2,102,566
			3,716,542	4,126,637

		Note	**2019**	2018
			Rupees in '000	
3.2.1	Murabaha receivable - gross	3.2.2	**1,835,295**	2,112,680
	Less: Deferred murabaha income	3.2.4	**71,105**	25,372
	Profit receivable shown in other assets		**47,648**	63,237
	Murabaha financings		**1,716,542**	2,024,071
3.2.2	The movement in Murabaha financing during the year is as follows:			
	Opening balance		**2,112,680**	1,299,670
	Sales during the year		**9,329,239**	9,048,097
	Adjusted during the year		**9,606,624**	8,235,087
	Closing balance		**1,835,295**	2,112,680
3.2.3	Murabaha sale price		**9,329,239**	9,048,097
	Murabaha purchase price		**8,842,127**	8,757,480
			487,112	290,617
3.2.4	Deferred murabaha income			
	Opening balance		**25,372**	40,769
	Arising during the year		**487,847**	268,985
	Less: Recognised during the year		**442,114**	284,382
	Closing balance		**71,105**	25,372

4	**Deposits**	**2019**			2018		
		In local currency	**In Foreign currencies**	**Total**	In local currency	In foreign currencies	Total
		Rupees in '000					
	Customers						
	Current deposits	**20,455,905**	**94,851**	**20,550,756**	16,286,985	60,170	16,347,155
	Savings deposits	**22,671,179**	**-**	**22,671,179**	26,885,268	-	26,885,268
	Term deposits	**12,720,085**	**-**	**12,720,085**	2,608,640	-	2,608,640
		55,847,169	**94,851**	**55,942,020**	45,780,893	60,170	45,841,063
	Financial Institutions						
	Current deposits	**815,386**	**-**	**815,386**	505,685	-	505,685
	Savings deposits	**3,028,490**	**-**	**3,028,490**	126,897	-	126,897
	Term deposits	**3,500,000**	**-**	**3,500,000**	4,548,476	-	4,548,476
		7,343,876	**-**	**7,343,876**	5,181,058	-	5,181,058
		63,191,045	**94,851**	**63,285,896**	50,961,951	60,170	51,022,121

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

		2019	2018
		---------- Rupees in '000 ----------	
4.1	**Composition of deposits**		
	- Individuals	**28,456,381**	23,931,004
	- Government / Public Sector Entities	**17,564,494**	16,962,630
	- Banking Companies	**7,339,558**	5,060,664
	- Non-Banking Financial Institutions	**4,318**	120,394
	- Private Sector	**9,921,145**	4,947,429
		63,285,896	51,022,121

4.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 31,851 million (2018: Rs. 26,139 million).

5 Charity Fund

Opening Balance	**1,059**	469
Additions during the period		
Received from customers on account of delayed payment	**11,852**	1,059
	12,911	1,528
Payments / utilization during the period		
Education	**-**	469
Health	**2,000**	-
Closing Balance	**10,911**	1,059
'Charity amount exceeding Rs. 0.5 million paid to the following organizations.		
The Indus Hospital	**1,000**	-
Sindh Institute of Urology and Transplantation (SIUT)	**1,000**	-
	2,000	-

6 Islamic Banking Business Unappropriated/ Unremitted Profit / (loss)

Opening Balance	**(57,150)**	(228,135)
Add: Islamic Banking profit / (loss) for the period	**2,039,140**	(57,150)
Less: Transferred / remitted to Head Office	**57,150**	228,135
Closing Balance	**2,039,140**	(57,150)

7 Profit/Return Earned of Financing, Investments and Placement

Profit earned on:		
Financing	**3,385,613**	1,663,027
Investments	**2,325,785**	1,428,950
Placements	**206,344**	16,977
Others (Bai Muajjal)	**1,227,135**	8,953
	7,144,877	3,117,907

8 Profit on Deposits and other Dues Expensed

Deposits and other accounts	**2,817,622**	965,496
Amortisation of lease liability against - ROUA	**91,487**	-
Others (General Account)	**375,722**	457,595
	3,284,831	1,423,091

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

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 (Rabbulmaal). The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. The entire net return after paying equity share to Mudarib is considered as distributable profit of the pool.

b) Special depositor pools (Total 43 during the year and 29 as at December 31, 2019)

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.

	2019	2018
Sector	---------- Percentage ----------	
Fertilizer	**2.16%**	3.14%
Textile	**6.48%**	3.40%
Fuel & energy	**41.72%**	45.13%
Leasing/Modarbas	**0.29%**	0.59%
Sugar	**5.88%**	4.03%
Cement	**10.54%**	13.67%
Gas	**2.57%**	3.13%
Financial	**4.87%**	1.81%
Federal Government	**17.43%**	19.20%
Others	**8.07%**	5.89%
Total	**100.0%**	100.0%

Notes to the Unconsolidated Financial Statements
For the year ended December 31, 2019

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-19
Mudarib Share	**Rupees in '000**
Gross Distributable Income	**4,731,636**
Mudarib (Bank) share of profit before Hiba	**1,778,374**
Mudarib Share in %age	**38%**
Hiba from Mudarib Share	
Mudarib (Bank) share of profit before Hiba	**1,778,374**
Hiba from bank's share to depositors	**241,201**
Hiba from bank's share to depositors in %age	**14%**

Profit rates

During the year the average profit rate earned by NBP Islamic Banking Group is 11.90% and the profit rate distributed to the depositors is 7.27%.

DIRECTORS' REPORT TO THE SHAREHOLDERS
CONSOLIDATED FINANCIAL STATEMENTS

We are pleased to present, on behalf of the Board of Directors, the consolidated financial statements of the Bank and its Subsidiaries for the year ended December 31, 2019.

Consolidated after-tax profit for the year ended December 31, 2019 amounted to PKR 16.65 billion which is 16.9% lower than PKR 20.04 billion for the corresponding year ended December 31, 2018. During this period, our group companies contributed PKR 0.84 billion to the Bank's consolidated profitability for the year. Consolidated assets of the Bank registered 11.7% growth and amounted to PKR 3,132.36 billion as of December 31, 2019 as against PKR 2,803.88 billion as of December 31, 2018. Consolidated Earnings per Share for the year under review amounted to Rs. 7.79 as against Rs. 9.36 for the year 2018.

The consolidated operating results and appropriation of profits is tabulated below:

	Rs. Million)
Pre-tax profit for the year ended December 31, 2019	28,978
Taxation:	
- Current	13,431
- Prior Year(s)	1,054
- Deferred	(2,154)
	12,331
After-tax profit for year ended December 31, 2019	**16,647**
Un-appropriated profit brought forward	76,240
Other comprehensive income - net of tax	(2,015)
Non-controlling interest	(65)
Transfer from surplus on revaluation of fixed assets	240
Transfer from loan loss reserves	4,000
Profit available for appropriations	**95,047**
Appropriation:	
Transfer to Statutory Reserve	(1,581)
Un-appropriated profit carried forward	93,466
Basic and diluted earnings per share	**Rs. 7.79**

For and on behalf of the Board of Directors

Arif Usmani
President & CEO
Karachi
Date: February 28, 2020

Imam Bakhsh Baloch
Director

Deloitte Yousuf Adil
Chartered Accountants
Cavish Court, KCHSU
Shahrah-e-Faisal
Karachi 75350, Pakistan

Grant Thornton Anjum Rahman
Chartered Accountants
1st & 3rd Floor, Modern Motors House
Beaumont Road
Karachi 75530, Pakistan

INDEPENDENT AUDITORS' REPORT

To the members of National Bank of Pakistan

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the annexed consolidated financial statements of **National Bank of Pakistan and its subsidiaries (the Group)**, which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of 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, 2019 and 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 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 obligations of the Group. Based on the opinion of the legal counsel, the Group is confident about the favorable outcome of this matter and hence, no provision has been made in these consolidated financial statements. Our opinion is not qualified in this respect.

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 year. 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 (impairment) of loans and advances** As disclosed in note 11 to the consolidated financial statements, gross loans and advances of the Group were Rs. 1,152 billion against which non-performing loans and advances (NPLs) were of Rs. 149 billion. As at December 31, 2019, the Group holds the provision of Rs. 135 billion against NPLs and Rs. 9 billion as general provision against performing loans. The carrying value of loans and advances to customers may be materially misstated, if provision is not appropriately identified and estimated as the determination of impairment provisions remains subjective and judgmental area in addition to objective criteria for classification of loans and advances as per Prudential Regulations. Furthermore, the Group is required to make provision, if any, identified by the regulator (SBP). We considered this as a key audit matter as the Group in addition to the following objective criteria also makes significant and subjective judgements and makes assumptions to determine the provision and the timing of recognition of such provision and their impact could be material to the consolidated financial statements.	For selected samples, we: • Updated our understanding and evaluated design and implementation of relevant controls; • evaluated borrowers through repayment behavior and assessment of financial strength based on the available financial statements, adequacy of security / collateral, electronic credit information bureau reports and compliance with Prudential Regulations; • evaluated the appropriateness of subjective evaluation made by management for performing parties; • ensured that any provision identified by the SBP was recognized; and • 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 Prudential Regulations. In addition to the above, on a sample basis, we also reviewed minutes of the meeting of credit and audit committees to identify risky exposures on which we performed the procedures as stated above. 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.
2.	**Valuation of listed equity shares, units of mutual funds and term finance certificates classified as available-for-sale** As disclosed in note 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. As per the Group's policy, listed equity shares and units of mutual funds are required to be considered for impairment when there is a significant or prolonged decline in the fair value of investments except where SBP relaxation has been obtained. Further, TFCs are required to be assessed for impairment as per the SBP's Prudential Regulations which involves subjective criteria. The significance of the investment amount, subjectivity involved and assumptions used in impairment make it significant to the consolidated financial statements. Therefore, we have considered this as a key audit matter.	On a sample basis, we have performed the following procedures: • each investment's cost was compared to its market value wherever available to determine decline / surplus in valuation; • checked whether, in case of listed equity shares and units of mutual funds classified as available for sale, impact of significant or prolonged decline was recognized consistently as per the policy of the Group as disclosed in note 5.24(c), and • For TFCs, checked that listed TFCs which were traded in were valued as per the quoted prices and for unlisted TFCs, we checked that these were valued at cost less provision. Further, on sample bases, TFCs were also evaluated based on evidence of deterioration in the financial health of the investee.

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

Management is responsible for other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' reports thereon and our review report on Code of Corporate Governance.

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 the fact. We have nothing to report in this regard.

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

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

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

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

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 event: 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.

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.

The engagement partners on the audit resulting in this independent auditors' report are Nadeem Yousuf Adil and Khaliq-ur-Rahman on behalf of Deloitte Yousuf Adil and Grant Thornton Anjum Rahman respectively.

Deloitte Yousuf Adil
Chartered Accountants

Grant Thornton Anjum Rahman
Chartered Accountants

Date: February 28, 2020
Place: Karachi

Consolidated Statement of Financial Position

As at December 31, 2019

2018	2019		Note	2019	2018
--- US Dollars in '000 ---				--- Rupees in '000 ---	
		ASSETS			
1,601,041	**1,893,462**	Cash and balances with treasury banks	7	**293,198,090**	247,917,421
84,275	**87,817**	Balances with other banks	8	**13,598,325**	13,049,725
687,073	**930,853**	Lendings to financial institutions	9	**144,140,344**	106,391,667
8,298,317	**9,314,991**	Investments	10	**1,442,403,957**	1,284,974,506
5,982,268	**6,512,200**	Advances	11	**1,008,398,612**	926,339,789
350,917	**354,668**	Fixed assets	12	**54,919,564**	54,338,676
5,534	**6,915**	Intangible assets	13	**1,070,766**	856,900
-	**48,095**	Right of use assets	14	**7,447,414**	-
1,097,967	**1,079,663**	Other assets	15	**167,183,196**	170,017,572
18,107,392	**20,228,664**			**3,132,360,268**	2,803,886,256
		LIABILITIES			
64,219	**128,303**	Bills payable	16	**19,867,424**	9,944,178
2,536,296	**3,046,591**	Borrowings	17	**471,757,352**	392,739,396
12,988,981	**14,194,501**	Deposits and other accounts	18	**2,197,984,573**	2,011,312,625
782	**1,255**	Liabilities against assets subject to finance lease	19	**194,403**	121,077
-	**50,575**	Lease liability against right of use assets	20	**7,831,350**	-
44,856	**70,194**	Deferred tax liabilities	21	**10,869,353**	6,945,767
1,109,232	**1,192,355**	Other liabilities	22	**184,633,258**	171,761,918
16,744,366	**18,683,774**			**2,893,137,713**	2,592,824,961
1,363,026	**1,544,890**	**NET ASSETS**		**239,222,555**	211,061,295
		REPRESENTED BY			
137,394	**137,394**	Share capital	23	**21,275,131**	21,275,131
345,131	**343,956**	Reserves	24	**53,260,789**	53,442,643
382,713	**454,373**	Surplus on revaluation of assets	25	**70,358,587**	59,262,177
492,352	**603,597**	Unappropriated profit		**93,465,516**	76,239,599
1,357,590	**1,539,320**			**238,360,023**	210,219,550
5,436	**5,570**	Non-controlling interest		**862,532**	841,745
1,363,026	**1,544,890**			**239,222,555**	211,061,295
		CONTINGENCIES AND COMMITMENTS	26		

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

Zubyr Soomro Chairman	**Arif Usmani** President & CEO	**Abdul Wahid Sethi** Chief Financial Officer	**Muhammad Naeem** Director	**Imam Bakhsh Baloch** Director

Consolidated Profit and Loss Account

For the year ended December 31, 2019

2018	2019		Note	2019	2018
US Dollars in '000				Rupees in '000	
969,845	**1,548,040**	Mark-up / return / interest earned	27	**239,710,290**	150,178,178
576,611	**1,082,073**	Mark-up / return / interest expensed	28	**167,556,408**	89,286,854
393,234	**465,967**	Net mark-up / return / interest income		**72,153,882**	60,891,324
		NON MARK-UP / INTEREST INCOME			
123,502	**131,850**	Fee and commission income	29	**20,416,642**	19,123,980
16,169	**20,015**	Dividend income		**3,099,277**	2,503,711
63,287	**40,817**	Foreign exchange income		**6,320,455**	9,799,855
25,451	**13,985**	Gain on securities - net	30	**2,165,524**	3,940,977
(2,158)	**(622)**	Share of loss from joint venture - net of tax		**(96,336)**	(334,149)
(228)	**241**	Share of profit / (loss) from associates - net of tax		**37,331**	(35,359)
17,278	**37,566**	Other income	31	**5,816,974**	2,675,429
243,301	**243,852**	Total non-markup / interest income		**37,759,867**	37,674,444
636,535	**709,819**	Total income		**109,913,749**	98,565,768
		NON MARK-UP / INTEREST EXPENSES			
369,618	**434,156**	Operating expenses	32	**67,228,062**	57,234,494
-	**-**	Workers welfare fund		**-**	-
1,589	**972**	Other charges	33	**150,585**	245,997
371,207	**435,128**	Total non-markup / interest expenses		**67,378,647**	57,480,491
265,328	**274,691**	Profit before provisions		**42,535,102**	41,085,277
72,365	**87,551**	Provisions and write offs - net	34	**13,557,101**	11,205,488
192,963	**187,140**	**PROFIT BEFORE TAXATION**		**28,978,001**	29,879,789
63,575	**79,632**	Taxation	35	**12,330,809**	9,844,489
129,388	**107,508**	**PROFIT AFTER TAXATION**		**16,647,192**	20,035,300
		Attributable to:			
128,599	**107,092**	Shareholders of the Bank		**16,582,705**	19,913,104
789	**416**	Non-controlling interest		**64,487**	122,196
129,388	**107,508**			**16,647,192**	20,035,300
US Dollars				Rupees	
0.06	**0.05**	**Basic earnings per share**	36	**7.79**	9.36
0.06	**0.05**	**Diluted earnings per share**	37	**7.79**	9.36

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

Zubyr Soomro Chairman	**Arif Usmani** President & CEO	**Abdul Wahid Sethi** Chief Financial Officer	**Muhammad Naeem** Director	**Imam Bakhsh Baloch** Director

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2019

2018	2019		2019	2018
------- US Dollars in '000 -------			---------- Rupees in '000 ---------	
129,388	**107,508**	Profit after taxation for the year	**16,647,192**	20,035,300
		Other comprehensive income		
		Items that may be reclassified to profit and loss account in subsequent periods:		
10,034	**14,448**	Exchange gain on translation of net assets of foreign branches, subsidiaries and joint venture	**2,237,165**	1,553,803
(66,918)	**65,249**	Movement in surplus on revaluation of investments - net of tax	**10,103,678**	(10,362,093)
(56,884)	**79,697**		**12,340,843**	(8,808,290)
		Items that will not be reclassified to profit and loss account in subsequent periods:		
1,006	**(13,015)**	Remeasurement (loss) / gain on defined benefit obligations - net of tax	**(2,015,359)**	155,785
130,850	**4,787**	Movement in surplus on revaluation of fixed assets - net of tax	**741,300**	20,261,759
(1,079)	**3,171**	Movement in surplus on revaluation of non-banking assets - net of tax	**490,984**	(167,095)
130,777	**(5,057)**		**(783,075)**	20,250,449
203,281	**182,148**	**Total comprehensive income**	**28,204,960**	31,477,459
		Total comprehensive income attributable to:		
202,492	**181,732**	Shareholders of the Bank	**28,140,473**	31,355,263
789	**416**	Non-controlling interest	**64,487**	122,196
203,281	**182,148**		**28,204,960**	31,477,459

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

Zubyr Soomro Chairman	**Arif Usmani** President & CEO	**Abdul Wahid Sethi** Chief Financial Officer	**Muhammad Naeem** Director	**Imam Bakhsh Baloch** Director

Consolidated Statement of Changes In Equity

For the year ended December 31, 2019

	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, 2017	21,275,131	7,779,628	29,586,362	12,000,000	521,338	49,887,328	25,511,867	24,120,568	49,632,435	58,069,393	178,864,287	811,427	179,675,714
Profit after taxation for the year ended December 31, 2018	-	-	-	-	-	-	-	-	-	19,913,104	19,913,104	122,196	20,035,300
Other comprehensive income - net of tax	-	1,553,803	-	-	-	1,553,803	(10,362,093)	20,094,664	9,732,571	155,785	11,442,159	-	11,442,159
Transfer to statutory reserve	-	-	2,001,512	-	-	2,001,512	-	-	-	(2,001,512)	-	-	-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(102,829)	(102,829)	102,829	-	-	-
Transactions with owners, recorded directly in equity													
Cash dividend (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(91,878)	(91,878)
Balance as at December 31, 2018	**21,275,131**	**9,333,431**	**31,587,874**	**12,000,000**	**521,338**	**53,442,643**	**15,149,774**	**44,112,403**	**59,262,177**	**76,239,599**	**210,219,550**	**841,745**	**211,061,295**
Profit after taxation for the year ended December 31, 2019	-	-	-	-	-	-	-	-	-	16,582,705	16,582,705	64,487	16,647,192
Other comprehensive income - net of tax	-	2,237,165	-	-	-	2,237,165	10,103,678	1,232,284	11,335,962	(2,015,359)	11,557,768	-	11,557,768
Transfer to statutory reserve	-	-	1,580,981	-	-	1,580,981	-	-	-	(1,580,981)	-	-	-
Transfer from loss loan reserve to unappropriated profit				(4,000,000)		(4,000,000)				4,000,000	-		-
Transfer from surplus on revaluation of assets to unappropriated profit - net of tax	-	-	-	-	-	-	-	(239,552)	(239,552)	239,552	-	-	-
Transactions with owners, recorded directly in equity													
Cash dividend (Rs. Nil per share)	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividend paid / profit distribution by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(43,700)	(43,700)
Balance 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**	**93,465,516**	**238,360,023**	**862,532**	**239,222,555**

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

Zubyr Soomro
Chairman

Arif Usmani
President & CEO

Abdul Wahid Sethi
Chief Financial Officer

Muhammad Naeem
Director

Imam Bakhsh Baloch
Director

Consolidated Cash Flow Statement

For the year ended December 31, 2019

2018	2019		Note	2019	2018
US Dollars in '000				Rupees in '000	
		CASH FLOW FROM OPERATING ACTIVITIES			
192,963	**187,140**	Profit before taxation		**28,978,001**	29,879,789
(16,169)	**(20,015)**	Less: Dividend income		**(3,099,277)**	(2,503,711)
176,794	**167,125**			**25,878,724**	27,376,078
		Adjustments:			
15,849	**29,426**	Depreciation		**4,556,537**	2,454,182
2,097	**2,117**	Amortization		**327,882**	324,680
72,365	**87,551**	Provision and write-offs	34	**13,557,101**	11,205,488
(893)	**(242)**	Gain on sale of fixed assets - net		**(37,487)**	(138,248)
125	**5,033**	Finance charges on leased assets		**779,389**	19,313
142	**(244)**	Unrealized (gain) / loss on revaluation of investments classified as held-for-trading		**(37,826)**	22,024
39,154	**48,790**	Charge for defined benefit plans - net		**7,555,006**	6,062,970
2,158	**622**	Share of loss from joint venture - net of tax		**96,336**	334,149
228	**(241)**	Share of (profit) / loss from associates - net of tax		**(37,331)**	35,359
131,225	**172,812**			**26,759,607**	20,319,917
308,019	**339,937**			**52,638,331**	47,695,995
		(Increase) / decrease in operating assets			
(469,982)	**(293,506)**	Lendings to financial institutions		**(45,448,677)**	(72,775,554)
3,443,655	**749,298**	Held-for-trading securities		**116,027,034**	533,241,763
(1,308,253)	**(609,910)**	Advances		**(94,443,135)**	(202,579,778)
428,776	**(8,553)**	Others assets (excluding advance taxation)		**(1,324,368)**	66,394,985
2,094,196	**(162,671)**			**(25,189,146)**	324,281,417
		Increase / (decrease) in operating liabilities			
(20,994)	**64,084**	Bills payable		**9,923,246**	(3,250,877)
89,301	**495,361**	Borrowings from financial institutions		**76,705,422**	13,828,071
1,835,698	**1,205,520**	Deposits		**186,671,948**	284,253,379
(364,841)	**41,532**	Other liabilities		**6,431,150**	(56,494,695)
1,539,164	**1,806,497**			**279,731,766**	238,335,878
(125)	**(5,033)**	Financial charges paid		**(779,389)**	(19,313)
(65,482)	**(76,952)**	Income tax paid		**(11,915,809)**	(10,139,762)
(18,069)	**(10,444)**	Benefits paid		**(1,617,201)**	(2,797,928)
3,857,703	**1,891,334**	Net cash flow from operating activities		**292,868,552**	597,356,287
		CASH FLOW FROM INVESTING ACTIVITIES			
(3,517,409)	**(717,306)**	Net investments in available-for-sale securities		**(111,073,149)**	(544,662,351)
44,134	**(947,841)**	Net investments in held-to-maturity securities		**(146,770,958)**	6,834,009
16,169	**20,015**	Dividends received		**3,099,277**	2,503,711
(15,267)	**(15,795)**	Investments in fixed assets		**(2,445,874)**	(2,364,112)
2,036	**583**	Proceeds from sale of fixed assets		**90,430**	314,984
10,034	**14,448**	Effect of translation of net investment in foreign branches		**2,237,165**	1,553,803
(3,460,303)	**(1,645,896)**	Net cash flow used in investing activities		**(254,863,109)**	(535,819,956)
		CASH FLOW FROM FINANCING ACTIVITIES			
(303)	**(422)**	Payments of finance lease obligations		**(65,294)**	(46,879)
-	**(13,699)**	Payments of lease liability against right of use asset		**(2,121,214)**	-
(164)	**(14)**	Dividend paid		**(2,200)**	(25,319)
(467)	**(14,135)**	Net cash flow from / (used in) financing activities	38.1	**(2,188,708)**	(72,198)
396,933	**231,303**	**Increase in cash and cash equivalents**		**35,816,735**	61,464,133
1,081,939	**1,478,872**	Cash and cash equivalents at beginning of the year		**228,999,744**	167,535,611
1,478,872	**1,710,175**	Cash and cash equivalents at end of the year	38	**264,816,479**	228,999,744

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

Zubyr Soomro	**Arif Usmani**	**Abdul Wahid Sethi**	**Muhammad Naeem**	**Imam Bakhsh Baloch**
Chairman	President & CEO	Chief Financial Officer	Director	Director

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

1. THE GROUP AND ITS OPERATIONS

1.1 The "Group" consists of:

Holding Company

		Percentage Holding	
		2019	2018
Subsidiary Companies		%	%
-	National Bank of Pakistan (the Bank)		
-	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). It's 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 1,509 (2018: 1,504) branches in Pakistan and 21 (2018: 21) overseas branches (including the Export Processing Zone branch, Karachi). The Bank also provides services in respect of Endowment Fund for student loans 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 19 branches (2018: 15 branches) and 1 booth (2018: Nil).

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. 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.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

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 Alexandra Fund Management Private Limited (a member of Fullerton Fund Management Group, Singapore). 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) of the 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, 2019 NBP Funds is managing the following funds and discretionary portfolio;

		Type of Fund
-	NBP Income Opportunity Fund	Open end Fund
-	NBP Islamic Savings Fund	Open end Fund
-	NBP Savings Fund	Open end Fund
-	NBP Islamic Mahana Amdani Fund	Open end Fund
-	NBP Riba Free Savings Fund	Open end Fund
-	NBP Financial Sector Income Fund	Open end Fund
-	NBP Government Securities Savings Fund	Open end Fund
-	NBP Active Allocation Riba Free Savings Fund	Open end Fund
-	NBP Islamic Money Market Fund	Open end Fund
-	NBP Mahana Amdani Fund	Open end Fund
-	NBP Government Securities Liquid Fund	Open end Fund
-	NBP Money Market Fund	Open end Fund
-	NBP Stock 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 Financial Sector Fund	Open end Fund
-	NBP Islamic Sarmaya Izafa Fund	Open end Fund
-	NBP Sarmaya Izafa Fund	Open end Fund
-	NBP Islamic Regular Income Fund	Open end Fund
-	NBP Balanced Fund	Open end Fund
-	NBP Islamic Daily Dividend Fund	Open end Fund
-	NAFA Islamic Active Allocation Fund-VIII	Open end Fund
-	NAFA Islamic Active Allocation Fund-VII	Open end Fund
-	NBP Government Securities Plan - I	Open end Fund
-	NAFA Islamic Principal Protected Fund-I	Open end Fund
-	NAFA Islamic Principal Protected Fund-II	Open end Fund
-	NAFA Pension Fund	Open end Fund
-	NAFA Islamic Pension Fund	Open end Fund

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

		Type of Fund
-	NBP Islamic Capital Preservation Plan - V	Open end Fund
-	NBP Islamic Capital Preservation Plan - IV	Open end Fund
-	NAFA Islamic Principal Preservation Fund	Open end Fund
-	NBP Aitemaad Education Plan	Open end Fund
-	NBP Aitemaad Wedding Plan	Open end Fund
-	NBP Aitemaad Wealth Plan	Open end Fund
-	NBP Aitemaad Retirement Plan	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 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. 154.8476 to 1 US Dollar has been used for 2018 and 2019 as it was the prevalent rate as on December 31, 2019.

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 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;

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

- 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.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

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.

3.3 The SECP, through SRO 220(I)/2019 dated February 14, 2019, has notified that IFRS 9, Financial Instruments, is applicable for accounting periods ending on or after June 30, 2019. However, based on the guidance received from the SBP, the requirements of IFRS 9 have not been considered for Pakistan operations of the Group in preparation of these consolidated financial statements. However, Group is required to submit its pro-forma consolidated financial statements based on IFRS-9 to 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, 2019

The following standards, amendments and interpretations are effective for the year ended December 31, 2019. 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:

- Amendments to IAS 28 'Investments in Associates and Joint Ventures' Long-term interests in Associates and Joint Ventures. Effective from accounting period beginning on or after January 01, 2019.
- Amendments to IAS 19 ‘Employee Benefits’. Plan amendment, curtailment or settlement. Effective from accounting period beginning on or after January 01, 2019.
- IFRIC 23 'Uncertainty over Income Tax Treatments'. Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. Effective from accounting period beginning on or after January 01, 2019.
- During the current period, IFRS 16, Leases, became applicable for the Group. The impact of the adoption of IFRS 16 on the consolidated financial statements is disclosed in note 6.1.

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 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	Effective date is deferred indefinitely earlier adoption is permitted
Amendments to References to the Conceptual Framework in IFRS	January 01, 2020
Amendments to IFRS 3 ‘Business Combinations’ Amendment in the definition of business’	January 01, 2020
Amendments to IAS 1 ‘Presentation of Financial Statements’ and IAS 8 ‘Accounting Policies, Changes in Accounting Estimates and Errors’. Clarify the definition of ‘Material’ and align the definition used in the Conceptual Framework and the Standards	January 01, 2020

There are certain new and amended standards and interpretations that are mandatory for the Group's accounting periods beginning on or after January 1, 2020 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.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

3.5.3 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

3.5.4 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 the consolidated financial statements of the Group 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 are consistent in preparation of these consolidated financial statement with those of the previous financial year except as disclosed in note 6 of the notes to consolidated financial statements.

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 or loss 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 or 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 and balances with other banks in current and deposit accounts and call money lendings, less call money borrowings and overdrawn nostro accounts.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

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 investment in subsidiaries, associates and joint venture, 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 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.

5.5.1 Bai Muajjal

Bai Muajjal transactions represents sales of Sukuks on a deferred payment basis and are shown in lendings to financial institutions.

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 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 an age based criteria (as supplemented by subjective evaluation of advances by the Group) for classification of non-performing loans and advances and computing provision / allowance there against. Such regulations also require the Group to maintain general provision / allowance 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.

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. 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. Cost of fixed assets of foreign branches include exchange differences arising on translation at 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 is charged from the month in which the assets are brought into use and no depreciation is charged for the month the assets are disposed.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

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, and adjusted if appropriate, at each statement of financial position date.

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

- Any revaluation increase arising on the revaluation of such assets is recognised in 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 the fixed assets revaluation reserve 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 deferred taxation 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; and

- 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. These are transferred to specific assets as and when assets are available for use.

5.9.3 Impairment

The carrying values of operating 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, operating 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 Intangible assets

Intangible assets are stated at cost less accumulated amortization and impairment losses, if any. Amortization is charged to income applying the straight-line method at the rates stated in note 13. 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.

5.11 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 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 through statement of comprehensive income and any deficit, if any, arising on revaluation, after adjusting the amount of revaluation surplus outstanding against each asset as at the date of revaluation, is taken to the profit and loss account. Legal fees, transfer costs and direct costs of acquiring title to property is charged to profit and loss account and not capitalised.

5.12 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.

5.13 Taxation

5.13.1 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.

5.13.2 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 income 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 income tax asset to be utilised.

Deferred income 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 in surplus on revaluation of assets is charged / credited to such account.

5.14 Employee benefits

5.14.1 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.

5.14.2 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.

5.14.3 Defined contribution plan

The Group also operates an approved funded provident fund scheme covering all its employees. Equal monthly contributions are made by the Group and employees to the fund in accordance with the fund rules.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

5.14.4 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.

5.15 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 operating 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.

5.16 Net investment in lease finance

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 lease finance is recognised at an amount equal to the aggregate of minimum lease payment including any guaranteed residual value and excluding unearned finance income, write-offs and provision for doubtful lease finances, if any.

5.17 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 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 other comprehensive income.

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

Commitments for outstanding forward foreign exchange contracts are disclosed in these 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 prevaliling at the consolidated statement of financial position date.

5.18 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.

5.19 Off setting

Financial assets and financial liabilities are only set off and the net amount is reported in the 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.

5.20 Fiduciary assets

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

5.21 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.

5.22 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, 2019.

5.23 Segment reporting

A segment is a distinguishable component of the Group that is engaged in business activities (business segment), within a particular economic environment (geographical segment). The Group's chief operating decision maker reviews the results and assesses performance of these segments separately.

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 of these consolidated financial statements.

Business segments

The Group is operating following business lines for monitoring and reporting purpose:

I. **Branch Banking** consists of loans, deposits and other banking services to individuals, agriculture, consumers, SME and commercial customers.

II. **Corporate & Investment Banking** consists of lending for project finance, trade finance and working capital to corporate customers,

III. **Treasury** consists of proprietary trading, fixed income, equity, derivatives and foreign exchange business. Also includes credit, lending and funding activities with professional market counterparties.

IV. **International Financial Institution & Remittance** is considered as a separate segment for monitoring and reporting purpose and consists of the Bank's operations outside of Pakistan.

V. **Aitemaad and Islamic Banking;** for monitoring and reporting purpose Islamic Banking has also been reported separately as a separate business segment.

VI. **Head Office / Others** includes corporate items and business results not shown separately in one of the above segment.

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

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

5.24 Accounting estimates and judgments

The preparation of 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 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 is 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 would be 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 emboying 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.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

6. CHANGE IN ACCOUNTING POLICY

6.1 The Group has adopted IFRS 16 from January 1, 2019 using the modified retrospective restatement approach and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

On adoption of IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 01, 2019. The weighted average lessee's incremental borrowing rate applied by Group to the lease liabilities range from 4.1% to 15.13%. For the foreign agreement, the Group has applied incremental rate of borrowing of 6.54%.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- 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 interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, 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.

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, and
- restoration costs.

The Group leases various offices / branches for the purpose of its operational activities. Rental contracts are typically made for fixed periods of 1 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.

Until the 2018 financial year, leases of property were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to statement of profit or loss on a straight-line basis over the period of the lease.

From January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

The effect of this change in accounting policy is as follows:

	December 31, 2019	January 1, 2019
	---------- Rupees in '000 ----------	
Impact on consolidated statement of financial position		
Increase in fixed assets - right-of-use assets	7,447,414	8,192,029
Decrease in other assets - advances, deposits, advance rent and other prepayments	(154,681)	(282,586)
Increase in total assets	7,292,733	7,909,443
Increase in other liabilities - lease liability against right-of-use assets	(7,831,350)	(7,909,443)
(Decrease) in exchange translation reserves	124,469	-
Decrease in net assets	(414,148)	-

	January - December 2019
	Rupees in '000
Impact on consolidated profit and loss account	
Increase in mark-up expense - lease liability against right-of-use assets	(734,741)
(Increase) / decrease in administrative expenses:	
- Depreciation on right-of-use assets	(1,939,932)
- Rent expense	1,997,279
Decrease in profit before tax	(677,394)
Decrease in tax	263,246
Decrease in profit after tax	(414,148)

6.2 IFRS 15 introduces a single five step revenue recognition model for all contracts with customers, unless those contracts are in the scope of other standards and, accordingly, has superseded IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to customers. The adoption of IFRS 15 does not have any material impact on the consolidated financial statements of the Group.

	Note	2019	2018
		---------- Rupees in '000 ----------	
7. CASH AND BALANCES WITH TREASURY BANKS			
In hand			
Local currency		48,684,542	39,696,873
Foreign currency		4,984,290	4,661,530
		53,668,832	44,358,403
With State Bank of Pakistan in			
Local currency current accounts	7.1	168,479,311	130,186,419
Foreign currency current accounts	7.2	9,116,381	7,029,780
Foreign currency deposit accounts	7.2	27,850,977	21,240,971
Foreign currency collection accounts		1,473,861	1,812,339
		206,920,530	160,269,509
With other central banks in			
Foreign currency current accounts	7.3	25,994,672	41,438,832
Foreign currency deposit accounts	7.3	4,865,977	1,455,866
		30,860,649	42,894,698
Prize bonds		1,748,079	394,812
		293,198,090	247,917,421

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 2.17% per annum (2018: 0% to 0.75% per annum).

	Note	2019	2018
		Rupees in '000	
8. BALANCES WITH OTHER BANKS			
In Pakistan			
In current accounts		**10,446**	25,813
In deposit accounts	8.1	**178,710**	155,631
		189,156	181,444
Outside Pakistan			
In current accounts		**6,670,289**	7,107,914
In deposit accounts	8.2	**6,738,880**	5,760,367
		13,409,169	12,868,281
		13,598,325	13,049,725

8.1 These include various deposits with banks and carry interest at rates ranging from 2.5% to 11.25% per annum (2018: 4% to 9.25% per annum).

8.2 These include various deposits with correspondent banks and carry interest at rates ranging from 0% to 2.17% per annum (2018: 0% to 2.16% per annum).

	Note	2019	2018
		Rupees in '000	
9. LENDINGS TO FINANCIAL INSTITUTIONS			
Call / clean money lendings	9.1	**540,800**	8,240,800
Repurchase agreement lendings (Reverse Repo)	9.2	**132,180,048**	96,733,168
Bai Muajjal receivable with State Bank of Pakistan	9.3	**11,419,496**	1,417,699
Letters of placement	9.4	**176,150**	176,150
	9.5	**144,316,494**	106,567,817
Less: provision held against lendings to financial institutions	9.6	**(176,150)**	(176,150)
Lendings to financial institutions - net of provision		**144,140,344**	106,391,667

9.1 This includes zero rate lendings to a financial institution Rs. 40.8 million (2018: Rs. 40.8 million) which is guaranteed by the SBP.

9.2 These carry mark-up at rates ranging from 13.00% to 13.58% per annum (2018: 8.45% to 10.41% per annum) with maturities ranging from January 2, 2020 to January 17, 2020.

9.3 This represents Bai Muajjal agreement entered into with SBP and carries mark-up average rate of 12.57% (2018: 6.33%) per annum.

9.4 These are overdue placements and full provision has been made against these placements as at December 31, 2019.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

		2019	2018
		---------- Rupees in '000 ----------	
9.5	**Particulars of lending**		
	In local currency	**144,316,494**	106,567,817
	In foreign currencies	**-**	-
		144,316,494	106,567,817
9.6	**Movement in provision held against lendings is as follows:**		
	Opening balance	**176,150**	176,150
	Charge for the year	**-**	-
	Closing balance	**176,150**	176,150

9.7 Securities held as collateral against lending to financial institutions

	2019			2018		
	Held by Group	**Further given as collateral**	**Total**	Held by Group	Further given as collateral	Total
	---------- Rupees in '000 ----------					
Market Treasury Bills	**124,080,048**	**-**	**124,080,048**	70,283,168	-	70,283,168
Pakistan Investment Bonds	**8,100,000**	**-**	**8,100,000**	26,450,000	-	26,450,000
Total	**132,180,048**	**-**	**132,180,048**	96,733,168	-	96,733,168

9.7.1 Market value of the securities under repurchase agreement lendings amounts to Rs. 132,453 million (2018: Rs. 95,739 million).

9.8 Category of classification

	2019		2018	
	Classified Lending	**Provision held**	Classified Lending	Provision held
	---------- Rupees in '000 ----------			
Domestic				
Loss	**176,150**	**176,150**	176,150	176,150
Total	**176,150**	**176,150**	176,150	176,150

10. INVESTMENTS

10.1 Investments by type:

	Note	2019				2018			
		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		27,007,755	-	(24,649)	26,983,106	149,885,647	-	(973)	149,884,674
Pakistan Investment Bonds		9,116,239	-	15,695	9,131,934	2,333,574	-	(67)	2,333,507
Ijarah Sukuks		71,299	-	-	71,299	-	-	-	-
Ordinary shares of listed companies		178,596	-	(2,042)	176,554	158,277	-	197	158,474
Investment In mutual funds		138,305	-	48,822	187,127	404,747	-	(21,181)	383,566
Foreign Government Securities		1,154,220	-	-	1,154,220	971,052	-	-	971,052
		37,666,414	-	37,826	37,704,240	153,753,297	-	(22,024)	153,731,273
Available-for-sale securities									
Market Treasury Bills		593,936,881	-	967,544	594,904,425	592,215,863	-	(28,707)	592,187,156
Pakistan Investment Bonds		322,248,605	-	(1,961,853)	320,286,752	207,581,489	-	(12,318,101)	195,263,388
Ijarah Sukuks		2,000,000	-	(21,200)	1,978,800	9,789,374	-	(56,116)	9,733,258
Ordinary shares of listed companies	10.13/10.14	29,062,226	(5,723,164)	18,467,531	41,806,593	26,042,551	(3,978,334)	17,017,036	39,081,253
Ordinary shares of unlisted companies		2,101,182	(507,573)	-	1,593,609	2,005,182	(410,893)	-	1,594,289
Preference shares		570,214	(490,826)	-	79,388	570,535	(433,444)	(11,155)	125,936
Term Finance Certificates / Musharika and Sukuk Bonds		60,253,886	(4,942,505)	941,278	56,252,659	58,787,773	(4,761,669)	2,264,936	56,291,040
GoP Foreign Currency Bonds		21,138,771	-	1,337,759	22,476,530	25,462,626	-	(515,692)	24,946,934
Foreign Government Securities		3,474,324	-	17,527	3,491,851	968,567	-	(148,117)	820,450
Foreign Currency Debt Securities		1,408,492	-	13,779	1,422,271	1,551,903	-	(94,342)	1,457,561
Investments in mutual funds		674,078	(41,167)	1,324,745	1,957,656	819,646	(40,642)	1,248,405	2,027,408
Ordinary shares of a bank outside Pakistan	10.7	463,294	-	18,368,462	18,831,756	463,295	-	15,570,989	16,034,284
		1,037,331,953	(11,705,235)	39,455,572	1,065,082,290	926,258,804	(9,624,982)	22,929,135	939,562,957
Held-to-maturity securities									
Market Treasury Bills		114,155,009	-	-	114,155,009	69,967	-	-	69,967
Pakistan Investment Bonds		184,864,103	-	-	184,864,103	157,492,035	-	-	157,492,035
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates		416,707	(407,134)	-	9,573	696,956	(412,384)	-	284,572
GoP Foreign Currency Bonds		4,087,591	-	-	4,087,591	2,859,233	-	-	2,859,233
Foreign Government Securities		30,231,741	-	-	30,231,741	25,866,066	-	-	25,866,066
Foreign Currency Debt Securities		596	-	-	596	532	-	-	532
		333,755,747	(407,134)	-	333,348,613	186,984,789	(412,384)	-	186,572,405
Associates	10.9/10.10	1,223,080	(782,251)	-	440,829	1,190,599	(626,069)	-	564,531
Joint Venture	10.12	5,827,985	-	-	5,827,985	4,543,339	-	-	4,543,339
Subsidiaries	10.15	1,245	(1,245)	-	-	1,245	(1,245)	-	-
Total Investments		1,415,806,424	(12,895,866)	39,493,398	1,442,403,957	1,272,732,074	(10,664,680)	22,907,111	1,284,974,506

10.2 **Investments by segments:**

	Note	2019 Cost / Amortised cost	2019 Provision for diminution	2019 Surplus / (Deficit)	2019 Carrying Value	2018 Cost / Amortised cost	2018 Provision for diminution	2018 Surplus / (Deficit)	2018 Carrying Value
		Rupees in '000							
Federal Government Securities:									
Market Treasury Bills		**735,099,645**	**-**	**942,895**	**736,042,540**	742,171,477	-	(29,680)	742,141,797
Pakistan Investment Bonds		**516,228,947**	**-**	**(1,946,158)**	**514,282,789**	367,407,098	-	(12,318,168)	355,088,930
Ijarah Sukuks		**2,071,299**	**-**	**(21,200)**	**2,050,099**	9,789,374	-	(56,116)	9,733,258
		1,253,399,891	**-**	**(1,024,463)**	**1,252,375,428**	1,119,367,949	-	(12,403,964)	1,106,963,985
Shares									
Listed Companies	10.13/10.14	**29,240,822**	**(5,723,164)**	**18,465,489**	**41,983,147**	26,200,828	(3,978,334)	17,017,233	39,239,727
Unlisted Companies		**2,101,182**	**(507,573)**	**-**	**1,593,609**	2,005,182	(410,893)	-	1,594,289
		31,342,004	**(6,230,737)**	**18,465,489**	**43,576,756**	28,206,010	(4,389,227)	17,017,233	40,834,016
Non Government Debt Securities									
Listed		**22,471,459**	**(971,908)**	**405,860**	**21,905,411**	16,143,890	(971,906)	-	15,171,984
Unlisted		**38,199,134**	**(4,377,731)**	**535,418**	**34,356,821**	43,340,839	(4,202,147)	2,264,936	41,403,628
		60,670,593	**(5,349,640)**	**941,278**	**56,262,232**	59,484,729	(5,174,053)	2,264,936	56,575,612
Foreign Securities									
GoP Foreign Currency Bonds		**25,226,362**	**-**	**1,337,759**	**26,564,121**	28,321,859	-	(515,692)	27,806,167
Foreign Government Securities		**34,860,285**	**-**	**17,527**	**34,877,812**	27,805,685	-	(148,117)	27,657,568
Foreign Currency Debt Securities		**1,409,088**	**-**	**13,779**	**1,422,867**	1,552,435	-	(94,342)	1,458,093
		61,495,735	**-**	**1,369,065**	**62,864,800**	57,679,979	-	(758,151)	56,921,828
Preference shares		**570,214**	**(490,826)**	**-**	**79,388**	570,535	(433,444)	(11,155)	125,936
Investments in mutual funds		**812,383**	**(41,167)**	**1,373,567**	**2,144,783**	1,224,393	(40,642)	1,227,224	2,410,974
Ordinary shares of a bank outside Pakistan	10.7	**463,294**	**-**	**18,368,462**	**18,831,756**	463,295	-	15,570,989	16,034,284

		2019				2018			
		Cost/ Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value	Cost / Amortised cost	Provision for diminution	Surplus / (Deficit)	Carrying Value
		Rupees in '000							
Associates									
-Listed									
First Credit and Investment Bank Limited		208,089	(106,429)	-	101,660	208,760	(106,429)	-	102,331
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		467,163	(156,183)	-	310,980	434,010	-	-	434,010
	10.9	982,556	(569,916)	-	412,640	950,074	(413,733)	-	536,341
-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	(16,627)	-	28,188	44,815	(16,627)	-	28,188
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	(212,336)	-	28,188	240,524	(212,336)	-	28,188
	10.10	1,223,080	(782,251)	-	440,829	1,190,599	(626,069)	-	564,531
Joint Venture									
United National Bank Limited	10.12	5,827,985	-	-	5,827,985	4,543,339	-	-	4,543,339
Subsidiaries									
Cast-N-Link Products Limited	10.15	1,245	(1,245)	-	-	1,245	(1,245)	-	-
Total Investments		1,415,806,424	(12,895,866)	39,493,398	1,442,403,957	1,272,732,074	(10,664,680)	22,907,111	1,284,974,506

10.2.1 Investments given as collateral

	2019	2018
	---------- Rupees in '000 ----------	
Pakistan Investment Bonds	**4,150,000**	9,500,000
Market Treasury Bills	**360,000,000**	274,350,000
	364,150,000	283,850,000

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
Listed									
First Credit and Investment Bank Limited	20,000,000	30.77	Pakistan	June 30, 2019	1,385,301	666,708	116,844	9,517	(3,658)
National Fibres Limited	17,030,231	20.19	Pakistan	-	-	-	-	-	-
Land Mark Spinning Mills Limited	3,970,859	32.79	Pakistan	June 30, 2019	192,322	244,272	-	(2,042)	10,359
SG Allied Businesses Limited	3,754,900	25.03	Pakistan	June 30, 2019	553,295	420,585	4,624	(16,307)	(4,179)
Nina Industries Limited	4,906,000	20.27	Pakistan	-	-	-	-	-	-
Agritech Limited	106,014,565	27.01	Pakistan	December 31, 2018	46,209,442	51,097,983	4,533,316	(3,343,673)	(3,343,799)
NBP Stock Fund	31,347,444	3.16	Pakistan	June 30, 2019	12,122,129	226,870	(2,380,792)	(2,848,721)	(2,848,721)
Unlisted									
Pakistan Emerging Venture Limited	12,500,000	33.33	Pakistan	June 30, 2018	1,369	345	-	(445)	(445)
National Fructose Company Limited	1,300,000	39.50	Pakistan	N/A*	-	-	-	-	-
Venture Capital Fund Management	33,333	33.33	Pakistan	N/A	-	-	-	-	-
Kamal Enterprises Limited	11,000	20.37	Pakistan	N/A	-	-	-	-	-
Mehran Industries Limited	37,500	32.05	Pakistan	N/A	-	-	-	-	-
National Assets Insurance Company Limited	4,481,500	8.96	Pakistan	December 31, 2018	635,639	5,670	39,357	8,589	8,722
Tharparkar Sugar Mills Limited	2,500,000	21.52	Pakistan	N/A	-	-	-	-	-
Youth Investment Promotion Society	644,508	25.00	Pakistan	N/A	-	-	-	-	-
Dadabhoy Energy Supply Company Limited	9,900,000	23.11	Pakistan	N/A	-	-	-	-	-
K-Agricole Limited	5,000	20.00	Pakistan	N/A	-	-	-	-	-
New Pak Limited	200,000	20.00	Pakistan	N/A	-	-	-	-	-
Pakistan Mercantile Exchange Limited	10,653,860	33.98	Pakistan	June 30, 2019	2,965,814	2,956,654	318,976	52,347	52,347
Prudential Fund Management Limited	150,000	20.00	Pakistan	N/A	-	-	-	-	-

10.2.3 Joint Venture	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
United National Bank Limited	20,250,000	45.00	United Kingdom	December 31, 2019	104,276,425	88,290,229	2,217,629	(214,079)	1,614,231

10.2.4 Subsidiaries

Cast-N-Link Products Limited	1,245,000	76.51	Pakistan	N/A*	-	-	-	-	-

* Not available

	2019	2018
	---------- Rupees in '000 ----------	
10.3 Provision for diminution in value of investments		
Opening balance	**10,664,680**	10,521,310
Charge / reversals		
Charge for the year	**2,615,328**	1,514,109
Reversals for the year	**(384,142)**	(1,370,739)
	2,231,186	143,370
Closing Balance	**12,895,866**	10,664,680

10.3.1 Particulars of provision against debt securities

Category of classification	2019		2018	
	NPI	**Provision**	NPI	Provision
	---------- Rupees in '000 ----------			
Domestic				
Doubtful	**426,170**	**213,086**	-	-
Loss	**5,145,314**	**5,136,554**	5,182,817	5,174,053
Total	**5,571,484**	**5,349,640**	5,182,817	5,174,053

10.4 Movement Schedule for Associates and Joint Venture

	2019								
	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	Closing balance
	----------Rupees in '000----------								
Joint Venture									
United National Bank Limited	4,543,339	-	-	-	(96,336)	537,644	118,429	724,909	5,827,985
	4,543,339	-	-	-	(96,336)	537,644	118,429	724,909	5,827,985
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	32,105	-	-	-	-	-	-	-	32,105
Pakistan Mercantile Exchange Limited	106,539	-	-	-	-	-	-	-	106,539
Listed									
First Credit and Investment Bank Limited	208,760	-	-	(6,000)	4,178	-	-	1,149	208,089
Land Mark Spining Mills Limited	39,710			-	-	-	-	-	39,710
S.G. Fibres Limited	218,534	-	-	-	-	-	-	-	218,534
Nina Industries Limited	49,060	-	-	-	-	-	-	-	49,060
Agritech Limited	-	-	-	-	-	-	-	-	-
NBP Stock Fund	434,010	-	-	-	33,153	-	-	-	467,163
	1,190,599	-	-	(6,000)	37,331	-	-	1,149	1,223,080

	2018								
	Opening Balance	Addition	Disposal	Dividend paid	Share of profit / (loss) for the year - net of tax	Exchange Transalatio n Reserve	Surplus (deficit) on Revaluation Properties	Surplus (deficit) on Revaluation Securities	Closing Balance
	----------Rupees in '000 ----------								
Joint Venture									
United National Bank Limited	4,966,604	-	-	-	(334,149)	563,057	-	(652,174)	4,543,339
	4,966,604	-	-	-	(334,149)	563,057	-	(652,174)	4,543,339
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	205,974	-	-	-	3,915	-	-	(1,130)	208,760
Land Mark Spining Mills Limited	39,710	-	-	-	-	-	-	-	39,710
S.G. Fibres Limited	218,534	-	-	-	-	-	-	-	218,534
Nina Industries Limited	49,060	-	-	-	-	-	-	-	49,060
Agritech Limited	-	-	-	-	-	-	-	-	-
NPB Stock Fund	473,284	-	-	-	(39,274)	-	-	-	434,010
	1,227,086	-	-	-	(35,359)	-	-	(1,130)	1,190,599

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

10.5 Quality of available for sale securities

Details regarding quality of available for sale securities are as follows

	2019	2018
	Rupees in '000	
Federal government securities - government guaranteed		
Market Treasury Bills	**593,936,881**	592,215,863
Pakistan Investment Bonds	**322,248,605**	207,581,489
Ijarah Sukuks	**2,000,000**	9,789,374
Cost	**918,185,486**	809,586,726
Shares		
Listed companies sector-wise		
Automobile Assembler	**212,858**	78,753
Automobile Parts & Accessories	**757,309**	848,644
Cable and Electrical Goods	**249,604**	235,374
Cement	**2,876,794**	1,976,437
Chemical	**261,598**	297,650
Commercial Banks	**2,874,502**	2,915,297
Engineering	**670,867**	680,678
Fertilizer	**1,539,023**	1,716,509
Food and Personal Care	**1,359,655**	1,347,825
Glass and Ceramics	**73,016**	73,016
Insurance	**980,165**	1,015,885
Investment Banks / Investment companies / Securities companies	**378,282**	223,376
Leasing Companies	**21,891**	21,891
Leather and Tanneries	**189,470**	215,712
Modarabas	**120**	120
Oil and Gas Exploration Companies	**2,357,129**	520,332
Oil and Gas Marketing Companies	**5,799,864**	5,794,620
Paper and Board	**172,695**	299,373
Pharmaceuticals	**361,833**	465,244
Power Generation and Distribution	**2,778,748**	2,791,685
Real Estate Investment Trust	**586,526**	583,581
Refinery	**1,253,494**	1,253,494
Sugar and Allied Industries	**288,527**	288,527
Synthetic and Rayon	**91,980**	91,980
Technology and Communication	**993,620**	950,961
Textile Composite	**1,242,681**	690,218
Textile Spinning	**485,713**	514,186
Textile Weaving	**25,854**	-
Transport	**32,385**	32,385
Vanaspati and Allied Industries	**58,890**	31,665
Woollen	**647**	647
Miscellaneous	**86,486**	86,486
	29,062,226	26,042,551

	2019		2018	
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**	4,784	331,931
Gelcaps Pakistan Limited	**4,665**	**9,801**	4,665	25,340
Pakistan Agriculture Storage Service Corporation	**5,500**	**109,831**	5,500	109,831

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

Unlisted companies	2019		2018	
	Cost	Breakup value	Cost	Breakup value
	Rupees in '000			
Al Ameen Textile	327	N/A*	327	N/A
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	N/A	6,500	N/A
Atlas Power Limited	375,000	1,130,503	375,000	822,501
Attock Textile Mills Limited	200	N/A	200	N/A
Bunny's Limited	235,200	140,743	235,200	128,556
Pakistan Mortgage Refinance Company Limited	600,000	608,951	600,000	400,950
F.T.C. Management Company Private Limited	250	36,908	250	34,657
Fauji Akbar Portia Marines Terminal Limited	321,076	515,937	321,076	171,350
Fauji Oil Terminals and Distribution Limited	10,886	69,747	10,886	45,199
First Women Bank Limited	21,100	71,946	21,100	71,946
Fortune Securities Limited	5,000	7,408	5,000	8,975
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	43,979	30,346	36,058
Junaid Cotton Mills Limited	327	N/A	327	N/A
Kaisar Arts and Krafts Limited	8,395	N/A	8,395	N/A
Kaytex Mills Limited	3,778	N/A	3,778	N/A
Mian Mohammad Sugar Mills Limited	15	N/A	15	N/A
Muslim Ghee Mills Limited	1,810	N/A	1,810	N/A
Myfip Video Industries Limited	5,373	N/A	5,373	N/A
National Asset Leasing Corporation Limited	14	N/A	14	N/A
National Construction Limited	250	597	250	597
National Institution of Facilitation Technology (Private) Limited	1,526	71,187	1,526	71,187
National Investment Trust Limited	100	832,931	100	1,796
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	24,983	100	24,983
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
Rishabh Metals & Chemicals Private Limited	4,589	N/A	4,589	N/A
Rousch Power Pakistan Limited	132,888	1,269,793	132,888	1,175,636
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 Ind.	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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

Unlisted companies	2019 Cost	2019 Breakup value	2018 Cost	2018 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) Ltd	**50,000**	**147,332**	50,000	N/A
Pakistan Corporate Restucturing Co. Ltd	**96,000**	**N/A**	-	-
	2,101,182		2,005,182	

	2019	2018
	Rupees in '000	
Debt Securities		
Listed		
- AAA	**1,547,830**	1,897,847
- AA+, AA, AA-	**7,739,909**	4,472,877
- A+, A, A-	**299,880**	419,073
- Unrated	**12,855,892**	9,326,145
Cost	**22,443,511**	16,115,942
Unlisted		
- AAA	**23,554,109**	5,805,117
- AA+, AA, AA-	**801,000**	-
- A+, A, A-	**500,000**	495,299
- Unrated	**12,955,266**	36,371,414
Cost	**37,810,375**	42,671,830

Foreign Securities

Government Securities	2019 Cost	2019 Rating	2018 Cost	2018 Rating
	Rupees in '000			
USA	**3,474,324**	**AA+**	968,567	AA+

	2019	2018
	Rupees in '000	
	Cost	
Non Government Debt Securities		
Listed		
- A2 / BBB+	**1,408,492**	1,551,903

* Not available

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

		2019	2018
		--------- Rupees in '000 ---------	
10.6	**Particulars relating to Held to Maturity securities are as follows:**		
	Federal Government Securities - Government guaranteed		
	Market Treasury Bills	**114,155,009**	69,967
	Pakistan Investment Bonds	**184,864,103**	157,492,035
		299,019,112	157,562,002
	Debt securities		
	Listed		
	- AA+, AA, AA-	**27,948**	27,948
	Unlisted		
	- A+, A, A-	**-**	100,000
	- Unrated	**388,759**	569,008
		388,759	669,008

Foreign Securities

	2019		2018	
	Cost	**Rating**	Cost	Rating
	---------- Rupees in '000 ----------			
Government Securities				
Azerbaijan	**484,683**	**BB+**	568,321	BB+
Bangladesh	**24,741,528**	**BB-**	22,116,609	BB-
Kyrgyzstan	**1,400,585**	**B2**	1,115,602	B2
Kingdom of Saudi Arabia	**2,302,369**	**A+**	2,065,534	A+
Korea	**671,179**	**AA**	-	-
Tajikistan	**631,397**	**Unrated**	-	-
	30,231,741		25,866,066	

		2019	2018
		--------- Rupees in '000 ---------	
		Cost	
	Non Government Debt Securities		
	Listed		
	- Unrated	**596**	532

10.6.1 The market value of securities classified as held-to-maturity as at December 31, 2019 amounted to Rs. 328,496 million (2018: Rs. 172,378 million).

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

The Bank holds 30,333,333 (2018: 30,333,333) shares in Bank Al-Jazira (BAJ) incorporated in the Kingdom of Saudi Arabia, representing 3.7% (2018: 3.7%) holding in total equity of BAJ. The investment has been marked to market using closing price as quoted on the Saudi Stock Exchange in accordance with SBP concurrence vide letter No. BSD/SU-13/331/685/2006 dated February 17, 2006. BAJ's Viability Rating is BB+ with short term and long term IDR at BBB+ by Fitch Rating Agency.

10.8 The 94,273,510 (2018: 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, 2019 amounted to Rs. 4.23 per share resulting in an impairment of Rs. 3,217 million (2018: Rs. 3,167 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.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

10.9 Aggregate market value of investment in associates (quoted) on the basis of quoted prices amounts to Rs. 1,014 million (2018: Rs. 1,267 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, 2018**	**56,464**
Pakistan Emerging Venture Limited	**June 30, 2018**	**341**
Pakistan Mercantile Exchange Limited	**June 30, 2019**	**3,112**

10.12 Investment in joint venture

	Note	2019	2018
		Rupees in '000	
United National Bank Limited (UNBL)	10.1 / 10.2 / 10.12.1	**5,827,985**	4,543,339
(Incorporated in United Kingdom)			

10.12.1 Under a joint venture agreement, the Group 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 Group 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 Group or UBL as appropriate. Dividends payable on "C" and "D" shares are related to loans transferred to the venture by the Group 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 (2018: 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, 2019 amounts to Rs. 8,741 million. These shares can not be sold without concurrence of privatization commission.

10.15 Investments in subsidiaries

	2019	2018
	Rupees in '000	
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 0.000040% of the total assets of the Bank and the investment have been fully provided for, has not consolidated the financial statements of CNL.

11. ADVANCES

	Note	Performing		Non Performing		Total	
		2019	2018	**2019**	2018	**2019**	2018
		Rupees in '000					
Loans, cash credits, running finances, etc.		**936,301,542**	879,848,642	**142,383,652**	128,064,393	**1,078,685,194**	1,007,913,034
Islamic financing and related assets		**33,880,111**	26,741,733	**203,934**	364,825	**34,084,045**	27,106,558
Net Investment in finance lease	11.1	**71,576**	80,543	**28,944**	53,048	**100,520**	133,591
Bills discounted and purchased		**32,463,246**	19,294,694	**6,760,524**	6,068,698	**39,223,770**	25,363,392
Advances - gross	11.2	**1,002,716,475**	925,965,612	**149,377,054**	134,550,963	**1,152,093,529**	1,060,516,575
Provision against advances							
- Specific		**-**	-	**134,688,966**	126,969,680	**134,688,966**	126,969,680
- General		**9,005,951**	7,207,106	**-**	-	**9,005,951**	7,207,106
	11.4	**9,005,951**	7,207,106	**134,688,966**	126,969,680	**143,694,917**	134,176,786
Advances - net of provision		**993,710,524**	918,758,506	**14,688,088**	7,581,283	**1,008,398,612**	926,339,789

11.1 Net Investment in Finance Lease

	2019				2018			
	Not later than one year	**Later than one and less than five years**	**Over five years**	**Total**	Not later than one year	Later than one and less than five years	Over five years	Total
	Rupees in '000							
Lease rentals receivable	**62,474**	**10,434**	**-**	**72,908**	79,987	27,840	-	107,826
Residual value	**47,934**	**9,617**	**-**	**57,551**	43,479	16,477	-	59,956
Minimum lease payments	**110,408**	**20,051**	**-**	**130,459**	123,465	44,317	-	167,782
Financial charges for future periods	**29,146**	**793**	**-**	**29,939**	31,680	2,510	-	34,190
Present value of minimum lease payments	**81,262**	**19,258**	**-**	**100,520**	91,785	41,807	-	133,591

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

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 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 19.46% (2018: 10.19% to 14.47%) per annum.

		2019	2018
		Rupees in '000	
11.2	**Particulars of advances (Gross)**		
	In local currency	**1,052,162,269**	969,830,010
	In foreign currencies	**99,931,260**	90,686,565
		1,152,093,529	1,060,516,575

11.3 Advances include Rs. 149,377 million (2018: Rs. 134,551 million) which have been placed under non-performing status as detailed below:

Category of Classification	2019		2018	
	Non Performing Loans	**Provision**	Non Performing Loans	Provision
	Rupees in '000			
Domestic				
Other Assets Especially Mentioned	**1,299,042**	**78,430**	1,281,567	64,543
Substandard	**10,292,449**	**2,550,709**	3,783,451	923,008
Doubtful	**6,489,076**	**3,207,031**	1,448,149	689,033
Loss	**89,852,808**	**88,647,897**	88,113,131	86,856,965
	107,933,375	**94,484,067**	94,626,299	88,533,549
Overseas				
Not past due but impaired	**-**	**-**	-	-
Overdue by:				
181 to 365 days	**-**	**-**	733,217	355,579
> 365 days	**41,443,678**	**40,204,898**	39,191,446	38,080,551
	41,443,678	**40,204,898**	39,924,663	38,436,130
Total	**149,377,054**	**134,688,966**	134,550,963	126,969,680

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

11.4 Particulars of provision against advances

	Note	2019 Specific	2019 General	2019 Total	2018 Specific	2018 General	2018 Total
		Rupees in '000					
Opening balance		**126,969,680**	**7,207,106**	**134,176,786**	111,347,775	6,515,068	117,862,843
Exchange adjustments		**3,813,805**	**28,732**	**3,842,537**	7,701,151	111,207	7,812,358
Charge for the year		**11,501,956**	**2,018,117**	**13,520,073**	14,178,781	1,330,247	15,509,029
Reversals		**(4,730,294)**	**(248,004)**	**(4,978,298)**	(5,987,047)	(749,416)	(6,736,463)
		6,771,662	**1,770,113**	**8,541,775**	8,191,734	580,831	8,772,565
Amounts written off	11.5	**(33,004)**	**-**	**(33,004)**	(12,118)	-	(12,118)
Amounts charged off - agriculture financing	11.4.1.3	**(232,480)**	**-**	**(232,480)**	(261,281)	-	(261,281)
Amount charged off international branches		**(1,776,734)**	**-**	**(1,776,734)**	-	-	-
Amount charged off international subsidiaries		**(91,274)**	**-**	**(91,274)**	-	-	-
Other transfer		**-**	**-**	**-**	-	-	-
Other adjustments		**(220,744)**	**-**	**(220,744)**	2,419	-	2,419
Other movement		**(511,946)**	**-**	**(511,946)**	-	-	-
Closing balance		**134,688,966**	**9,005,951**	**143,694,917**	126,969,680	7,207,106	134,176,786

11.4.1 Particulars of provision against advances

	2019 Specific	2019 General	2019 Total	2018 Specific	2018 General	2018 Total
	Rupees in '000					
In local currency	**94,792,396**	**8,550,136**	**103,342,532**	88,533,549	6,949,252	95,482,801
In foreign currencies	**39,896,570**	**455,815**	**40,352,385**	38,436,131	257,851	38,693,982
	134,688,966	**9,005,951**	**143,694,917**	126,969,680	7,207,106	134,176,786

11.4.1.1 The Group maintains general reserve (provision) in accordance with the applicable requirements of the Prudential Regulations for Consumer Financing and Prudential Regulations for Small and Medium Enterprise Financing issued by the SBP.

The Group has also maintained general provision of Rs. 2,500 million (2018: Rs. 2,500 million) in respect of its corporate portfolio on prudent basis. This general provision is in addition to the requirements of Prudential Regulations.

11.4.1.2 The SBP has allowed specific relaxation to the Bank for non-classification of overdue loans of certain Public Sector Entities (PSEs) which are guaranteed by Government of Pakistan as non-performing loans up till December 31, 2019.

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.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

		Note	2019	2018
			Rupees in '000	
11.5	**Particulars of write-offs**			
11.5.1	Against provisions	11.5.2	**33,004**	12,118
11.5.2	Write-offs of Rs. 500,000 and above			
	- Domestic	11.6	**5,957**	1,835
	Write-offs of below Rs. 500,000		**27,047**	10,283
			33,004	12,118

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 is given in Annexure-I.(except where such disclosure is restricted by overseas regulatory authorities).

		Note	2019	2018
			Rupees in '000	
12.	**FIXED ASSETS**			
	Capital work-in-progress	12.1	**2,162,985**	1,934,605
	Property and equipment	12.2	**52,756,579**	52,404,071
			54,919,564	54,338,676
12.1	**Capital work-in-progress**			
	Civil works		**2,001,776**	1,863,208
	Equipment		**15,446**	15,884
	Advances to suppliers and contractors		**58,372**	55,513
	License and implementation fee for core banking software		**40,491**	-
	Software		**46,900**	-
			2,162,985	1,934,605

2.2 Property and equipment

	2019												
	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, 2019													
Cost / revalued amount	20,108,882	18,684,751	6,467,259	3,966,370	5,237,005	4,098,782	5,193,669	1,291,719	320,066	10,578	100,040	309,717	65,788,836
Accumulated depreciation	-	-	(662,736)	(564,104)	(3,395,037)	(3,764,282)	(4,014,031)	(467,014)	(199,608)	(1,413)	(40,566)	(275,974)	(13,384,765)
Net book value	20,108,882	18,684,751	5,804,523	3,402,267	1,841,968	334,499	1,179,638	824,705	120,458	9,165	59,474	33,743	52,404,071
Year ended December 2019													
Opening net book value	20,108,882	18,684,751	5,804,523	3,402,267	1,841,968	334,499	1,179,638	824,705	120,458	9,165	59,474	33,743	52,404,071
Additions	-	-	-	53,360	719,081	126,613	609,719	132,091	138,620	-	-	-	1,779,484
Movement in surplus on assets revalued	-	566,789	-	86,281	-	-	-	-	-	-	-	-	653,070
Disposals - cost	-	-	-	-	(16,371)	(5,439)	(7,160)	(142,479)	(36,420)	(950)	(2,779)	(8,338)	(219,936)
Depreciation charge	-	-	(286,590)	(174,792)	(687,820)	(312,550)	(577,403)	(341,028)	(35,648)	(1,037)	(2,979)	(6,049)	(2,425,896)
Depreciation adjustment - disposal	-	-	-	-	13,644	4,953	6,001	115,602	17,040	928	2,325	6,500	166,993
Exchange rate adjustments	-	-	-	12,204	19,719	24,013	21,177	1,444	-	-	-	-	78,557
Other adjustments / transfers - cost	-	111,330	-	206,943	(120)	2,197	4,137	32,344	(32,091)	-	-	-	324,740
Other adjustments / transfers - depreciation	-	-	-	(4)	163	(1,270)	(3,269)	(18,008)	17,882	-	-	-	(4,506)
Closing 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
At December 31, 2019													
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
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	

	2018												
	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, 2018													
Cost / revalued amount	11,209,212	10,380,661	3,038,553	2,924,333	4,455,020	3,790,289	4,606,682	1,180,618	250,271	950	259,577	492,614	42,588,779
Accumulated depreciation	-	-	(555,423)	(467,128)	(2,781,536)	(3,326,294)	(3,498,396)	(333,163)	(204,088)	(821)	(174,502)	(399,319)	(11,740,670)
Net book value	11,209,212	10,380,661	2,483,130	2,457,205	1,673,484	463,995	1,108,286	847,455	46,183	129	85,075	93,295	30,848,109
Year ended December 2018													
Opening net book value	11,209,212	10,380,661	2,483,130	2,457,205	1,673,484	463,995	1,108,286	847,455	46,183	129	85,075	93,295	30,848,109
Additions	-	-	4,307	23,514	790,005	313,945	602,224	380,150	101,529	9,628	-	-	2,225,302
Movement in surplus on assets revalued	8,917,543	8,304,090	3,425,617	939,428	-	-	-	-	-	-	-	-	21,586,678
Disposals - cost	(17,874)	-	(1,218)	(1,107)	(8,401)	(5,656)	(15,809)	(269,493)	(31,734)	-	(78,384)	(182,897)	(612,573)
Depreciation charge	-	-	(107,313)	(97,852)	(620,252)	(443,035)	(520,762)	(324,143)	(18,407)	(592)	(8,562)	(19,792)	(2,160,709)
Depreciation adjustment - disposal	-	-	-	876	6,867	5,212	5,035	190,479	22,887	-	61,344	143,137	435,837
Exchange rate adjustments	-	-	-	80,203	-	-	-	-	-	-	-	-	80,203
Other adjustments / transfers - cost	-	-	-	-	380	204	573	443	-	-	(81,153)	-	(79,553)
Other adjustments / transfers - depreciation	-	-	-	-	(117)	(166)	92	(187)	-	-	81,154	-	80,776
Closing net book value	20,108,882	18,684,751	5,804,523	3,402,267	1,841,968	334,499	1,179,638	824,705	120,458	9,165	59,474	33,743	52,404,071
At December 31, 2018													
Cost / revalued amount	20,108,882	18,684,751	6,467,259	3,966,370	5,237,005	4,098,782	5,193,669	1,291,719	320,066	10,578	100,040	309,717	65,788,836
Accumulated depreciation	-	-	(662,736)	(564,104)	(3,395,037)	(3,764,282)	(4,014,031)	(467,014)	(199,608)	(1,413)	(40,566)	(275,974)	(13,384,765)
Net book value	20,108,882	18,684,751	5,804,523	3,402,267	1,841,968	334,499	1,179,638	824,705	120,458	9,165	59,474	33,743	52,404,071
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	

During the year ended December 31, 2019, land and building were revalued. The basis of revaluations were desk scope valuations and were carried by RBS associates Pvt. Limited (PBA registered valuer) resulting in surplus of Rs. 653 million. For the purpose of the value assessment, factors like commercial value, location, utilization, nature of title etc. were kept in mind.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

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	Buyer Name
	----------Rupees in '000----------						
Office Equipment	90	56	56	-	As per entitlement	Ex-Employee	Zahid Mahmood Chaudry
Office Equipment	35	35	35	-	As per entitlement	Ex-Employee	Waseem Akhtar Khan
Office Equipment	15	13	13	-	As per entitlement	Ex-Employee	Qurban Ali Kunbhar
Office Equipment	50	38	38	-	As per entitlement	Ex-Employee	Muhammad Nusrat Ilyas
Office Equipment	50	33	33	-	As per entitlement	Ex-Employee	Muhammad Naeemullah Jan
Office Equipment	15	13	13	-	As per entitlement	Ex-Employee	Qurban Ali Kunbhar
Office Equipment	50	31	31	-	As per entitlement	Ex-Employee	Jawed Anwar Khan
Office Equipment	128	58	58	-	As per entitlement	Ex-Employee	Shahid Saeed
Office Equipment	145	0	0	-	As per entitlement	Ex-Employee	Shahid Saeed
Office Equipment	286	0	0	-	As per entitlement	Ex-Employee	Shahid Saeed
Office Equipment	93	0	0	-	As per entitlement	Ex-Employee	Shahid Saeed
Office Equipment	74	9	9	-	As per entitlement	Ex-Employee	Qamar Hussain
Office Equipment	95	28	28	-	As per entitlement	Ex-Employee	Qamar Hussain
Office Equipment	50	25	25	-	As per entitlement	Ex-Employee	Basharat Ali
Office Equipment	50	5	5	-	As per entitlement	Ex-Employee	Aziz Ur Rehman Khan
Office Equipment	15	0	0	-	As per entitlement	Ex-Employee	Farrukh Saeed Khan
	1,240	**345**	**345**	**-**			
Electrical Installations	720	120	120	-	As per entitlement	Ex-Employee	Mudassir Husain Khan
Electrical Installations	800	693	693	-	As per entitlement	Ex-Employee	Qamar Hussain
	1,520	**813**	**813**	**-**			
Computer Equipment	97	0	10	10	As per entitlement	Employee	Qaisar Alam
Computer Equipment	285	214	214	-	As per entitlement	Ex-Employee	Kausar Iqbal Malik
Computer Equipment	64	0	6	6	As per entitlement	Employee	Gurbuksh Rajpal
Computer Equipment	102	0	10	10	As per entitlement	Ex-Employee	Sarfaraz Ahmed
Computer Equipment	93	5	5	-	As per entitlement	Ex-Employee	Aziz Ur Rehman Khan
Computer Equipment	102	0	0	-	As per entitlement	Ex-Employee	Farrukh Saeed Khan
	743	**219**	**245**	**26**			
Furniture and fixtures	175	29	29	-	As per entitlement	Ex-Employee	Waseem Bashir
Furniture and fixtures	150	13	13	-	As per entitlement	Ex-Employee	Muhammad Azhar Khan
Furniture and fixtures	150	22	22	-	As per entitlement	Ex-Employee	Pervaiz Iqbal
Furniture and fixtures	500	158	158	-	As per entitlement	Ex-Employee	Shehzad A Shami
Furniture and fixtures	175	69	69	-	As per entitlement	Ex-Employee	Zahra Kausar
Furniture and fixtures	150	4	4	-	As per entitlement	Ex-Employee	Ian Saeed
Furniture and fixtures	175	15	15	-	As per entitlement	Ex-Employee	Muhammad Anwar Shinwari
Furniture and fixtures	175	76	76	-	As per entitlement	Ex-Employee	Maqsood Ahmed Rashad
Furniture and fixtures	175	16	16	-	As per entitlement	Ex-Employee	Ali Ahmed Panezal
Furniture and fixtures	150	11	11	-	As per entitlement	Ex-Employee	Ali Asghar Channa
Furniture and fixtures	175	42	42	-	As per entitlement	Ex-Employee	Muhammad Saleem Baig
Furniture and fixtures	150	10	10	-	As per entitlement	Ex-Employee	Muhammad Azharulla
Furniture and fixtures	150	15	15	-	As per entitlement	Ex-Employee	Muhammad Ayub Bhatti
Furniture and fixtures	300	74	74	-	As per entitlement	Ex-Employee	Ansar Raza Goraha

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

Particulars of property and equipment	Original Cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of Purchaser	Buyer Name
	----------Rupees in '000----------						
Furniture and fixtures	150	69	69	-	As per entitlement	Ex-Employee	Atif Najam
Furniture and fixtures	150	9	9	-	As per entitlement	Ex-Employee	Abid Akhtar
Furniture and fixtures	175	16	16	-	As per entitlement	Ex-Employee	Farrukh Wazir
Furniture and fixtures	175	15	15	-	As per entitlement	Ex-Employee	Tariq Bin Hanif
Furniture and fixtures	150	41	41	-	As per entitlement	Ex-Employee	Imdad Ali Babar
Furniture and fixtures	150	14	14	-	As per entitlement	Ex-Employee	Ghulam Dastagir
Furniture and fixtures	150	8	8	-	As per entitlement	Ex-Employee	Muhammad Farooq
Furniture and fixtures	175	13	13	-	As per entitlement	Ex-Employee	Sikandar Hayat
Furniture and fixtures	150	9	9	-	As per entitlement	Ex-Employee	Ghulam Ali Memon
Furniture and fixtures	150	8	8	-	As per entitlement	Ex-Employee	Khalid Mehmood
Furniture and fixtures	150	90	90	-	As per entitlement	Ex-Employee	Muhammad Saeed Noor
Furniture and fixtures	175	31	31	-	As per entitlement	Ex-Employee	Samuel Robin
Furniture and fixtures	175	26	26	-	As per entitlement	Ex-Employee	Muhammad Hassain Rin
Furniture and fixtures	175	7	7	-	As per entitlement	Ex-Employee	Jaffer Hussain Shah
Furniture and fixtures	150	8	8	-	As per entitlement	Ex-Employee	Tajammal Hussain Zafar
Furniture and fixtures	150	41	41	-	As per entitlement	Ex-Employee	Bashir Ahmed Rahojo
Furniture and fixtures	175	97	97	-	As per entitlement	Ex-Employee	Qurban Ali Kunbhar
Furniture and fixtures	150	41	41	-	As per entitlement	Ex-Employee	Muhammad Tanveer Khan
Furniture and fixtures	150	25	25	-	As per entitlement	Ex-Employee	Tariq Hussain
Furniture and fixtures	150	70	70	-	As per entitlement	Ex-Employee	Ghulam Haider Shaikh
Furniture and fixtures	175	47	47	-	As per entitlement	Ex-Employee	Syed Kazim Raza
Furniture and fixtures	150	69	69	-	As per entitlement	Ex-Employee	Seema Masood
Furniture and fixtures	175	28	28	-	As per entitlement	Ex-Employee	Javed Anwar Khan
Furniture and fixtures	150	9	9	-	As per entitlement	Ex-Employee	Liaqat Ali Junejo
Furniture and fixtures	175	58	58	-	As per entitlement	Ex-Employee	Muhammad Naeemullah Jan
Furniture and fixtures	150	6	6	-	As per entitlement	Ex-Employee	Jawed Masood
Furniture and fixtures	150	7	7	-	As per entitlement	Ex-Employee	Muhammad Azam Khan
Furniture and fixtures	150	9	9	-	As per entitlement	Ex-Employee	Syed Nigha Hussain Shah
Furniture and fixtures	150	53	53	-	As per entitlement	Ex-Employee	Muhammad Khalid Khanzada
Furniture and fixtures	150	39	39	-	As per entitlement	Ex-Employee	Zia Ahmed Siddiqi
Furniture and fixtures	150	50	50	-	As per entitlement	Ex-Employee	Syed Afzal Sadiq
Furniture and fixtures	150	36	36	-	As per entitlement	Ex-Employee	Muhammad Akram Khan
Furniture and fixtures	150	5	5	-	As per entitlement	Ex-Employee	Shafaullah Khan
Furniture and fixtures	150	19	19	-	As per entitlement	Ex-Employee	Samina Mansoor
Furniture and fixtures	150	36	36	-	As per entitlement	Ex-Employee	Akhtar Hussain Khowaja
Furniture and fixtures	175	80	80	-	As per entitlement	Ex-Employee	Arshad Mehmood Mian
Furniture and fixtures	150	2	2	-	As per entitlement	Ex-Employee	Arshad Mehmood Mian
Furniture and fixtures	175	11	11	-	As per entitlement	Ex-Employee	Zia Afshan Akram
Furniture and fixtures	150	80	80	-	As per entitlement	Ex-Employee	Nawab Zada
Furniture and fixtures	175	36	36	-	As per entitlement	Ex-Employee	Ahmed Bilal Hussain
Furniture and fixtures	500	217	217	-	As per entitlement	Ex-Employee	Qamar Hussain
Furniture and fixtures	150	58	58	-	As per entitlement	Ex-Employee	Jan Muhammad
Furniture and fixtures	150	69	69	-	As per entitlement	Ex-Employee	Zeeshan Wakeel
Furniture and fixtures	175	23	23	-	As per entitlement	Ex-Employee	Basharat Ali

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

Particulars of property and equipment	Original Cost	Book Value	Sale Proceed	Gain / (loss) on disposal	Mode of disposal	Particulars of Purchaser	Buyer Name
	----------Rupees in '000----------						
Furniture and fixtures	175	11	11	-	As per entitlement	Ex-Employee	Zulfiqar Ali Memon
Furniture and fixtures	150	48	48	-	As per entitlement	Ex-Employee	Muhammad Qasim
Furniture and fixtures	150	33	33	-	As per entitlement	Ex-Employee	Hafeez Ur Rehman
Furniture and fixtures	175	18	18	-	As per entitlement	Ex-Employee	Pervaiz Ahmed Kiyani
Furniture and fixtures	150	55	55	-	As per entitlement	Ex-Employee	Nauman Shahid
Furniture and fixtures	175	20	20	-	As per entitlement	Ex-Employee	Ali Azam
Furniture and fixtures	150	9	9	-	As per entitlement	Ex-Employee	ChLiaquat Iqbal
Furniture and fixtures	150	1	1	-	As per entitlement	Ex-Employee	Muhammad Saleem
Furniture and fixtures	150	63	63	-	As per entitlement	Ex-Employee	Juma Gul Khattak
Furniture and fixtures	150	2	2	-	As per entitlement	Ex-Employee	Habib Ali
	11,625	**2,498**	**2,498**	**-**			
Vehicles	1,658	608	608	-	As per entitlement	Ex-Employee	Ali Ahmed Panezi
Vehicles	5,106	1,532	1,532	-	As per entitlement	Ex-Employee	Shahzad A Shami
Vehicles	1,538	154	154	-	As per entitlement	Ex-Employee	Muhammad Ashfaq Khan
Vehicles	1,628	497	497	-	As per entitlement	Ex-Employee	Qurban Ali Kunbhar
Vehicles	1,538	0	154	154	As per entitlement	Ex-Employee	M Yaqoob
Vehicles	5,106	1,021	1,021	-	As per entitlement	Employee	Amir Sattar
Vehicles	5,106	1,021	1,021	-	As per entitlement	Employee	Sultana Naheed
Vehicles	5,106	1,021	1,021	-	As per entitlement	Employee	Tariq Jamali
Vehicles	1,764	1,382	1,382	-	As per entitlement	Ex-Employee	Muhammad Nusrat Ilyas
Vehicles	1,269	973	973	-	As per entitlement	Ex-Employee	Rizwan Hameed
Vehicles	1,764	1,235	1,235	-	As per entitlement	Ex-Employee	Muhammad Naeemullah Jan
Vehicles	1,664	887	887	-	As per entitlement	Ex-Employee	Basharat Ali
Vehicles	1,628	1,022	1,022	-	As per entitlement	Ex-Employee	Arshad Mahmood Mian
Vehicles	1,658	580	580	-	As per entitlement	Ex-Employee	Tariq Bin Hanif
Vehicles	1,664	971	971	-	As per entitlement	Ex-Employee	Javed Anwar Khan
Vehicles	5,105	766	766	-	As per entitlement	Ex-Employee	Qamar Hussain
Vehicles	1,658	304	304	-	As per entitlement	Employee	S.M Ayub
Vehicles	1,552	310	310	-	As per entitlement	Ex-Employee	Farrukh Saeed Khan
Vehicles	1,664	804	804	-	As per entitlement	Employee	Muhammad Irfan Khan
Vehicles	1,858	372	372	-	As per entitlement	Employee	Shahid Iqbal Dar
Vehicles	1,858	341	341	-	As per entitlement	Employee	Mirza Babar Baig
Vehicles	1,658	332	332	-	As per entitlement	Employee	Rana Imdad Hussain
Vehicles	1,858	372	372	-	As per entitlement	Employee	Azra Naila Uzair
Vehicles	1,658	332	332	-	As per entitlement	Employee	Tahir Shahbaz Anjum
Vehicles	1,658	332	332	-	As per entitlement	Employee	Saleem Tahir
Vehicles	1,658	332	332	-	As per entitlement	Employee	Abdul Wajid
Vehicles	1,658	332	332	-	As per entitlement	Employee	Nasir Abbas
Vehicles	1,858	372	372	-	As per entitlement	Employee	Faisal Ahmed Topra
Vehicles	1,658	332	332	-	As per entitlement	Employee	Mudassir Nabi
Vehicles	1,658	332	332	-	As per entitlement	Employee	Rizwana Ammar
Vehicles	1,658	332	332	-	As per entitlement	Employee	Aqib Malik
Vehicles	1,658	332	332	-	As per entitlement	Employee	Mumtaz Rafi
	70,518	**19,526**	**19,680**	**154**			
	85,646	**23,401**	**23,581**	**180**			

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

13. INTANGIBLE ASSETS

	2019					
	Core Banking Application	Computer software	Website	Goodwill on NBP Fund Acquisition	Others	Total
	Rupees in '000					
At January 1, 2019						
Cost	2,913,953	627,981	1,041	655,146	4,774	4,202,895
Accumulated amortisation and impairment	(2,800,926)	(448,693)	(1,041)	(92,593)	(2,742)	(3,345,995)
Net book value	113,027	179,289	-	562,553	2,032	856,900
Year ended December 2019						
Opening net book value	113,027	179,288	-	562,553	2,032	856,900
Additions - developed internally	-	57,219	-	-	-	57,219
Additions - directly purchased	-	438,010	-	-	-	438,010
Adjustments - Addition	-	178,877	-	-	-	178,877
Disposals	-	-	-	-	-	-
Amortisation charge	(113,027)	(214,855)	-	-	-	(327,882)
Other adjustments - Cost	-	8,258	-	-	-	8,258
Other adjustments - amortisation	-	(140,616)	-	-	-	(140,616)
Closing net book value	-	506,181	-	562,553	2,032	1,070,766
At December 31, 2019						
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
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			

	2018					
	Core Banking Application	Computer software	Website	Goodwill on NBP Fund Acquisition	Others	Total
	Rupees in '000					
At January 1, 2018						
Cost	2,913,953	595,616	1,041	655,146	4,774	4,170,530
Accumulated amortisation and impairment	(2,614,325)	(309,392)	(1,041)	(92,593)	(2,742)	(3,020,093)
Net book value	299,628	286,224	-	562,553	2,032	1,150,437
Year ended December 2018						
Opening net book value	299,628	286,224	-	562,553	2,032	1,150,437
Additions - through acquisitions / purchased	-	27,896	-	-	-	27,896
Disposals	-	-	-	-	-	-
Amortisation charge	(186,602)	(138,078)	-	-	-	(324,680)
Other adjustments - Cost	-	4,470	-	-	-	4,470
Other adjustments - Amortization	-	(1,223)	-	-	-	(1,223)
Closing net book value	113,027	179,289	-	562,553	2,032	856,900
At December 31, 2018						
Cost	2,913,953	627,981	1,041	655,146	4,774	4,202,895
Accumulated amortisation and impairment	(2,800,926)	(448,693)	(1,041)	(92,593)	(2,742)	(3,345,995)
Net book value	113,027	179,289	-	562,553	2,032	856,900
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 weighted average cost of capital of 16.9% and terminal growth of 3.3% considering six 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.

As a result, the recoverable amount exceeds the carrying value as at December 31, 2019, therefore, management did not identify any impairment.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

14. RIGHT-OF-USE ASSETS

	2019	2018
	--------- Rupees in '000 ---------	
The recognised right-of-use assets relate to the following types of assets:		
Balance as at initial application	**8,201,792**	-
Additions during the period	**1,185,554**	-
Depreciation charged for the period	**1,939,932**	-
Balance as at December 31, 2019	**7,447,414**	-

The right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right of use assets at the date of initial application.

15. OTHER ASSETS

	Note	2019	2018
		--------- Rupees in '000 ----------	
Income / return / mark-up accrued in local currency - net of provision		**53,671,771**	31,164,399
Income / return / mark-up accrued in foreign currency - net of provision		**2,577,971**	2,481,428
Advances, deposits, advance rent and other prepayments	15.1	**7,989,931**	7,239,676
Advance taxation (payments less provisions)		**9,310,764**	11,879,329
Income tax refunds receivable		**42,667,383**	45,531,634
Compensation for delayed tax refunds		**13,722,128**	8,082,559
Non-banking assets acquired in satisfaction of claims	15.4	**3,284,853**	3,796,527
Assets acquired from Corporate and Industrial Restructuring Corporation (CIRC)		**208,423**	228,483
Unrealized gain on forward foreign exchange contracts		**-**	6,929,960
Commission receivable on Government. treasury transactions		**4,065,704**	4,627,921
Stationery and stamps on hand		**435,733**	381,722
Barter trade balances		**195,399**	195,399
Receivable on account of Government transactions	15.2	**323,172**	323,172
Receivable from Government under VHS scheme	15.3	**418,834**	418,834
Receivable against sale / purchase of shares		**492,009**	580,632
Receivable against sale of foreign currencies		**-**	160,496
Receivable from Pakistan Stock Exchange		**6,331**	127,579
Receivable from mutual funds		**791,738**	674,504
Acceptances		**26,934,779**	45,884,978
Others		**10,462,646**	8,394,868
		177,559,569	179,104,100
Less: Provision held against other assets	15.5	**10,853,588**	8,884,661
Other assets (net of provision)		**166,705,981**	170,219,439
Surplus / (deficit) on revaluation of non-banking assets acquired in satisfaction of claims		**477,215**	(201,867)
Other assets - total		**167,183,196**	170,017,572

15.1 This includes Rs. 5,808 million (2018: Rs. 4,644 million) advance against Pre-IPO placement of Term Finance Certificates.

15.2 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.

15.3 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.

15.4 Market value of Non-banking assets acquired in satisfaction of claims **3,762,068** 3,594,660

An independent valuation of the Group's non-banking assets were performed by an independent professional valuer to determine the fair value of the assets as at 31 December 2019. The valuation was carried out by Imtech (Pvt) Limited, registered at SBP panel of valuers. The valuation conforms to International Valuation Standards.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

	2019	2018
	Rupees in '000	
15.4.1 Non-banking assets acquired in satisfaction of claims		
Opening Balance	**3,594,660**	3,831,300
Revaluation	**477,215**	(201,867)
Depreciation	**(29,577)**	(34,773)
Adjustment	**38,041**	-
Transfer to operating fixed assets	**(318,271)**	-
Closing Balance	**3,762,068**	3,594,660
15.5 Provision held against other assets		
Income / mark-up accrued in local currency	**152,607**	152,607
Advances, deposits, advance rent and other prepayments	**837,949**	837,949
Stationery and stamps on hand	**96,542**	96,542
Barter trade balances	**195,399**	195,399
Receivable on account of Government transactions	**323,172**	323,172
Receivable from Government under VHS scheme	**418,834**	418,834
Protested bills	**2,555,322**	2,405,689
Compensation claimed by SBP due to delay in settlement of Government transactions	**127,857**	158,579
Provision against FE-25 loans	**1,734,591**	1,734,591
Ex-MBL / NDFC - other assets	**534,173**	534,173
Assets acquired from CIRC	**208,424**	228,484
Others	**3,668,718**	1,798,641
	10,853,588	8,884,661
15.5.1 Movement in provision held against other assets		
Opening balance	**8,884,661**	8,772,698
Charge for the year	**1,589,466**	2,289,554
Transfer in	**457,738**	-
Adjustment of compensation claimed by SBP to SBP balances	**(78,277)**	(2,174,278)
Amount Written off	**-**	(3,314)
Closing balance	**10,853,588**	8,884,661
16. BILLS PAYABLE		
In Pakistan	**19,648,708**	9,838,706
Outside Pakistan	**218,716**	105,472
	19,867,424	9,944,178

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

		2019	2018
		Rupees in '000	
17.	**BORROWINGS**		
	Secured		
	Borrowings from State Bank of Pakistan		
	Under Export Refinance Scheme	**1,908,291**	1,553,200
	Under Export Refinance Scheme (New Scheme)	**20,687,441**	15,711,423
	Financing Scheme for Renewable Energy	**236,175**	-
	Refinance Facility for Modernization of SMEs	**45,000**	-
	Financing Facility for storage of Agriculture Produce (FFSAP)	**284,012**	222,727
	Under Long-Term Financing Facility (LTFF)	**8,923,286**	5,418,613
		32,084,205	22,905,963
	Repurchase agreement borrowings	**332,053,770**	278,631,608
	Bai Muajjal	**59,069,167**	45,954,085
	Total secured	**423,207,142**	347,491,656
	Unsecured		
	Call borrowings	**39,052,969**	36,400,855
	Overdrawn nostro accounts	**3,467,767**	3,807,347
	Bai Muajjal	**6,029,474**	5,039,538
	Others - SBP Liabilities on Bangladesh borrowings	**-**	-
	Total unsecured	**48,550,210**	45,247,740
		471,757,352	392,739,396
17.1	**Particulars of borrowings with respect to currencies**		
	In local currency	**432,843,644**	356,338,554
	In foreign currencies	**38,913,708**	36,400,842
		471,757,352	392,739,396

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

- The Group has entered into agreements with the SBP for extending export refinance to customers. As per the terms of the agreement, the Group has granted SBP the right to recover the outstanding amount from the Group at the date of maturity of finances by directly debiting the current account maintained by the Bank with the SBP. These borrowings carry mark-up 3% (2018: 3%).

- Repurchase agreement borrowings carry mark-up ranging from 13.20% to 13.32% per annum (2018: 8.4% to 10.16% per annum) having maturity ranging from January 2, 2020 to January 20, 2020.

- Call borrowings carry interest ranging from 1.75% to 4.0% per annum (2018: 0% to 4.22% per annum).

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

17.4 Pakistan Investment Bonds and Market Treasury Bills having maturity of 5-10 years and 3 months respectively, are pledged as security under borrowing having carrying amount of Rs. 332,054 million (2018: Rs. 283,850 million).

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

18. DEPOSITS AND OTHER ACCOUNTS

	2019			2018		
	In Local Currency	In Foreign currencies	Total	In Local Currency	In Foreign currencies	Total
	Rupees in '000					
Customers						
Current deposits - remunerative	**320,884,110**	**-**	**320,884,110**	323,623,737	-	323,623,737
Current deposits - non - remunerative	**387,189,069**	**139,244,567**	**526,433,636**	342,571,453	123,766,119	466,337,572
Savings deposits	**533,399,568**	**52,502,297**	**585,901,865**	498,375,321	37,821,597	536,196,918
Term deposits	**285,063,204**	**75,448,185**	**360,511,389**	273,492,139	66,143,486	339,635,626
Others	**4,970,352**	**3,924**	**4,974,276**	9,377,504	3,409	9,380,913
	1,531,506,303	**267,198,973**	**1,798,705,276**	1,447,440,155	227,734,611	1,675,174,765
Financial Institutions						
Current deposits	**357,457,518**	**375,807**	**357,833,325**	285,716,351	26,528,709	312,245,060
Savings deposits	**4,405,416**	**2,911,091**	**7,316,507**	812,330	778	813,108
Term deposits	**21,655,082**	**5,638,426**	**27,293,508**	7,197,975	1,675,953	8,873,928
Others	**6,549,217**	**286,740**	**6,835,957**	4,523,362	9,682,401	14,205,763
	390,067,233	**9,212,064**	**399,279,297**	298,250,018	37,887,841	336,137,859
	1,921,573,536	**276,411,037**	**2,197,984,573**	1,745,690,173	265,622,452	2,011,312,625

18.1 Composition of deposits

	2019	2018
	Rupees in '000	
Individuals	**700,612,760**	665,107,543
Government (Federal and Provincial)	**602,785,706**	586,365,968
Public Sector Entities	**237,284,226**	138,286,912
Banking Companies	**379,108,513**	319,990,010
Non-Banking Financial Institutions	**20,196,519**	16,313,631
Private Sector	**257,996,849**	285,248,560
	2,197,984,573	2,011,312,625

18.2 Foreign currencies deposits includes deposit of foreign branches amounting to Rs. 85,488 million (2018: Rs. 104,127 million).

18.3 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 859,148 million (2018: Rs. 774,901 million) including islamic branches.

19. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	2019			2018		
	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	**74,023**	**17,757**	**56,266**	41,968	9,328	32,640
Later than one year and upto five years	**151,479**	**13,342**	**138,137**	97,404	8,967	88,437
Over five years	**-**	**-**	**-**	-	-	-
	225,502	**31,099**	**194,403**	139,372	18,295	121,077

The Group has entered into lease agreements with various financial institutions for lease of vehicles. Lease rentals are payable in quarterly installments. Financial charges included in lease rentals are determined on the basis of discount factors applied at the rates ranging from KIBOR + 1.75% to KIBOR + 3.5% per annum (2018: KIBOR + 1.75% to KIBOR + 3.5% per annum). At the end of lease term, the Group has option to acquire the assets, subject to adjustment of security deposits.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

	2019	2018
	Rupees in '000	

20. LEASE LIABILITIES AGAINST RIGHT-OF-USE ASSETS

Lease liabilities included in the statement of financial position As at December 31, 2019	7,831,350	-
Of which are:		
Current lease liability	1,339,898	-
Non-current lease liability	6,491,452	-
	7,831,350	-
Maturity analysis - contractual undiscounted cashflows		
Less than one year	2,097,191	-
One to five years	6,753,791	-
More than five years	6,652,960	-
Total undiscounted lease liabilities as at December 31, 2019	15,503,942	-

21. DEFERRED TAX

	2019			
	At January 1, 2019	Recognised in profit and loss account	Recognised in other comprehensive income	At December 31, 2019
	Rupees in '000			
Deductible Temporary Differences on				
- Tax losses carried forward	10,705	-	-	10,705
- Post retirement employee benefits	2,816,109	3,845	1,085,194	3,905,148
- Provision for diminution in the value of investments	236,751	-	-	236,751
- Provision against advances	622,390	2,003,105	-	2,625,495
- Provision against off-balance sheet obligations	115,222	-	-	115,222
- Other provision	111,576	(6,160)	-	105,416
- Others	3,904	-	(77)	3,827
	3,916,657	2,000,790	1,085,117	7,002,564
Taxable Temporary Differences on				
- Surplus on revaluation of fixed assets	(1,822,205)	154,018	(27,220)	(1,695,407)
- Excess of accounting book value of leased assets over lease liabilities	(2,477)	(1,243)	-	(3,720)
- Surplus on revaluation of investments	(6,667,702)	-	(7,148,817)	(13,816,519)
- Surplus on revaluation of non-banking assets	(55,208)	-	13,769	(41,439)
- Others	(2,314,832)	-	-	(2,314,832)
	(10,862,424)	152,775	(7,162,268)	(17,871,917)
	(6,945,767)	2,153,565	(6,077,151)	(10,869,353)

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

	2018			
	At January 1, 2018	Recognised in profit and loss account	Recognised in other comprehensive income	At December 31, 2018
	---------- Rupees in '000----------			
Deductible Temporary Differences on				
- Tax losses carried forward	10,705	-	-	10,705
- Post retirement employee benefits	13,649,979	(10,749,986)	(83,884)	2,816,109
- Provision for diminution in the value of investments	3,278,835	(3,042,084)	-	236,751
- Provision against advances	622,390	-	-	622,390
- Provision against off-balance sheet obligations	116,622	(1,400)	-	115,222
- Unrealised loss / (gain) on derivatives	439,026	(439,026)	-	-
- Excess of accounting book value of leased assets over lease liabilities	3,872	(6,349)	-	(2,477)
- Other provision	2,187,036	(2,080,660)	5,200	111,576
- Others	3,584	(175)	495	3,904
	20,312,049	(16,319,680)	(78,189)	3,914,180
Taxable Temporary Differences on				
- Surplus on revaluation of fixed assets	(374,657)	80,288	(1,527,836)	(1,822,205)
- Surplus on revaluation of investments	(12,504,929)	-	5,837,227	(6,667,702)
- Surplus on revaluation of non-banking assets	(89,981)	-	34,773	(55,208)
- Others	-	(2,314,832)	-	(2,314,832)
	(12,969,567)	(2,234,544)	4,344,164	(10,859,947)
	7,342,482	(18,554,222)	4,265,975	(6,945,767)

	Note	2019	2018
		---------- Rupees in '000 ----------	
22. OTHER LIABILITIES			
Mark-up / Return / Interest payable in local currency		**57,027,903**	31,324,102
Mark-up / Return / Interest payable in foreign currency		**439,959**	555,608
Unearned commission and income on bills discounted		**3,058,753**	643,869
Accrued expenses		**19,037,792**	11,651,136
Advance payments		**430,377**	370,498
Acceptances		**26,934,779**	45,884,978
Unclaimed dividends	38.1	**186,668**	188,868
Unrealized loss on forward foreign exchange contracts		**4,358,883**	-
Unrealized loss on put option		**306,339**	306,339
Branch adjustment account		**926,311**	5,864,695
Employee benefits:			
Pension fund		**14,785,647**	13,069,665
Post retirement medical benefits		**18,333,947**	15,371,225
Benevolent fund		**1,749,006**	1,604,689
Gratuity scheme		**2,403,018**	1,881,355
Compensated absences		**8,344,182**	7,541,419
Staff welfare fund		**371,257**	371,257
Liabilities relating to Barter trade agreements		**5,539,436**	18,034,813
Provision against off-balance sheet obligations		**627,494**	627,494
Provision against contingencies	22.1	**4,629,645**	3,734,889
Payable to brokers		**38,667**	180,594
Payable to customers		**158,180**	190,335
PIBs shortselling		**256,284**	366,896
Others		**14,688,731**	11,997,194
		184,633,258	171,761,918

22.1 Provision against contingencies

	Note	2019	2018
		Rupees in '000	
Opening balance		**3,734,889**	3,634,889
Charge during the year		**1,152,495**	-
Transfer out		**(457,739)**	-
Other movement		**200,000**	100,000
Closing balance	22.1.1	**4,629,645**	3,734,889

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

2019	2018		2019	2018
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

2019	2018		2019	2018
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 held 75.60% (2018: 75.60%) shares of the Bank.

23.3 Shares of the Bank held by subsidiary and associate

	2019	2018
	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
NBP Stock Fund	**330,000**	-
	400,000	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 transfer Rs. 4 billion from general loss reserve to unappropriated profit based on revised estimates.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

		Note	2019	2018
			Rupees in '000	
25.	**SURPLUS ON REVALUATION OF ASSETS**			
	Net surplus on revaluation of :			
	- Available for sale securities	10.1	**39,455,572**	22,929,135
	- Fixed Assets	25.1	**45,096,875**	44,693,917
	- Non-banking assets acquired in satisfaction of claims	25.2	**2,539,695**	2,062,480
	- On securities of associates and joint venture		**(385,602)**	(1,111,660)
			86,706,540	68,573,872
	Deferred tax on surplus on revaluation of:			
	- Available for sale securities		**(13,816,519)**	(6,667,702)
	- Fixed Assets	25.1	**(2,489,995)**	(2,588,785)
	- Non-banking assets acquired in satisfaction of claims	25.2	**(41,439)**	(55,208)
			(16,347,953)	(9,311,695)
			70,358,587	59,262,177
25.1	**Surplus on revaluation of fixed assets**			
	Surplus on revaluation of fixed assets as at January 1		**44,292,018**	22,660,691
	Recognised during the year		**653,070**	21,789,525
	Transferred to unappropriated profit in respect of incremental depreciation charged during the year - net of deferred tax		**(239,552)**	(102,829)
	Related deferred tax liability on incremental depreciation charged during the year		**(128,989)**	(55,369)
	Surplus on revaluation of fixed assets as at December 31		**44,576,547**	44,292,018
	Less: related deferred tax liability on:			
	- revaluation as at January 1		**(2,588,785)**	(1,116,388)
	- revaluation recognised during the year		**(30,199)**	(1,527,766)
	- incremental depreciation charged during the year		**128,989**	55,369
			(2,489,995)	(2,588,785)
	Share of surplus on revaluation of fixed assets of associates and joint venture		**520,328**	401,899
			42,606,880	42,105,132
25.2	**Surplus on revaluation of non-banking assets acquired in satisfaction of claims**			
	Surplus on revaluation as at January 1		**2,062,480**	2,264,347
	Recognised during the year		**477,215**	(201,867)
	Surplus on revaluation as at December 31		**2,539,695**	2,062,480
	Less: related deferred tax liability on:			
	- revaluation as at January 1		**(55,208)**	(89,981)
	- revaluation recognised during the year		**13,769**	34,773
			(41,439)	(55,208)
			2,498,256	2,007,272

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

		Note	2019	2018
			Rupees in '000	
26.	**CONTINGENCIES AND COMMITMENTS**			
	Guarantees	26.1	**161,579,745**	94,340,275
	Commitments	26.2	**1,761,652,119**	1,286,438,703
	Other contingent liabilities	26.3	**30,664,297**	29,259,673
			1,953,896,161	1,410,038,651
26.1	**Guarantees:**			
	Financial guarantees		**101,841,274**	55,505,600
	Performance guarantees		**59,738,471**	38,834,675
			161,579,745	94,340,275
26.2	**Commitments:**			
	Documentary credits and short-term trade-related transactions			
	- letters of credit		**937,616,635**	716,304,478
	Commitments in respect of:			
	- forward foreign exchange contracts	26.2.1	**801,290,548**	512,873,075
	- forward government securities transactions	26.2.2	**22,164,581**	56,816,129
	Commitments for acquisition of:			
	- operating fixed assets		**566,855**	431,521
	- intangible assets		**-**	-
	Other commitments	26.2.3	**13,500**	13,500
			1,761,652,119	1,286,438,703
26.2.1	**Commitments in respect of forward foreign exchange contracts**			
	Purchase		**478,842,756**	312,710,160
	Sale		**322,447,792**	200,162,915
			801,290,548	512,873,075

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.

		2019	2018
		Rupees in '000	
26.2.2	**Commitments in respect of forward government securities transactions**		
	Purchase	**256,814**	50,950,025
	Sale	**21,907,767**	5,866,104
		22,164,581	56,816,129

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

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

		2019	2018
		---------- Rupees in '000 ----------	
26.2.3	Professional services to be received	**13,500**	13,500
26.3	**Other contingent liabilities**		
26.3.1	Claim against the Group not acknowledged as debt	**30,664,297**	29,259,673

Claims against the Bank not acknowledged as debts including claims relating to former Mehran Bank Limited amounting to Rs. 1,597 million (2018: Rs. 1,597 million).

26.3.2 Taxation

The tax returns of the Bank have been filed up to tax year 2018 and amended by the tax authorities up to Tax Year 2018. For Azad Kashmir and Gilgit Baltistan branches no amendment to returns filed u/s 120 of the Income Tax Ordinance, 2001 has been made, hence returns filed are deemed assessments for all the years till the tax year 2019.

a) Surplus on revaluation of Available for Sale Securities disclosed in the Statement of Comprehensive Income has been taxed in respect of Tax Year 2013 during the year which issue was decided by learned Commissioner Appeals against the Bank, without considering that double taxation of same may occur when gain or loss would be reported in Profit & Loss account on realization stage.The bank has filed appeal before ATIR, which is pending adjudication.

b) The other matters under tax contingencies include interest credited to suspense account, allocation of common expenditure between taxable income and exempt / low tax rate income and reversal of bad debts expense. The aggregate effect of contingencies as on December 31, 2019 amounts to Rs.17.9 billion (December 31, 2018: Rs. 10.7 billion). No provision has been made against these contingencies based on the opinion of tax consultants of the Bank who expect favourable outcome upon decision of pending appeals.

c) The Bank has filed an Appeal before the Honorable Appellate Tribunal, PRA in terms of Section 66 of the Act read with the Punjab Sales Tax on Services (Adjudication and Appeals) Rules, 2012 against the Order passed by the Commissioner HQ, Punjab Revenue Authority u/s 52 of the Punjab Sales Tax on Services Act, 2012 (the Act) regarding Non withholding of Punjab Sales Tax on Services for the Tax Periods from January-2016 to December-2016 wherein the principal demand of Rs 386 million has been raised.

d) The Sindh Workers Welfare Fund Act, 2015 (Sindh WWF Act) has been promulgated in the month of May 2015. Earlier as per the Workers Welfare Fund Ordinance, 1971, the Bank in which Government holds more than 51% shareholding remained exempt from levy of WWF. The Sindh WWF Act, 2015 is retrospective in its effect and it attempts to impose levy from the date even prior to its promulgation. As the chargeability of tax imposed is retrospective and the law is defective considering constitutional issues – Fee or Tax including geographical / territorial jurisdiction for bank operating in all the provinces of Pakistan as well as the Bank employees do not fall in the definition of workers, therefore, on legal grounds against the said levy bank has decided to file suit before Honourable High Court of Sindh. Accordingly, no provision has been made for Sindh WWF in these consolidated financial statements based on the advice of the Tax consultant.

e) The Bank has filed an Appeal before the Commissioner (Appeals) Sindh Revenue Board on the order passed by Assistant Commissioner SRB for levy of Sindh Sales Tax on the services provided to the Federal Government through the State Bank of Pakistan for the tax period July 2011 till March 2015 amounting to Rs.358.28 million based on data provided by SBP. No provision has been made for this amount in these consolidated financial statements based on the opinion of Tax Consultants of the Bank who expect favorable outcome upon decision of filed Appeal.

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 Bank considers that except for Pensionary benefits (note 26.3.3.1) and Restoration of Commuted Pension (note 26.3.3.3), 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 & 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 judgment 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 judgment dated January 16, 2017. The Bank assailed the said judgment 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 then 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 judgment 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 Petitions were last fixed on January 09, 2020, however as the Video link was not working, no proceedings took place and the honorable Supreme court directed for relisting of the matters.

In case this matter is decided unfavorably, the bank estimates based on the actuarial advice that the financial impact arising from the additional liability would be approximately Rs. 67.1 billion excluding any penal interest / profit payment (if any) due to delayed payment. Pension expense for 2020 onward will also increase by Rs. 7.0 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 Post retirement medical facilities

In September, 2011 Ch. Muhammad Qasim and 5 others, who had opted for separation from service under GHS/ VHS filed a writ petition for an increase in the medical ceiling under the Bank issued Circular no.19/95. The Bank contested the writ petition on the grounds that the petitioners had opted for separation from the service of the Bank under GHS and VHS after receiving payment of compensation as contemplated under the said Schemes. With regard to medical ceiling for such persons who had opted voluntarily, an option was given to such employees either to accept the present medical ceiling for 10 years in lump sum or to continue with the present payment as if they had retired on attaining the age of superannuation. The petitioners had opted for continuing with the present ceiling as prevalent at the time of the separation scheme; therefore, they were not entitled for any benefit under the said circular. It was also urged by the Bank that in view of judgment of Apex Court in Naseem Arif Abbasi case, the petitioners, after having signed a disclaimer at the time of receipt of benefits under GHS, were not entitled to any further payment. The High Court while disregarding these arguments allowed the writ petition. The Bank has filed an Intra Court Appeal against the order of the single bench which is still pending adjudication with a date in office. The Bank's management is confident that the case will be decided in the favor of the Bank. Accordingly, no provision has been made in these consolidated financial statements.

26.3.3.3 Restoration of Commuted Pension

The portion of pension of an employee commuted at the time of retirement is restored after the lapse of the period for which the commutation was made. The restoration is made without applying any increase granted in pension during that period. Some of the retired employees filed writ petitions before Lahore High Court seeking restoration of the commuted portion of their pension with all the increments granted during the period for which the pension was commuted.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

The single bench of the High Court decided the matter against the Bank vide order dated April 14, 2017 which was assailed by the Bank through an Intra Court Appeal. The said appeal is ongoing.

In the meantime two Writ Petitions filed before the Lahore High Court, Lahore on the same subject matter, were dismissed vide order dated November 25, 2019. The Petitioners have assailed the said order through Intra court appeals which are also ongoing. Management is confident that case will be decided in favor of the Bank and therefore no provision has been made in these consolidated financial statements.

26.3.3.4 Regularizing the temporary hires / workers deployed by Service provider Companies under outsourcing arrangements

The Bank outsourced certain noncore 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 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.

26.3.3.5 Golden Handshake (GHS)

The Bank had introduced the Golden Shake Hand Schemes in 1997 with a cut-off date however some of the employees who had opted for separation under the said scheme were not relieved on the said date and continued to perform duties. Subsequently some of those employees filed Petitions before various high courts regarding payment of certain pensionary benefits. Most of the cases have been disposed of on the basis of Apex Court judgment in Naseem Arif Abbasi case (2011 SCMR 446). There are still some pending Petitions however, keeping in view the said Judgment prima facie the Bank has a good case.

26.3.3.6 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, Sukkar in CP No. D-417/2010.

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

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

The aforementioned order of the Sindh High Court was assailed by the Bank before the Apex Court through CP No. 805/2013. The Civil Appeal was dismissed vide order September 21, 2016 in terms of which the Order of the Sindh High Court was upheld to pay arrears. Review Petition filed by the Bank was also dismissed vide order dated April 14, 2017.

Moreover, a number of Bank Employees, after their representations were declined by the Bank, filed Writ Petitions before Various Benches of the Sindh High Court, Lahore High Court and Islamabad High Court. The Petitions filed before the Sindh High Court were disposed of with directions to the Bank to constitute a Committee for examining the cases of not only the Petitioners but all employees of the NBP with regard to their entitlement of the benefits as available to the similarly placed staff members keeping in view the judgment given by the honorable Supreme Court of Pakistan in Civil appeal number 1644/2013 dated September 21, 2016. Subsequently, the Karachi Bench of Sindh High Court modified their earlier judgment and restricted the same to the extent of Petitioners only. The Bank formed a Committee and cases of the Petitioners/employees, claiming to be similarly placed with the MTOs, were reviewed by the Bank on the touch stone of intelligible differentia.

One of those Writ Petitions filed by Mr. Muhammad Naeem in the year 2013 was allowed by the Peshawar High Court, Peshawar, vide order dated May 30, 2018, in the light of the aforesaid judgment of the Supreme Court. The Bank assailed the said order before the Apex court however the same was dismissed vide order dated October 2, 2019 which has now attained finality.

The Bank is exploring various options to bring closure to this ongoing issue, including settlement options. In light of the above, the Group's management has reflected any potential impact it may have in an appropriate manner in these consolidated financial statements.

26.4 Foreign Exchange repatriation case

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

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

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

26.5 Compliance and risk matters relating to anti-money laundering

The Bank and its New York Branch have entered into a Written Agreement with the Federal Reserve Bank of New York and New York State Department of Financial Services (US regulators) in 2016 which inter-alia requires 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. Management continues to address the matters highlighted in the Written Agreement and in the subsequent inspections and gets them independently validated. The Bank seeks to comply with all possible laws and regulations and at this stage there is no indication of any financial impact or penal consequences.

		2019	2018
		---------- Rupees in '000 ----------	
27.	**MARK-UP / RETURN / INTEREST EARNED**		
	Loans and advances	**109,691,501**	69,413,234
	Investments	**122,407,550**	76,346,868
	On securities purchased under resale agreements	**5,463,361**	3,666,797
	Balances with other banks	**2,147,878**	751,279
		239,710,290	150,178,178
28.	**MARK-UP / RETURN / INTEREST EXPENSED**		
	Deposits	**110,045,944**	61,688,519
	Borrowings	**6,981,845**	2,942,429
	Cost of foreign currency swaps against foreign currency deposits / borrowings	**9,157,133**	6,075,207
	Finance charge on lease liability against right of use assets	**734,741**	-
	Securities sold under repurchase agreements	**40,636,745**	18,580,699
		167,556,408	89,286,854
29.	**FEE AND COMMISSION INCOME**		
	Branch banking customer fees	**1,450,895**	1,251,885
	Consumer finance related fees	**810,367**	802,721
	Card related fees	**657,077**	437,670
	Credit related fees	**237,625**	284,106
	Investment banking fees	**616,320**	644,931
	Commission on trade	**3,359,376**	3,122,027
	Commission on guarantees	**440,867**	428,051
	Commission on cash management	**22,656**	16,431
	Commission on remittances including home remittances	**949,284**	854,338
	Commission on bancassurance	**392,746**	343,621
	Commission on government transactions	**9,958,006**	9,223,016
	Management Fee & Sale Load	**1,182,963**	1,473,419
	Brokerage Income	**73,008**	94,820
	Others	**265,452**	146,944
		20,416,642	19,123,980

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

		Note	2019	2018
			Rupees in '000	
30.	**GAIN / (LOSS) ON SECURITIES - NET**			
	Realised	30.1	**2,127,698**	3,963,001
	Unrealised - held for trading	10.1	**37,826**	(22,024)
			2,165,524	3,940,977
30.1	Realised gain on:			
	Federal Government Securities		**557,418**	513,577
	Shares and mutual funds		**1,541,817**	3,362,184
	Ijarah Sukuks		**28,463**	87,240
			2,127,698	3,963,001
31.	**OTHER INCOME**			
	Rent on property		**33,031**	51,761
	Gain on sale of fixed assets - net		**37,487**	138,248
	Postal, SWIFT and other charges recovered		**44,202**	-
	Compensation for delayed tax refunds	31.1	**5,639,569**	2,456,174
	Digital infrastructure support income		**33,729**	-
	Others		**28,956**	29,246
			5,816,974	2,675,429

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

		Note	2019	2018
			Rupees in '000	
32.	**OPERATING EXPENSES**			
	Total compensation expense	32.1	**46,186,431**	38,303,721
	Property expense			
	Rent and taxes		**989,622**	2,579,102
	Insurance		**52,762**	51,239
	Utilities cost		**1,218,397**	1,036,726
	Security (including guards)		**2,562,745**	2,352,104
	Repair and maintenance (including janitorial charges)		**1,078,882**	1,021,452
	Depreciation		**461,382**	205,165
	Depreciation on non banking assets		**29,577**	34,770
	Depreciation on Ijarah assets		**161,131**	258,703
	Depreciation on ROUA		**1,939,932**	-
			8,494,430	7,539,260
	Information technology expenses			
	Software maintenance		**1,069,328**	617,945
	Hardware maintenance		**18,833**	23,412
	Depreciation		**312,550**	443,035
	Amortisation		**327,882**	324,680
	Network charges		**522,070**	509,007
	Others		**1,049**	69,722
			2,251,712	1,987,801
	Other operating expenses			
	Directors' fees and allowances		**38,613**	25,895
	Directors' fees and allowances - subsidaries		**6,873**	4,455
	Fees and allowances to Shariah Board		**9,163**	7,508
	Legal & professional charges		**741,162**	528,080
	Outsourced services costs	32.3	**794,629**	783,669
	Travelling and conveyance		**1,084,793**	1,001,243
	NIFT clearing charges		**153,825**	152,937
	Depreciation		**1,651,965**	1,512,509
	Training and development		**118,488**	140,692
	Postage and courier charges		**214,909**	340,258
	Communication		**354,206**	340,634
	Stationery and printing		**1,030,548**	962,267
	Marketing, advertisement & publicity		**302,158**	708,283
	Donations	32.4	**-**	2,015
	Contributions for other Corporate and Social Responsibility	32.4	**26,868**	77,728
	Auditors' remuneration	32.5	**354,198**	257,590
	Fixed Assets / Non-banking asset deficit		**-**	202,847
	Financial charges on leased assets		**44,648**	19,313
	Entertainment		**297,093**	210,409
	Clearing, verification, licence fee charges		**444,739**	294,790
	Subscription		**1,095**	1,872
	Brokerage		**108,171**	89,105
	Insurance General	32.2	**415,779**	305,628
	Vehicle Expenses		**145,957**	152,181
	Deposit Premium expense		**1,244,433**	479,027
	Repairs & Maintenance General		**387,878**	466,654
	Others		**323,298**	336,125
			10,295,489	9,403,713
			67,228,062	57,234,494

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

		2019	2018
		---------- Rupees in '000 ----------	
32.1	**Total compensation expense**		
	Fees and Allowances etc	**-**	-
	Managerial Remuneration		
	i) Fixed	**18,259,935**	13,342,908
	ii) Variable		
	of which;		
	a) Cash Bonus / Awards etc.	**4,242,652**	3,334,640
	b) Bonus & Awards in Shares etc.	**-**	-
	Charge for defined benefit plan	**7,495,742**	6,026,025
	Charge for defined benefit plan - subsidiaries	**59,264**	36,945
	Contribution to defined contribution plan	**-**	-
	Rent & house maintenance	**4,619,663**	4,272,194
	Utilities	**1,693,998**	1,549,961
	Medical	**3,115,337**	2,800,757
	Conveyance	**3,301,861**	3,355,656
	Club Membership & Subscription	**43,125**	47,409
	Education Allowance	**1,570,297**	1,064,981
	Insurance	**309,152**	277,384
	Honorarium to Staff and Staff Welfare	**262,111**	209,485
	Overtime	**53,628**	42,095
	Special Duty Allowance	**1,143**	442
	Washing Allowance	**16,707**	16,721
	Key Allowance	**78,886**	48,795
	Unattractive Area Allowance	**48,282**	45,662
	Leave Encashment	**80,128**	12,827
	Teaching Allowance	**7,962**	2,303
	Incentive on CASA deposits mobilization	**26,063**	-
	Entertainment	**126,561**	108,927
	Liveries	**490**	8,071
	Leave Fare Assistance	**21,472**	22,032
	EOBI	**9,211**	7,378
	Hill, Late Sitting & Saturday allowance etc.	**742,761**	1,670,123
	Sub-total	**46,186,431**	38,303,721
	Sign-on-bonus	**-**	-
	Severance Allowance	**-**	-
	Grand Total	**46,186,431**	38,303,721

32.2 This includes Rs. 3.201 million (2018: Rs. 2.759 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 795 million (2018: Rs 784 million). Out of this cost, Rs 787 million (2018: Rs 773 million) pertains to the payment to companies incorporated in Pakistan and Rs 8 million (2018: Rs 11 million) pertains to payment to companies incorporated outside Pakistan. Total Cost of outsourced activities for the year given to related parties is Rs Nil (Prior Year: Rs Nil). Outsourcing shall have the same meaning as specified in Annexure-I of BPRD Circular No. 06 of 2017. The material oursourcing arrangements along with their nature of services are as follows:

Name of Company	Nature of Services	2019	2018
		Rupees in '000	
ICON Consultant (Private) Limited	IT support services, sales services, collection, reconciliation and engineering services etc.	**265,011**	244,326
Virtual World (Private) Limited	Call center management	**60,994**	71,317
		326,005	315,643

32.4 Donations include following amounts exceeding Rs. 500,000:

Description		
PM & CJ Fund for Bhasha Mohmand Dam	**-**	1,000
	-	1,000

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

Description	2019	2018
	Rupees in '000	
Supreme Court for Dam Construction	**-**	19,493
Agribusiness School at Namal Knowledge City	**-**	10,000
Abdul Wali Khan University Mardan	**-**	2,665
Akhuwat University at Lahore	**-**	2,500
Jijal Maau Hospital Hyderabad	**-**	2,500
IBA Sukkur	**-**	2,100
National Epilepsy Center Karachi	**-**	1,800
Namal College-Mianwali	**5,198**	3,000
DHQ Hospital Gawadar	**3,750**	-
Teach for Pakistan, Islamabad	**-**	1,500
New motorcycle rickshaws in Mohmand Agency	**-**	850
Motorcycle Rickshaws to Rehabilitate Special Person	**-**	800
Sindh Madressatul Islam University Karachi	**-**	1,440
Mr. Basheer Ahmed	**-**	565
Syed Abad Botanical Garden University of Chitral	**525**	-
Earthquake Effectees of Mirpur AJ&K	**7,500**	-
Aman Foundation	**2,000**	-
Marie Adelaide Leprosy Centre Karachi	**-**	990
Professional Education Foundation, Karachi	**-**	1,200
Wise Education Society-Lahore	**-**	1,200
Lyari Town, Karachi	**-**	810
Total	**18,973**	53,413

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

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

	Deloitte Yousuf Adil	Grant Thornton Anjum Rahman	Total 2019	Total 2018
	---------- Rupees in '000 ----------			
32.5 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	**-**	**3,500**	**3,500**	3,000
Special certifications and sundry advisory services	**7,136**	**1,336**	**8,472**	8,472
Tax services	**-**	**20,000**	**20,000**	20,000
Sales Tax	**1,648**	**3,064**	**4,712**	4,672
Out-of-pocket expenses	**4,500**	**4,500**	**9,000**	9,000
	26,748	**45,864**	**72,612**	72,072
Fee for audit of overseas branches including advisory services and out-of-pocket expenses	**-**	**-**	**272,652**	180,405
Fee for audit of subsidiaries including out-of-pocket expenses	**-**	**-**	**8,934**	5,113
	26,748	**45,864**	**354,198**	257,590

	Note	2019	2018
		---------- Rupees in '000 ----------	
33. OTHER CHARGES			
Penalties imposed by State Bank of Pakistan		**141,015**	237,480
Penalties imposed by other regulatory bodies (Central Bank of international branches)		**7,076**	6,573
Penalties imposed by other regulatory bodies (Regulators of subsidiaries)		**2,494**	1,944
		150,585	245,997
34. PROVISIONS & WRITE OFFS - NET			
Provisions for diminution in value of investments	10.3	**2,231,186**	143,370
Provisions against loans and advances	11.4	**8,541,775**	8,772,565
Provision against other assets and other liabilities		**2,784,140**	2,289,552
		13,557,101	11,205,488
35. TAXATION			
Current	35.1	**13,430,533**	12,045,395
Prior years		**1,053,841**	(20,755,128)
Deferred		**(2,153,565)**	18,554,222
		12,330,809	9,844,489

35.1 Current taxation includes Rs. 319 million (2018: Rs. 519 million) of overseas branches.

35.2 Relationship between tax expense and accounting profit

	2019	2018
	Rupees in '000	
Accounting profit before tax	**28,978,001**	29,879,789
Income tax at statutory rate @ 35% (2018: 35%)	**10,142,300**	10,457,926
Super tax at statutory rate @ 4% (2018: 4%)	**1,120,135**	1,187,335
Prior year tax effects	**1,053,841**	(2,112,896)
Others	**14,533**	312,123
Tax charge for current and prior years	**12,330,809**	9,844,489

35.3 The Federal Government vide The Finance Supplementary (Second Amendment) Bill, 2019 has imposed a super tax at the rate of 4% on income of banks for the year ended December 31, 2017 (Tax Year 2018). Accordingly, provisions of Rs.1,057 million (2018: Rs. (2,113) million) for Super tax has been made in prior year.

	2019	2018
36. BASIC EARNINGS PER SHARE		
Profit for the year (Rupees in 000's)	**16,582,705**	19,913,104
Weighted average number of ordinary shares (Number in 000's)	**2,127,513**	2,127,513
Basic earnings per share (Rupees)	**7.79**	9.36
37. DILUTED EARNINGS PER SHARE		
Profit for the year (Rupees in 000's)	**16,582,705**	19,913,104
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)	**7.79**	9.36

38. CASH AND CASH EQUIVALENTS	Note	2019	2018
		Rupees in '000	
Cash and balance with treasury banks	7	**293,198,090**	247,917,421
Balance with other banks	8	**13,598,325**	13,049,725
Call money lendings	9	**540,800**	8,240,800
Call borrowings	17	**(39,052,969)**	(36,400,855)
Overdrawn nostros	17	**(3,467,767)**	(3,807,347)
		264,816,479	228,999,744

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

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

	Note	2019 Lease Obligations	2019 Unclaimed Dividend
		Rupees in 000'	
Balance as at January 1, 2019	38.1.1	**8,030,520**	**188,868**
Changes from financing cashflows			
Payment of lease obligation / dividend		**(2,186,508)**	**(2,200)**
Total charges from financing activities		**(2,186,508)**	**(2,200)**
Other charges			
Renewed lease during the period		**1,322,531**	-
Interest unwinding		**734,741**	-
Foreign exchange gain		**124,469**	-
Total other charges		**2,181,741**	**-**
Balance as at December 31, 2019		**8,025,753**	**186,668**

	2018 Lease Obligations	2018 Unclaimed Dividend
	Rupees in 000'	
Balance as at January 1, 2018	56,799	163,549
Changes from financing cashflows		
Payment of lease obligation / dividend	(46,879)	(25,319)
Total charges from financing activities	(46,879)	(25,319)
Other charges		
Renewed lease during the period	111,157	-
Increase in unclaimed dividend	-	50,638
Total other charges	111,157	50,638
Balance as at December 31, 2018	121,077	188,868

38.1.1 During the year, the Group has adopted IRFS 16 accordingly recoginised lease obligation on January 1, 2019, amounting to Rs. 7,909 million.

39. STAFF STRENGTH

	2019	2018
	Number	
Permanent	**11,612**	12,208
On contract	**4,982**	4,668
Staff strength at the end of the year	**16,594**	16,876

39.1 In addition to the above, 2,102 (2018: 2,185) 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. Further, 2,096 employees are working domestically (2018: 2,185) and abroad 6 (2018: Nil) respectively.

40. DEFINED BENEFIT PLAN

40.1 General description

General description of the type of defined benefit plan and accounting policy for recognising actuarial gains and losses is disclosed in note 5.14 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:

	2019	2018
	Number	
Pension fund	**11,430**	11,547
Gratuity fund	**3,776**	3,859
Benevolent Fund	**11,430**	11,547

40.3 Principal actuarial assumptions

The actuarial valuations were carried out as at December 31, 2019 using the following significant assumptions:

	2019	2018
	Per annum	
Discount rate	11.25%	13.25%
Expected rate of return on plan assets	11.25%	13.25%
Expected rate of salary increase	11.25%	13.25%
Expected rate of increase in pension	6.75%	8.75%
Expected rate of increase in medical benefit	11.25%	13.25%

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

	2019						2018					
	Pension fund	Post retirement medical scheme	Benevolent Scheme	Gratuity fund	Compensated absences	Total	Pension fund	Post retirement medical scheme	Benevolent Scheme	Gratuity fund	Compensated absences	Total
	Rupees in 000'											
Present value of obligations	66,473,466	18,333,947	1,749,006	2,206,599	8,344,182	97,107,200	61,084,925	15,371,225	1,604,689	1,730,265	7,541,419	87,332,523
Fair value of plan assets	(51,687,819)	-	-	-	-	(51,687,819)	(48,015,260)	-	-	-	-	(48,015,260)
Holding Company	14,785,647	18,333,947	1,749,006	2,206,599	8,344,182	45,419,381	13,069,665	15,371,225	1,604,689	1,730,265	7,541,419	39,317,263
Subsidiaries	-	-	-	196,419	-	196,419	-	-	-	151,090	-	151,090
	14,785,647	18,333,947	1,749,006	2,403,018	8,344,182	45,615,800	13,069,665	15,371,225	1,604,689	1,881,355	7,541,419	39,468,353

40.5 Movement in defined benefit obligations

Obligations at the beginning of the year	61,084,925	15,371,225	1,604,689	1,730,265	7,541,419	87,332,523	57,951,864	14,342,369	1,977,230	1,467,310	6,600,690	82,339,463
Current service cost	1,422,746	524,008	51,215	252,641	181,761	2,432,371	1,298,574	401,474	66,305	251,131	1,187,529	3,205,013
Interest cost	7,869,225	1,975,232	196,021	226,381	973,033	11,239,892	5,360,600	1,321,656	178,311	137,009	-	6,997,576
Benefits paid by the Bank	(3,389,098)	(927,632)	(250,563)	(43,460)	(395,546)	(5,006,299)	(3,048,981)	(860,398)	(200,539)	(50,210)	(246,800)	(4,406,928)
Re-measurement loss / (gain) - Profit and Loss	-	-	-	-	43,515	43,515	-	-	-	-	-	-
Re-measurement loss / (gain) - OCI	(514,332)	1,391,114	147,644	40,772	-	1,065,198	(477,132)	166,124	(416,618)	(74,975)	-	(802,601)
Obligations at the end of the year	66,473,466	18,333,947	1,749,006	2,206,599	8,344,182	97,107,200	61,084,925	15,371,225	1,604,689	1,730,265	7,541,419	87,332,523

40.6 Movement in fair value of plan assets

Fair value at the beginning of the year	48,015,260	-	-	-	-	48,015,260	44,966,044	-	-	-	-	44,966,044
Interest income on plan assets	6,220,036	-	-	-	-	6,220,036	4,176,565	-	-	-	-	4,176,565
Contribution by the Bank - net	1,245,917	-	-	-	-	1,245,917	1,044,583	-	-	-	-	1,044,583
Benefits paid	(3,389,098)	-	-	-	-	(3,389,098)	(3,048,981)	-	-	-	-	(3,048,981)
Benefits paid on behalf of fund	1,631,059	-	-	-	-	1,631,059	1,439,981	-	-	-	-	1,439,981
Actuarial gain or (loss) on assets	(2,035,355)	-	-	-	-	(2,035,355)	(562,932)	-	-	-	-	(562,932)
Fair value at the end of the year	51,687,819	-	-	-		51,687,819	48,015,260	-	-	-		48,015,260
Movement in (receivable) / payable under defind benefits scheme of Holding Company												
Opening balance	13,069,665	15,371,225	1,604,689	1,730,265	7,541,419	39,317,263	12,985,820	14,342,369	1,977,230	1,467,310	6,600,690	37,373,419
Charge / (reversal) for the year	3,071,935	2,499,240	247,236	479,022	1,198,309	7,495,742	2,482,609	1,723,130	244,616	388,140	1,187,529	6,026,024
Contribution by the bank - net	(1,245,917)	-	-	-	-	(1,245,917)	(1,044,583)	(860,398)	(200,539)	(50,210)	(246,800)	(2,402,530)
Re-measurement loss / (gain) recognized in OCI during the year	1,521,023	1,391,114	147,644	40,772	-	3,100,553	85,800	166,124	(416,618)	(74,975)	-	(239,669)
Benefits paid on behalf of fund	(1,631,059)	(927,632)	(250,563)	(43,460)	(395,546)	(3,248,260)	(1,439,981)	-	-	-	-	(1,439,981)
	14,785,647	18,333,947	1,749,006	2,206,599	8,344,182	45,419,381	13,069,665	15,371,225	1,604,689	1,730,265	7,541,419	39,317,263

40.7 Charge for defined benefit plans

40.7.1 Cost recognised in profit and loss

Current service cost	1,422,746	524,008	51,215	252,641	181,761	2,432,371	1,298,574	401,474	66,305	251,131	1,187,529	3,205,013
Actuarial loss recognized - Profit and loss	-	-	-	-	43,515	43,515	-	-	-	-	-	-
Net interest on defined benefit asset / liability	1,649,189	1,975,232	196,021	226,381	973,033	5,019,856	1,184,035	1,321,656	178,311	137,009	-	2,821,011
	3,071,935	2,499,240	247,236	479,022	1,198,309	7,495,742	2,482,609	1,723,130	244,616	388,140	1,187,529	6,026,024

40.7.2 Re-measurements recognised in OCI during the year

Loss / (gain) on obligation												
- Demographic assumptions	-	-	-	-	-	-	-	-	-	-		-
- Financial assumptions	-	-	-	-	-	-	-	-	-	-		-
- Experience adjustment	1,521,023	1,391,114	147,644	40,772	-	3,100,553	85,800	166,124	(416,618)	(74,975)	-	(239,669)
Return on plan assets over interest income	-	-	-	-	-	-	-	-	-	-		-
Total re-measurements recognised in OCI	1,521,023	1,391,114	147,644	40,772	-	3,100,553	85,800	166,124	(416,618)	(74,975)	-	(239,669)

		2019	2018
		-------- Rupees in '000 ---------	
40.8	**Components of plan assets**		
	Pakistan Investment Bonds	**22,127,729**	268,527
	Term Finance Certificates	**104,000**	104,000
	Mutual Funds / Shares	**5,870,329**	5,421,318
	Shares	**6,288,248**	6,371,337
	Term Deposit Receipts	**-**	11,182,753
	Defence Saving Certificates	**7,538,347**	6,491,911
	Special Saving Certificates	**8,523,972**	17,716,001
	Cash at Bank	**1,235,194**	459,413
		51,687,819	48,015,260

40.9 Sensitivity analysis

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

	Pension fund	Post retirement medical scheme	Gratuity fund	Compensated absences	Total
	---------- Rupees in 000' ----------				
1% increase in discount rate	59,731,023	16,029,501	1,952,652	7,696,503	**87,044,439**
1% decrease in discount rate	74,656,525	21,207,687	2,509,748	9,087,126	**109,339,701**
1 % increase in expected rate of salary increase	69,982,864	19,187,427	2,517,736	9,119,946	**102,579,888**
1 % decrease in expected rate of salary increase	63,324,141	17,569,572	1,942,064	7,657,182	**92,218,985**
1% increase in expected rate of pension increase	70,709,400	19,733,042	-	-	**90,442,442**
1% decrease in expected rate of pension increase	62,838,244	17,127,894	-	-	**79,966,138**
1% increase in expected rate of medical benefit increase	-	18,876,280	-	-	**18,876,280**
1% decrease in expected rate of medical benefit increase	-	17,878,339	-	-	**17,878,339**

40.10	**Expected contributions to be paid to the funds in the next financial year**	**1,377,606**
40.11	**Expected charge for the next financial year**	**7,412,823**

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

40.12 Maturity profile

The weighted average duration of the obligation

	Years
Pension Fund	11.23
Post retirement medical fund	14.12
Benevolent fund	6.97
Gratuity fund	12.62
Compensated absences	8.33

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	1,235,194	2.4%
Government Securities	38,190,048	73.9%
Shares	6,288,248	12.2%
Non-Government Debt Securities	104,000	0.2%
Mutual Funds	5,870,329	11.4%
	51,687,819	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 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.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

42. COMPENSATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

42.1 Total Compensation Expense

2019

Items	Directors		Members Shariah Board	President / CEO *	Key Management Personnel
	Chairman	Non-Executives			
	Rs. in '000'				
Fees and Allowances etc.	2,550	28,650	-	-	-
Managerial Remuneration					
i) Fixed	-	-	7,359	49,557	146,697
ii) Total Variable	-	-	-	-	-
of which	-	-	-	-	-
a) Cash Bonus / Awards	-	-	402	-	-
b) Bonus & Awards in Shares	-	-	-	-	54,435
Charge for defined benefit plan	-	-	-	4,500	38,739
Contribution to defined contribution plan	-	-	-	-	-
Rent & house maintenance	-	-	681	790	80,897
Utilities	-	-	211	310	24,939
Medical	-	-	155	396	23,531
Conveyance	-	-	330	-	16,825
Others	1,654	5,759	25	2,784	14,858
Total	4,204	34,409	9,163	58,337	400,921
Number of Persons	1	10	3	2	861

* In initial month of the year 2019 Mr. Arif Usmani was CEO as well Chairman of the bank. However, his remunaration was reported in President / CEO column.

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

Performance bonus is accounted for on payment basis.

The above information does not include particulars of directors, chief executives and executives of subsidiaries.

2018

Items	Directors		Members Shariah Board	President / CEO *	Key Management Personnel
	Chairman *	Non-Executives			
	Rs. in '000'				
Fees and Allowances etc.	-	20,250	-	-	-
Managerial Remuneration					-
i) Fixed	-	-	5,630	44,479	86,006
ii) Total Variable	-	-	-	-	-
of which	-	-	-	-	-
a) Cash Bonus / Awards	-	-	667	-	-
b) Bonus & Awards in Shares	-	-	-	10,176	67,647
Charge for defined benefit plan	-	-	-	9,358	32,530
Contribution to defined contribution plan	-	-	-	-	-
Rent & house maintenance	-	-	557	1,495	70,272
Utilities	-	-	172	584	21,606
Medical	-	-	127	63	22,473
Conveyance	-	-	330	-	14,754
Others	-	5,645	25	2,246	10,399
Total	-	25,895	7,508	68,401	325,687
Number of Persons	-	6	3	2	718

* In 2018, Mr. Saeed Ahmed was CEO as well as Chairman. However, his remuneration has been reported in President / CEO column.

The above information does not include particulars of directors, chief executives and executives of subsidiaries.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

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

2019

Sr. No.	Name of Director	Meeting Fees and Allowances Paid							
			For Board Committees						
		For Board Meetings	Board Audit Committee	Board Risk & Compliance Committee	Board HR & Rumuneration Committee	Board Technology & Digitalization Committee	Board Inclusive Development Committee	Board International Franchises & Remittance Committee	Total Amount Paid
		Rs. in '000'							
1	Mr. Zubyr Soomro	2,276	-	578	1,350	-	-	-	4,204
2	Mr. Muhammad Naeem	2,545	1,722	766	1,434	323	-	-	6,790
3	Mr. Muhammad Sohail	2,237	1,104	-	-	-	-	-	3,341
4	Ms. Sadaffe Abid	1,877	-	-	-	1,050	-	-	2,927
5	Mr. Tawfiq Asghar Hussain	1,050	1,050	600	-	-	-	300	3,000
6	Mr. Zafar Masud	1,200	-	-	1,350	1,200	-	300	4,050
7	Mr. Farid Malik	3,066	-	826	721	2,237	-	-	6,850
8	Mr. Imam Bukhsh Baloch	1,950	-	450	-	-	-	-	2,400
9	Mr. A. Akbar Sharifzada	1,050	498	-	583	-	-	-	2,131
10	Mr. Asad Munir	1,144	-	-	426	-	-	-	1,570
11	Mr. Muhammad Imran Malik	750	300	150	150	-	-	-	1,350
	Total Amount Paid	19,145	4,674	3,370	6,014	4,810	-	600	38,613

2018

Sr. No.	Name of Director	Meeting Fees and Allowances Paid						
			For Board Committees					
		For Board Meetings	Board Audit & Complaince Committee	Board Risk Committee	Board HR & Remuneration Committee	Board IT Committee	Board Strategy & Development Committee	Total Amount Paid
		Rs. in '000'						
1	Mr. A. Akbar Sharifzada	2,242	1,387	-	1,629	-	-	5,258
2	Mr. Asad Munir	2,690	-	-	1,459	-	-	4,149
4	Mr. Farid Malik	3,336	-	490	-	656	-	4,482
5	Mr. Mir Balakh Sher Marri	1,155	415	55	631	-	-	2,258
6	Mr. Muhammad Imran Malik	2,149	1,200	450	-	-	-	3,799
7	Mr. Muhammad Naeem	2,263	1,502	215	1,377	591	-	5,948
	Total Amount Paid	13,836	4,505	1,210	5,096	1,247		25,895

42.3 Remuneration paid to Shariah Board Members

Items	2019				2018			
	Chairman	Resident Member	Non-Resident Member(s)	Total	Chairman	Resident Member	Non-Resident Member(s)	Total
	Rs. in '000'							
1. Meeting Fees and Allowances	-	-	-	-	-	-	-	-
2. Retainer Fee & Fixed Remuneration	3,240	3,043	2,880	9,163	2,349	2,891	2,268	7,508
Total Amount paid	3,240	3,043	2,880	9,163	2,349	2,891	2,268	7,508
Total Number of Persons	1	1	1	3	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 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:

	2019				
	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	621,887,531	-	621,887,531	-	621,887,531
Pakistan Investment Bonds	329,418,686	-	329,418,686	-	329,418,686
Ijarah Sukuks	2,050,099	-	2,050,099	-	2,050,099
Ordinary shares of listed companies	41,983,147	41,983,147	-	-	41,983,147
Investment In mutual funds	2,144,783	2,144,783	-	-	2,144,783
Preference shares	79,388	35,956	-	43,432	79,388
Term Finance Certificates / Musharika and Sukuk Bonds	56,252,659	9,204,193	47,048,466	-	56,252,659
GoP Foreign Currency Bonds	22,476,530	-	22,476,530	-	22,476,530
Foreign Government Securities	4,646,071	-	4,646,071	-	4,646,071
Foreign Currency Debt Securities	1,422,271	-	1,422,271	-	1,422,271
Ordinary shares of a bank outside Pakistan	18,831,756	18,831,756	-	-	18,831,756
	1,101,192,921	72,199,835	1,028,949,654	43,432	1,101,192,921
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	293,198,090	-	-	-	-
Balances with other banks	13,598,325	-	-	-	-
Lendings to financial institutions	144,140,344	-	-	-	-
Investments					
Market Treasury Bills	114,155,009	-	-	-	-
Pakistan Investment Bonds	184,864,103	-	-	-	-
Ordinary shares of unlisted companies	1,593,609	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	9,573	-	-	-	-
GoP Foreign Currency Bonds	4,087,591	-	-	-	-
Foreign Government Securities	30,231,741	-	-	-	-
Foreign Currency Debt Securities	596	-	-	-	-
Advances	1,008,398,612	-	-	-	-
Other Assets	167,183,196	-	-	-	-
	1,961,460,789	-	-	-	-
	3,062,653,710	72,199,835	1,028,949,654	43,432	1,101,192,921

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

	2019				
	Carrying Value	Level 1	Level 2	Level 3	Total
	Rupees in '000				
Off-balance sheet financial instruments - measured at fair value					
Foreign exchange contracts purchase and sale	801,290,548	-	(4,358,883)	-	(4,358,883)
Forward government securities transactions	22,164,581	-	107,348	-	107,348

	2018				
	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	742,071,830	-	742,071,830	-	742,071,830
Pakistan Investment Bonds	197,596,895	-	197,596,895	-	197,596,895
Ijarah Sukuks	9,733,258	-	9,733,258	-	9,733,258
Ordinary shares of listed companies	39,239,727	39,239,727	-	-	39,239,727
Investments in mutual funds	2,410,974	2,410,974	-	-	2,410,974
Preference shares	125,936	39,072	-	86,864	125,936
Term Finance Certificates / Musharika and Sukuk Bonds	56,291,040	-	56,291,040	-	56,291,040
GoP Foreign Currency Bonds	24,946,934	-	24,946,934	-	24,946,934
Foreign Government Securities	1,791,502	-	1,791,502	-	1,791,502
Foreign Currency Debt Securities	1,457,561	-	1,457,561	-	1,457,561
Ordinary shares of a bank outside Pakistan	16,034,284	16,034,284	-	-	16,034,284
	1,091,699,941	57,724,057	1,033,889,020	86,864	1,091,699,941
Financial assets - disclosed but not measured at fair value					
Cash and balances with treasury banks	247,917,421	-	-	-	-
Balances with other banks	13,049,725	-	-	-	-
Lending to financial instruments	106,391,667	-	-	-	-
Investments					
Market Treasury Bills	69,967	-	-	-	-
Pakistan Investment Bonds	157,492,035	-	-	-	-
Ordinary shares of unlisted companies	1,594,289	-	-	-	-
Debentures, Bonds, Sukuks, Participation Term Certificates and Term Finance Certificates	284,572	-	-	-	-
GoP Foreign Currency Bonds	2,859,233	-	-	-	-
Foreign Government Securities	25,866,066	-	-	-	-
Foreign Currency Debt Securities	532	-	-	-	-
Advances	926,339,789	-	-	-	-
Other assets	170,017,572	-	-	-	-
	1,651,882,868	-	-	-	-
	2,743,582,809	57,724,057	1,033,889,020	86,864	1,091,699,941
Off-balance sheet financial instruments - measured at fair value					
Foreign exchange contracts purchase and sale	512,873,075	-	512,873,075	-	512,873,075
Forward government securities transactions	56,816,129	-	56,816,129	-	56,816,129

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

Item	Valuation approach and input used
Market Treasury Bills	PKRV (MUFAP)
Pakistan Investment Bonds	PKRV (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

43.2 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:

	2019				
	Carrying Value	Level 1	Level 2	Level 3	Total
	Rupees in '000				
Land & building (property and equipment)	**48,575,943**	**-**	**48,575,943**	**-**	**48,575,943**
Non-banking assets acquired in satisfaction of claims	**3,284,853**	**-**	**3,284,853**	**-**	**3,284,853**
	51,860,796	**-**	**51,860,796**	**-**	**51,860,796**

	2018				
	Carrying Value	Level 1	Level 2	Level 3	Total
	Rupees in '000				
Land & building (property and equipment)	48,000,422	-	48,000,422	-	48,000,422
Non-banking assets acquired in satisfaction of claims	3,796,527	-	3,796,527	-	3,796,527
	51,796,949	-	51,796,949	-	51,796,949

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. Last year the operating segments were commercial & retail banking, corporate banking, treasury, international banking, aitemaad & islamic banking, & head office/others.

	2019						
	Branch Banking	Corporate & Investment Banking	Treasury	International, Fin. Institution & Remittance	Aitemaad & Islamic Banking	Head Office / Others	Total
	Rupees in '000						
Profit and loss account							
Net mark-up / return / profit	(67,521,771)	54,921,742	76,654,512	3,143,738	4,396,685	558,976	72,153,882
Inter segment revenue - net	132,894,813	(54,445,167)	(83,724,892)	-	(375,722)	5,650,967	-
Non mark-up / return / interest income	15,710,640	2,858,775	9,610,964	1,831,482	543,892	7,204,114	37,759,867
Total Income	81,083,682	3,335,350	2,540,584	4,975,220	4,564,855	13,414,057	109,913,749
Segment direct expenses	30,696,744	801,063	310,208	4,276,639	2,601,428	1,967,246	40,653,328
Inter segment expense allocation	-	-		-	-	26,725,319	26,725,319
Total expenses	30,696,744	801,063	310,208	4,276,639	2,601,428	28,692,564	67,378,647
Provisions	2,804,748	8,030,099	1,899,416	(104,320)	(75,061)	1,002,220	13,557,101
Profit / (loss) before tax	47,582,190	(5,495,812)	330,960	802,901	2,038,488	(16,280,727)	28,978,001
Statement of financial position							
Cash and bank balances	174,096,865	238,501	82,716,513	42,748,449	4,410,976	2,585,111	306,796,415
Investments	-	38,801,666	1,316,800,220	61,079,182	19,416,280	6,306,609	1,442,403,957
Net inter segment lending	1,474,375,828	-	-	-	-	138,613,215	1,612,989,043
Lendings to financial institutions	-	-	132,718,198	-	11,419,496	2,650	144,140,344
Advances - performing / GoP	366,381,288	538,385,369	-	55,382,884	33,880,111	8,686,822	1,002,716,475
Advances - non-performing	20,283,141	32,196,797	-	41,049,352	203,934	55,643,830	149,377,054
Provision against Advances	(20,752,124)	(23,223,824)	-	(40,266,386)	(203,937)	(59,248,646)	(143,694,917)
Advances - net	365,912,305	547,358,342	-	56,165,850	33,880,108	5,082,006	1,008,398,612
Others	27,252,038	40,745,805	3,971,387	4,014,363	5,925,563	148,711,787	230,620,940
Total Assets	2,041,637,035	627,144,314	1,536,206,318	164,007,843	75,052,423	301,301,379	4,745,349,311
Borrowings	1,348,351	30,388,706	400,759,524	38,913,708	-	347,062	471,757,352
Deposits & other accounts	1,971,199,215	76,371,345	-	85,487,723	63,285,897	1,640,393	2,197,984,573
Net inter segment borrowing	-	488,444,930	1,081,180,371	36,248,474	7,115,268	-	1,612,989,043
Others	69,089,470	31,794,953	17,079,796	1,988,871	3,875,565	99,567,133	223,395,788
Total liabilities	2,041,637,035	626,999,934	1,499,019,691	162,638,777	74,276,729	101,554,589	4,506,126,756
Equity	-	144,380	37,186,627	1,369,066	775,697	199,746,791	239,222,555
Total Equity & liabilities	2,041,637,035	627,144,314	1,536,206,318	164,007,843	75,052,423	301,301,379	4,745,349,311
Contingencies & Commitments	833,218,160	236,880,686	823,455,129	28,997,140	-	31,345,046	1,953,896,161

	2018						
	Branch Banking	Corporate & Investment Banking	Treasury	International, Fin. Institution & Remittance	Aitemaad & Islamic Banking	Head Office / Others	Total
	Rupees in '000						
Profit and loss account							
Net mark-up / return / profit	(26,862,520)	30,396,142	51,121,992	2,654,886	2,411,880	1,168,943	60,891,324
Inter segment revenue - net	72,329,938	(25,417,455)	(52,546,888)	-	(457,595)	6,092,000	-
Non mark-up / return / interest income	14,414,607	2,675,229	14,597,278	1,463,209	342,962	4,181,159	37,674,444
Total Income	59,882,025	7,653,917	13,172,382	4,118,094	2,297,247	11,442,103	98,565,768
Segment direct expenses	27,268,074	719,868	311,411	3,365,678	2,267,040	1,939,393	35,871,463
Inter segment expense allocation	-	-	-	-	-	21,609,028	21,609,028
Total expenses	27,268,074	719,868	311,411	3,365,678	2,267,040	23,548,421	57,480,491
Provisions	(1,237,477)	10,450,280	1,315,797	(730,549)	87,201	1,320,236	11,205,488
Profit / (loss) before tax	33,851,428	(3,516,232)	11,545,174	1,482,966	(56,994)	(13,426,554)	29,879,789
Statement of financial position							
Cash and bank balances	120,643,163	189,794	78,372,622	54,739,132	4,655,330	2,367,105	260,967,146
Investments	-	42,297,041	1,155,765,373	55,950,776	23,914,372	7,046,944	1,284,974,506
Net inter segment lending	1,321,328,630	-	-	-	-	120,549,579	1,441,878,209
Lendings to financial institutions	-	-	104,971,318	-	1,417,699	2,650	106,391,667
Advances - performing	341,125,237	500,111,019	17,990	46,230,666	26,741,353	11,739,346	925,965,612
Advances - non-performing	19,917,069	22,069,620	-	39,181,569	364,825	53,017,880	134,550,963
Provision against Advances	(20,155,956)	(20,141,547)	-	(38,328,525)	(278,995)	(55,271,763)	(134,176,786)
Advances - net	340,886,351	502,039,092	17,990	47,083,710	26,827,183	9,485,463	926,339,789
Others	28,212,221	50,731,814	9,761,367	3,904,176	2,142,202	130,461,368	225,213,148
Total Assets	1,811,070,364	595,257,740	1,348,888,670	161,677,794	58,956,786	269,913,109	4,245,764,465
Borrowings	584,977	21,864,290	333,432,591	36,400,842	-	456,696	392,739,396
Deposits & other accounts	1,774,318,173	80,797,426	-	104,127,206	51,022,237	1,047,584	2,011,312,625
Net inter segment borrowing	-	445,791,031	969,750,676	20,257,431	6,079,071	-	1,441,878,209
Others	36,167,214	45,304,962	24,212,749	1,650,467	1,146,690	80,290,856	188,772,940
Total liabilities	1,811,070,364	593,757,709	1,327,396,015	162,435,945	58,247,997	81,795,136	4,034,703,170
Equity	-	1,500,031	21,492,654	(758,151)	708,789	188,117,973	211,061,295
Total Equity & liabilities	1,811,070,364	595,257,740	1,348,888,670	161,677,794	58,956,786	269,913,109	4,245,764,465
Contingencies & Commitments	579,228,335	203,590,159	569,689,204	27,725,864	-	29,805,088	1,410,038,651

44.2 Segment details with respect to geographical locations

	2019					
	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	Total
Profit and loss account	Rupees in '000					
Net mark-up / return/profit	68,805,824	68,371	81,192	1,028,536	2,169,958	72,153,882
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	35,903,457	398,445	303,359	579,091	575,516	37,759,867
Total Income	104,709,281	466,816	384,551	1,607,627	2,745,474	109,913,749
Segment direct expenses	36,144,294	1,809,948	720,501	1,328,813	649,772	40,653,328
Inter segment expense allocation	26,725,318	-	-	-	-	26,725,318
Total expenses	62,869,612	1,809,948	720,501	1,328,813	649,772	67,378,647
Provisions	13,629,289	(133,107)	(5,771)	28,281	38,409	13,557,101
Profit / (loss) before tax	28,210,380	(1,210,025)	(330,179)	250,533	2,057,293	28,978,001
Statement of financial position						
Cash and bank balances	262,626,290	25,653,998	10,435,547	5,119,150	2,961,430	306,796,415
Investments	1,379,539,117	34,982,676	-	10,751,978	17,130,186	1,442,403,957
Net inter segment lendings	36,248,474	-	-	-	8,107,633	44,356,106
Lendings to financial institutions	144,140,344	-	-	-	-	144,140,344
Advances - performing	947,067,992	7,818,734	120,810	14,706,409	33,002,530	1,002,716,475
Advances - non-performing	107,957,426	34,842,092	1,168,349	-	5,409,187	149,377,054
Provision against advances	(103,342,532)	(34,853,042)	(1,168,349)	(34,009)	(4,296,985)	(143,694,917)
	951,682,886	7,807,784	120,810	14,672,400	34,114,732	1,008,398,612
Others	226,262,248	3,075,071	121,839	373,587	788,196	230,620,940
Total Assets	3,000,499,359	71,519,529	10,678,196	30,917,116	63,102,176	3,176,716,374
Borrowings	432,843,644	1,825,928	-	2,322,714	34,765,066	471,757,352
Deposits & other accounts	2,111,038,766	40,692,380	6,812,172	12,396,062	27,045,193	2,197,984,573
Net inter segment borrowing	-	25,343,803	3,679,631	15,332,672	-	44,356,106
Others	221,359,049	941,501	186,393	480,780	428,067	223,395,788
Total liabilities	2,765,241,459	68,803,612	10,678,196	30,532,228	62,238,326	2,937,493,819
Equity	235,257,903	2,715,918	-	384,888	863,849	239,222,555
Total Equity & liabilities	3,000,499,359	71,519,529	10,678,196	30,917,116	63,102,176	3,176,716,374
Contingencies & Commitments	1,924,899,021	4,703,237	3,479,436	6,359,387	14,455,079	1,953,896,161

	2018					
	Pakistan	Asia Pacific (including South Asia)	Europe	United States of America	Middle East	Total
Profit and loss account	Rupees in '000					
Net mark-up/return/profit	58,072,515	536,323	47,754	637,571	1,597,159	60,891,324
Inter segment revenue - net	-	-	-	-	-	-
Non mark-up / return / interest income	36,182,221	669,513	214,100	282,268	326,344	37,674,444
Total Income	94,254,736	1,205,836	261,854	919,839	1,923,503	98,565,768
Segment direct expenses	31,902,587	1,497,549	604,635	912,033	556,476	35,473,280
Inter segment expense allocation	22,007,212	-	-	-	-	22,007,212
Total expenses	53,909,799	1,497,549	604,635	912,033	556,476	57,480,491
Provisions	11,944,705	(738,013)	(181)	(127,712)	126,688	11,205,488
Profit / (loss) before tax	28,400,232	446,301	(342,600)	135,518	1,240,339	29,879,789
Statement of financial position						
Cash & Bank balances	204,558,218	20,945,364	7,576,196	25,721,371	2,165,997	260,967,146
Investments	1,228,052,678	29,217,423	-	8,201,033	19,503,372	1,284,974,506
Net inter segment lendings	20,257,430	-	-	-	3,975,816	24,233,246
Lendings to financial institutions	106,391,667	-	-	-	-	106,391,667
Advances - performing	879,519,319	9,079,486	559,157	5,373,523	31,434,126	925,965,612
Advances - non-performing	94,626,300	32,270,195	1,069,071	1,776,756	4,808,641	134,550,963
Provision against Advances	(95,482,803)	(32,019,278)	(1,074,372)	(1,781,391)	(3,818,940)	(134,176,786)
	878,662,816	9,330,403	553,857	5,368,888	32,423,828	926,339,789
Others	221,092,757	2,557,375	112,792	588,903	861,326	225,213,148
Total Assets	2,659,015,567	62,050,564	8,242,845	39,880,195	58,930,338	2,828,119,502
Borrowings	356,338,554	3,603,168	-	-	32,797,674	392,739,396
Deposits & other accounts	1,906,137,835	45,178,156	5,529,140	28,434,398	26,033,097	2,011,312,625
Net inter segment borrowing	-	10,200,719	2,551,012	11,481,515	-	24,233,246
Others	187,104,431	709,736	162,693	215,603	580,475	188,772,940
Total liabilities	2,449,580,820	59,691,779	8,242,845	40,131,516	59,411,246	2,617,058,207
Equity	209,434,746	2,358,784	-	(251,321)	(480,908)	211,061,295
Total Equity & liabilities	2,659,015,567	62,050,564	8,242,845	39,880,195	58,930,338	2,828,119,502
Contingencies & Commitments	1,382,312,787	5,496,677	2,338,069	1,785,079	18,106,040	1,410,038,651

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

45. TRUST ACTIVITIES

45.1 Endowment Fund

Students Loan Scheme was launched by Government of Pakistan with 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 SMEFD (Infra Structure 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 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. 758 million as at December 31, 2019 (2018: Rs.672 million).

46. RELATED PARTY TRANSACTIONS

The Group has related party transactions with its parent, 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 undertakings and their provisions are stated in note 10 of the financial statement of the Group.

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

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

	2019									2018								
	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	-	-	-	1,159	-	-	-	-	-	-	-	-	16,836	-	-	-	-	-
In deposit accounts	-	-	-		-	-	-	-	-	-	-	-	8,780	-	-	-	-	-
	-	-	-	1,159	-	-	-	-	-	-	-	-	25,616	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advances																		
Opening balance	-	222,967	3,105,907	-	-	-	-	-	217,063	-	145,369	3,314,085	-	-	-	-	-	-
Addition during the year	-	74,615		-	-	-	-	-	11,246,254		20,234	-	-	-	-	-	-	33,958
Repaid during the year	-	(22,888)	(69,157)	-	-	-	-	-	(14,896,873)		(27,052)	(208,178)	-	-	-	-	-	(39,503)
Transfer in / (out) - net*		(45,889)							26,819,881		84,416							222,608
Closing balance	-	228,805	3,036,750	-	-	-	-	-	23,386,325	-	222,967	3,105,907	-	-	-	-	-	217,063
Provision held against advances	-	-	2,827,375	-	-	-	-	-	-	-	-	2,849,657	-	-	-	-	-	-
Other Assets																		
Interest / mark-up accrued	-	-	1,710,481	-	-	-	-	-	-	-	-	1,704,892	-	-	-	-	-	-
Borrowings																		
Opening balance	-	-	-	38,248	-	-	-	-	-	-	-	-	87,920	-	-	-	-	-
Borrowings during the year	-	-	-	241,566	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settled during the year	-	-	-	-	-	-	-	-	-	-	-	-	(49,672)	-	-	-	-	-
Closing balance	-	-	-	279,814	-	-	-	-	-	-	-	-	38,248	-	-	-	-	-
Deposits and other accounts																		
Opening balance	10,732	80,689	-	-	1,085	11,100,000	458,328	12,465,939	-	15,614	62,048	-	-	1,248	10,300,000	514,539	12,749,309	-
Received during the year	23,314	625,431	-	-	45,832,581		11,785,192	2,246,185	273,669,395	28,447	485,525	-	-	4,300,229	28,800,000	16,639,785	14,268,653	-
Withdrawn during the year	(22,146)	(591,564)	-	-	(45,833,593)	(11,100,000)	(11,008,400)	(1,415,241)	(278,409,470)	(33,087)	(454,455)	-	-	(4,300,392)	(28,000,000)	(16,695,996)	(14,552,023)	-
Transfer in (out) - net*	(8,065)	(19,840)	-	-	-	-	-	-	18,980,068	(242)	(12,429)	-	-	-	-	-	-	-
Closing balance	3,835	94,716	-	-	73	-	1,235,120	13,296,883	14,239,993	10,732	80,689	-	-	1,085	11,100,000	458,328	12,465,939	-
Contingencies & Commitments	-	-	-	-	-	-	-	-	1,463,085	-	-	-	-	-	-	-	-	-

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

	2019						2018					
	Key management personnel	Associates	Joint venture	Pension Fund	Provident Fund	Funds / Others	Key management personnel	Associates	Joint venture	Pension Fund	Provident Fund	Funds / Others
	(Rupees in '000)											
Income												
Mark-up / return / interest earned	-	-	112	-	-	-	-	-	153,652	-	-	-
Debts due by Companies in which Directors of the Bank is interested as Directors	-	-	-	-	-	1,860,682	-	-	-	-	-	17,496
Fee and commission income	-	-	-	-	-	-	-	-	-	-	-	-
Dividend income	-	6,000	-	-	-	-	-	-	-	-	-	-
Rent income / Lighting & Power and Bank charges	-	4,638	-	-	-	15,558	-	4,636	-	-	-	15,558
Expense												
Mark-up / return / interest paid	-	-	780	204,666	1,690,456	4,345,823	-	-	937	767,837	1,687,126	-
Transaction Fee paid to company in which director of the bank is interested as directo	-	-	-	-	-	-	-	-	-	-	-	5,874
Remuneration to key management executives including charge for defined benefit plan	459,257	-	-	-	-	-	394,088	-	-	-	-	-
Post Retirement Benefit paid to Director cum Ex-employee	-	-	-	-	-	1,565	-	-	-	-	-	-

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 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. 9,958 million (2018: 9,223 million) for the year ended December 31, 2019. As at the statement of financial position date the loans and advances, deposits and contingencies relating to Government–related entities amounted to Rs. 377,158 million (2018: 353,001 million), Rs. 840,064 million (2018: 724,653 million) and Rs. 876,232 million (2018: 669,903 million) respectively and income earned on advances and investment and profit paid on deposits amounted to Rs. 30,498 million (2018: 25,959 million) and Rs. 50,926 million (2018: 30,942 million) respectively.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

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 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.

The SBP has issued instructions for Basel-III Implementation vide BPRD Circular No. 06 of 2013 dated August 15, 2013. These instructions were effective from December 31, 2013 in a phased manner with full implementation 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:

The Capital Adequacy Ratio (CAR) 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 14.00%.

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 3.44% in the year December 31, 2019 (2018: 3.51%) and Tier-1 capital of Rs 146,628 Million (2018: Rs 128,017 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 (going-concern capital)

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

Tier III capital, has been eliminated in Basel III Capital requirements. Also the Basel III capital rules requires bank to make certain deductions from the capital before arriving at the Capital Adequacy Ratio (CAR). These deductions are being done in phased manner starting from 2014, with full deductions in 2018.

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 Group for the year ended December 31, 2019 stood at Rs. 21,275 billion (2018: Rs. 21,275 billion) and is in compliance with the SBP requirement for the said year. In addition the Bank has maintained minimum Capital Adequacy Ratio (CAR) of 15.82% (2018: 16.69%).

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

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

	2019	2018
	---------- Rupees in '000 ----------	
Minimum Capital Requirement		
Paid-up capital	**168,001,436**	150,957,373
Capital Adequacy Ratio		
Eligible Common Equity Tier 1 Capital	**146,628,152**	128,017,400
Eligible Additional Tier 1 Capital	**-**	-
Total Eligible Tier 1 Capital	**146,628,152**	128,017,400
Eligible Tier 2 Capital	**41,295,951**	45,126,290
Total Eligible Capital (Tier 1 + Tier 2)	**187,924,103**	173,143,690
Risk Weighted Assets		
Credit Risk	**918,174,576**	798,236,578
Market Risk	**93,146,479**	81,385,782
Operational Risk	**176,625,691**	157,972,625
Total	**1,187,946,746**	1,037,594,983
Common Equity Tier 1 Capital Adequacy Ratio	**12.34%**	12.34%
Tier 1 Capital Adequacy Ratio	**12.34%**	12.34%
Total Capital Adequacy Ratio	**15.82%**	16.69%
Leverage Ratio		
Tier-1 Capital	**146,628,152**	128,017,400
Total Exposures	**4,260,315,310**	3,650,341,045
Leverage Ratio	**3.44%**	3.51%
Liquidity Coverage Ratio		
Total High Quality Liquid Assets	**890,965,256**	949,424,482
Total Net Cash Outflow	**603,741,462**	560,346,109
Liquidity Coverage Ratio	**148%**	169%
Net Stable Funding Ratio		
Total Available Stable Funding	**2,040,913,906**	1,745,679,890
Total Required Stable Funding	**875,207,068**	544,123,198
Net Stable Funding Ratio	**233%**	321%

47.1 The full disclosures on the CAPITAL ADEQUACY, LEVERAGE RATIO & LIQUIDITY REQUIREMENTS as per SBP instructions issued from time to time, is placed 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 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.

In order to support 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.

The Project for Business Process Review and COSO Implementation has been conducted, which resulted in re- aligning the existing documentation with improved risk-based process flows, reviewing and updating existing policies/procedure manuals, streamlining operating models such as centralization of various functions and rationalizing various system functionalities / features for better MIS reporting and Core Banking Application (CBA) optimization.

In addition, Information Security Division (ISD) became an integral part of Risk Management Group to confronting the emerging risks arises due to the introduction and use of IT based systems.

48.1 Risk Governance Structure

Risk Management Group (RMG) operates as an independent group, i.e. separate from approvals and direct involvement in day-to-day activities. RMG 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 shareholder value that may be suffered by the Bank. Therefore, it is the responsibility of the Board to ensure that policies and frameworks are in place to recognize all significant/ material risks to which the Bank is/ may be exposed and that the required human resource, culture, practices and systems are adequate to address such risks. The Board and its relevant committee, i.e. BRCC and the senior management along with its relevant committees i.e. Credit Committee, Enterprise Risk Committee (ERC), ALCO etc. are responsible to ensure formulation and implementation of risk management framework.

48.2 Risk Management Framework

The Bank implements risk management framework through a 'Three Lines of Defence' model which defines clear responsibilities and accountabilities for various offices and ensures effective & independent oversight and also that the activities take place as intended. Risk Management Group 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 & Compliance Committee and Audit & 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:

48.2.1 Credit Risk

Credit risk is the possibility that a debtor or counterparty can default on its contractual obligations to the Bank in accordance with agreed terms. Bank lending activities account for most of the Bank's credit risk, however, other sources of credit risk also exist throughout the undertakings of the Bank. The activities include 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. Bank has a separate setup that ensures the effectiveness of the framework for assessment / measurement, review and reporting of credit risk.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

Bank has in place a concentration policy to classify the levels of credit risk it undertakes by placing limits on exposures in relation to existing or potential clients, counterparties, groups and to various industry segments. These risks are analysed on perpetual basis and is subject to frequent review. Vis-à-vis, Bank ensures that credit exposures are adequately collateralized and comprehensive risk palliating measures are taken to regulate overall credit risk exposure in accordance with Bank's tolerance limits.

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, Bank also has an Internal Ratings System / Model based on multiple risk factors. The model provides an understanding of borrowers' current and future financial health. This creates an integral contribution in decision making by senior management of the Bank. Concentration of exposure / risk in any of counterparty, group, or industry is assessed frequently and accordingly limit setting is tailored in accordance with the evolving socio-economic / market conditions.

Standardized Approach is used to calculate capital charge for credit risk as per Basel regulatory framework, 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 bank'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	
	2019	2018	2019	2018	2019	2018
	Rupees in '000					
Public/ Government	**11,419,496**	1,417,699	**-**	-	**-**	-
Private	**132,896,998**	105,150,118	**176,150**	176,150	**176,150**	176,150
	144,316,494	106,567,817	**176,150**	176,150	**176,150**	176,150

48.2.1.2 Investment in debt securities

Credit risk by industry sector

	Gross investments		Non-performing investments		Provision held	
	2019	2018	2019	2018	2019	2018
	Rupees in '000					
Cement	**19,453**	19,453	**19,453**	19,453	**19,453**	19,453
Chemical	**2,073,812**	323,812	**323,812**	323,812	**323,812**	323,812
Construction	**3,885,489**	2,064,990	**1,633,738**	1,633,739	**1,633,738**	1,633,738
Engineering	**4,842**	4,842	**4,842**	4,842	**4,842**	4,842
Fertilizer	**1,425,089**	1,820,112	**656,831**	667,725	**656,831**	667,728
Sugar	**785,469**	835,681	**785,469**	396,799	**572,385**	396,799
Textile	**1,151,768**	651,768	**651,768**	651,768	**651,768**	651,768
Transport	**2,803,718**	7,267,013	**-**	-	**-**	-
Financial	**9,344,916**	7,114,844	**90,886**	90,889	**82,126**	82,122
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	**787,524**	665,814	**25,992**	25,992	**25,992**	25,992
Leather & Tenneries	**5,288**	5,288	**5,288**	5,288	**5,288**	5,288
Food and Personal Care Products	**11,184**	66,660	**11,184**	11,184	**11,184**	11,184
Pharmaceuticals	**2,413**	2,413	**2,413**	2,413	**2,413**	2,413
Technology & Communication	**11,072**	178	**11,072**	178	**11,072**	178
Vanaspati & Allied Industries	**4,238**	4,238	**4,238**	4,238	**4,238**	4,238
Oil & Gas Marketing	**95,986**	95,986	**686**	686	**686**	686
Cable & Electrical Goods	**4,509**	4,509	**4,509**	4,509	**4,509**	4,509
Automobile Parts & Accessories	**1,185**	1,185	**1,185**	1,185	**1,185**	1,185
Power (electricity), Gas, Water, Sanitary	**35,464,521**	36,697,825	**-**	-	**-**	-
Tobacco	**144**	144	**144**	144	**144**	144
Paper & 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	**950,000**	-	**-**	-	**-**	-
	60,670,593	59,484,729	**5,571,484**	5,182,817	**5,349,640**	5,174,053
Credit risk by public / private sector						
Public/ Government	**32,463,359**	42,259,958	**7,620**	7,620	**7,620**	7,620
Private	**28,207,234**	17,224,771	**5,563,864**	5,175,197	**5,342,020**	5,166,433
	60,670,593	59,484,729	**5,571,484**	5,182,817	**5,349,640**	5,174,053

.1.3 ***Advances***

Credit risk by industry sector

	Gross advances		Non-performing advances		Provision held	
	2019	2018	**2019**	2018	**2019**	2018
	Rupees in '000					
Agriculture, Forestry, Hunting & Fishing	**59,016,306**	49,666,062	**5,565,495**	4,402,110	**4,133,877**	3,177,683
Mining & Quarrying	**2,079,833**	22,745	**870,598**	17,801	**465,220**	17,801
Textile	**130,890,548**	110,834,171	**35,442,889**	39,189,567	**34,127,452**	38,864,424
Chemical & Pharmaceuticals	**3,698,135**	6,412,431	**2,789,583**	3,063,802	**2,781,935**	3,003,942
Cement	**28,285,797**	26,342,584	**4,177,487**	2,065,304	**2,466,565**	2,065,304
Sugar	**34,415,033**	38,302,949	**14,441,205**	12,582,927	**12,666,718**	12,154,881
Footwear and Leather garments	**2,095,757**	2,360,408	**847,135**	807,322	**846,235**	807,322
Automobile & Transportation Equipment	**8,711,039**	7,106,454	**959,014**	977,325	**959,014**	962,608
Electronics & Electrical Appliances	**7,204,298**	6,409,085	**2,234,231**	2,285,963	**2,222,981**	2,229,713
Construction	**12,243,093**	12,381,574	**5,323,770**	5,123,880	**5,304,434**	5,085,105
Power (electricity), Gas, Water, Sanitary	**289,464,374**	276,911,048	**5,434,940**	3,773,655	**4,448,807**	3,773,655
Wholesale and Retail Trade	**36,292,574**	43,646,055	**10,806,629**	4,305,951	**10,533,434**	4,166,539
Exports / Imports	**1,486,667**	763,528	**68,583**	383,341	**68,583**	375,841
Transport, Storage and Communication	**56,653,305**	59,970,440	**10,106,198**	9,406,544	**7,940,445**	8,117,092
Financial	**40,447,197**	27,235,071	**77,317**	452,815	**77,317**	290,018
Services	**14,209,909**	12,931,115	**2,060,883**	2,407,848	**1,619,394**	2,404,385
Individuals	**170,406,547**	149,014,052	**6,154,918**	7,077,943	**4,218,970**	4,900,135
Flour Mills	**3,467,902**	2,959,383	**708,232**	543,893	**662,512**	493,115
Rice processing & Trading	**26,950,629**	28,657,001	**4,575,187**	4,574,543	**4,494,866**	4,545,340
Food and tobacco	**12,026,044**	8,115,938	**3,884,056**	2,700,660	**3,358,342**	2,663,201
Fertilizer	**20,813,179**	19,677,499	**2,885,878**	2,899,669	**2,860,734**	2,899,008
Metal Products	**67,474,262**	64,875,984	**23,353,861**	19,090,063	**22,345,884**	17,967,424
Telecommunication	**16,307,814**	13,209,014	**1,135,662**	1,074,241	**1,135,662**	1,074,241
Public Sector Commodity Operations	**66,638,547**	67,222,362	**73,785**	73,785	**73,785**	73,785
Engineering	**24,966,577**	13,499,460	**1,423,696**	1,373,475	**1,421,196**	1,340,601
Glass and Ceramics	**5,043,655**	2,328,244	**423,641**	422,595	**423,641**	422,595
Media	**2,222,899**	2,324,999	**151,457**	151,457	**151,457**	151,457
Paper & Board	**1,820,422**	1,709,687	**953,829**	700,655	**655,672**	588,257
Plastic products	**2,751,131**	2,156,121	**666,403**	945,564	**488,349**	923,077
Sports goods	**727,511**	552,477	**93,818**	141,282	**87,818**	141,282
Others	**3,282,542**	2,918,633	**1,686,673**	1,534,985	**1,647,667**	1,289,850
	1,152,093,529	1,060,516,575	**149,377,054**	134,550,963	**134,688,966**	126,969,680

Credit risk by public / private sector

	Gross advances		Non-performing advances		Provision held	
	2019	2018	**2019**	2018	**2019**	2018
	Rupees in '000					
Public/ Government	**377,158,182**	353,000,659	**2,522,432**	2,526,128	**2,522,432**	2,526,128
Private	**774,935,347**	707,515,916	**146,854,622**	132,024,835	**132,166,534**	124,443,552
	1,152,093,529	1,060,516,575	**149,377,054**	134,550,963	**134,688,966**	126,969,680

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

	2019	2018
	--------- Rupees in '000 ---------	

48.2.1.4 Contingencies and Commitments

Credit risk by industry sector

Agriculture, Forestry, Hunting & Fishing	**235,536**	223,213
Mining & Quarrying	**3,000**	1,720,601
Textile	**9,792,996**	7,187,737
Chemical & Pharmaceuticals	**14,507,473**	14,423,521
Cement	**10,121,549**	5,922,193
Sugar	**742,270**	629,349
Footwear and Leather garments	**10,928**	22,890
Automobile & Transportation Equipment	**1,979,186**	2,702,508
Electronics & Electrical Appliances	**2,154,502**	2,200,308
Construction	**9,697,086**	5,946,949
Power (electricity), Gas, Water, Sanitary	**159,559,087**	162,518,899
Wholesale and Retail Trade	**1,555,095**	4,026,616
Exports / Imports	**27,996**	15,640
Transport, Storage and Communication	**17,513,951**	17,106,207
Financial	**901,993,463**	609,243,935
Insurance	**-**	-
Services	**746,058,170**	505,211,701
Individuals	**264,219**	322,799
Fertilizer	**3,853,225**	2,112,212
Metal Products	**2,365,866**	2,621,921
Telecommunication	**15,745,882**	10,829,417
Public Sector Commodity Operations	**1,095,352**	1,145,176
Rice processing & Trading	**44,951**	145,000
Food and Tobacco	**687,387**	194,405
Glass and Ceramics	**1,553,100**	628,694
Paper & Board	**551,120**	657,319
Engineering	**48,284,197**	50,207,516
Plastic Products	**142,657**	265,048
Flour Mills	**19,352**	-
Surgical equipments	**750**	5,108
Others	**3,335,814**	1,801,769
	1,953,896,161	1,410,038,651

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	**876,232,352**	669,902,699
Private	**1,077,663,809**	740,135,952
	1,953,896,161	1,410,038,651

48.2.1.5 Concentration of Advances

The bank top 10 exposures on the basis of total (funded and non-funded expsoures) aggregated to Rs. 1,036,638 million (2018: Rs. 832,299 million) are as follows:

	2019	2018
	--------- Rupees in '000 ---------	
Funded	**238,481,635**	252,217,265
Non Funded	**798,156,427**	580,082,098
Total Exposure	**1,036,638,062**	832,299,363

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

The sanctioned limits against these top 10 expsoures aggregated to Rs. 1,073,636 million (2018: Rs. 866,076 million)

Total funded classified therein	2019		2018	
	Amount	Provision held	Amount	Provision held
	Rupees in '000			
Loss	2,522,432	2,522,432	2,522,432	2,522,432
Total	2,522,432	2,522,432	2,522,432	2,522,432

48.2.1.6 Advances - Province/Region-wise Disbursement & Utilization

	2019						
	Disbursements	Utilization					
Province/Region		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Punjab	228,866,286	228,147,162	303,200	-	-	125,043	299,671
Sindh	364,638,630	10,707,703	262,168,186	549,899	27,482,303	63,721,751	-
KPK including FATA	9,492,232	-	-	9,492,232	-	-	-
Balochistan	4,979	-	-	-	4,979	-	-
Islamabad	42,498,179	12,015,495	10,717,298	2,764,372	-	17,001,014	-
AJK including Gilgit-Baltistan	4,921,666	3,882	-	-	-	-	4,917,784
Total	650,421,971	250,874,241	273,188,684	12,806,502	27,487,282	80,847,807	5,217,455

	2018						
	Disbursements	Utilization					
Province/Region		Punjab	Sindh	KPK including FATA	Balochistan	Islamabad	AJK including Gilgit-Baltistan
Punjab	223,164,822	221,904,428	1,260,394	-	-	-	-
Sindh	418,508,463	19,080,988	337,521,741	4,575,993	1,860,380	55,469,362	-
KPK including FATA	10,156,322	-	-	10,156,322	-	-	-
Balochistan	4,762,370	-	-	-	4,762,370	-	-
Islamabad	68,921,607	8,303,687	17,918,593	628,607	-	42,070,720	-
AJK including Gilgit-Baltistan	5,489,347	-	-	-	-	-	5,489,347
Total	731,002,931	249,289,103	356,700,728	15,360,922	6,622,750	97,540,082	5,489,347

48.2.2 Market Risk

Market Risk is the potential for losses to arise from trading activities undertaken by the Bank as a result of movements in market rates or prices such as interest rates, foreign exchange rates, and equity prices.

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 through the engagement of various strategies in relation with prices, rates, and spread movements of its earning assets, liabilities and trading activities. Bank has also worked on devising improved criteria for various market risk limits. Under the developed Value-at-Risk (VaR) models and policy framework, VaR limits are being monitored through pilot run with an objective to be used for capital charge calculation under IMA approach in future.

Standardized Approach is used to calculate capvital charge for market risk as per Basel regulatory framework. Whereas, Stress testing for Interest Rate, Equity Prices, and Exchange Rates risks related to market and non-market based 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 & Management Action Plans corresponding to Liquidity Ratio, Balance Sheet Duration Gap, Government Securities PVBP and Duration have also been developed. These triggers are used for proposing / recommending actions to ALCO for deliberation and necessary action.

48.2.2.1 Balance sheet split by trading and banking books

	2019			2018		
	Banking book	Trading book	Total	Banking book	Trading book	Total
	Rupees in '000					
Investments	1,404,699,717	37,704,240	1,442,403,957	1,131,243,233	153,731,273	1,284,974,506
	1,404,699,717	37,704,240	1,442,403,957	1,131,243,233	153,731,273	1,284,974,506

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

48.2.2.2 Foreign Exchange Risk

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

In order to manage currency risk exposure the Bank enters into ready, spot, forward and swaps transactions with the SBP and in the interBank market, financial institutions and corporate. The Bank'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.

	2019				2018			
	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	**155,613,306**	**282,671,076**	**141,330,602**	**14,272,832**	172,564,319	255,340,224	92,479,631	9,703,726
Great Britain Pound Sterling	**4,386,930**	**6,303,626**	**6,257,773**	**4,341,077**	3,222,776	6,359,124	4,988,131	1,851,783
Japanese Yen	**5,142,262**	**1,304,374**	**(1,973,457)**	**1,864,432**	5,111,187	10,672,051	7,099,183	1,538,319
Euro	**8,582,016**	**9,514,725**	**6,608,767**	**5,676,058**	7,962,131	8,889,610	6,666,157	5,738,678
Other currencies	**76,936,212**	**27,595,177**	**4,171,279**	**53,512,314**	68,798,819	22,978,120	1,314,137	47,134,836
	250,660,726	**327,388,978**	**156,394,964**	**79,666,712**	257,659,232	304,239,130	112,547,239	65,967,342

	2019		2018	
	Banking book	**Trading Book**	Banking Book	Trading Book
	---------- Rupees in '000 ----------			
Impact of 1% change in foreign exchange rates				
- Profit and loss account	**-**	-	-	-
- Other	**5,612**	**-**	1,322	-

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 Bank, 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.

	2019		2018	
	Banking book	**Trading Book**	Banking Book	Trading Book
	---------- Rupees in '000 ----------			
Impact of 5% change in equity prices				
- Profit and loss account	**-**	**2,816**	-	-
- Other	**2,560,070**	**-**	3,254,053	-

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.

The above mentioned risks are not only measured, monitored, and managed from the regulatory purpose, but from the perspective of internal management.

	2019		2018	
	Banking book	Trading book	Banking book	Trading book
	Rupees in '000			
Impact of 1% change in interest rates on				
- Profit and loss account	-	175,771	-	4,418,739
- Other comprehensive income	14,259,122	-	7,254,690	-

48.2.2.5 Mismatch of Interest Rate Sensitive Assets and Liabilities

	2019											
	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	0.0%	293,198,090	32,909,138	599,716	796,971	569,701	-	-	-	-	-	258,322,564
Balances with other banks	12.2%	13,598,325	4,811,370	1,212,496	435,643	662,730	-	-	-	-	-	6,476,086
Lending to financial institutions	13.2%	144,140,344	132,680,048	2,099,962	-	-	1,417,699	7,942,635	-	-	-	-
Investments	10.9%	1,442,403,957	7,869,810	52,418,872	14,695,312	738,447,962	184,537,658	77,281,527	97,554,750	186,426,924	13,494,958	69,676,184
Advances	10.3%	1,008,398,612	258,881,767	353,421,852	178,068,742	48,727,183	24,407,101	31,587,097	65,068,887	29,993,575	17,065,764	1,176,645
Other assets	0.0%	86,056,169	459,555	-	-	163,947	-	31,302	9,205	-	-	85,392,160
		2,987,795,497	437,611,688	409,752,898	193,996,668	788,571,523	210,362,458	116,842,561	162,632,842	216,420,499	30,560,722	421,043,639
Liabilities												
Bills payable	0.0%	19,867,424	-	-	-	-	-	-	-	-	-	19,867,424
Borrowings	13.3%	471,757,352	379,837,482	37,713,498	22,070,344	23,324,881	863,588	2,927,955	2,908,254	2,111,350	-	-
Deposits and other accounts	6.3%	2,197,984,573	1,138,962,420	72,567,558	28,086,713	41,302,402	7,002,425	5,387,496	10,129,768	180,000	-	894,365,790
Liabilities against assets subject to finance lease	7.6%	194,403	-	-	-	56,266	-	138,137	-	-	-	-
Lease liability against right of use assets	10.0%	7,831,350	78	14,849	39,013	175,714	355,554	853,555	1,692,291	3,424,044	1,276,252	-
Other liabilities	0.0%	180,344,593	286,293	-	-	-	-	-	-	-	-	180,058,300
		2,877,979,695	1,519,086,273	110,295,905	50,196,070	64,859,263	8,221,567	9,307,143	14,730,313	5,715,394	1,276,252	1,094,291,514
On-balance sheet gap		109,815,802	(1,081,474,585)	299,456,993	143,800,598	723,712,260	202,140,891	107,535,418	147,902,529	210,705,105	29,284,470	(673,247,875)
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions		937,616,635	-	-	-	-	-	-	-	-	-	937,616,635
Commitments in respect of:												
- forward foreign exchange contracts		156,394,965	49,843,489	66,860,830	29,004,137	10,686,509	-	-	-	-	-	-
- forward government securities transactions		(21,650,953)	(21,650,953)	-	-	-	-	-	-	-	-	-
Commitments for acquisition of:												
- operating fixed assets		566,855	554,779	8,228	-	3,848						
- Other commitments		13,500	-	6,750	-	6,750	-	-	-	-	-	-
Off-balance sheet gap		1,072,941,002	28,747,315	66,875,808	29,004,137	10,697,107	-	-	-	-	-	937,616,635
Total Yield/Interest Risk Sensitivity Gap			(1,052,727,270)	366,332,801	172,804,735	734,409,367	202,140,891	107,535,418	147,902,529	210,705,105	29,284,470	264,368,760
Cumulative Yield/Interest Risk Sensitivity Gap			(1,052,727,270)	(686,394,469)	(513,589,734)	220,819,633	422,960,524	530,495,942	678,398,471	888,103,576	918,388,046	1,182,756,806

	2018											
	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%	247,917,421	24,610,265	-	-	-	-	-	-	-	-	223,307,156
Balances with other banks	3.8%	13,049,725	4,208,279	899,549	800,616	703,935	-	-	-	-	-	6,437,346
Lending to financial institutions	10.2%	106,391,667	104,773,968	100,000	100,000	-	-	1,417,699	-	-	-	-
Investments	7.3%	1,284,974,506	230,232,984	518,838,296	74,571,877	33,866,946	105,006,548	58,004,390	76,305,713	112,598,318	10,325,819	65,223,613
Advances	7.6%	926,339,789	151,546,936	328,999,639	211,071,981	83,179,891	25,062,427	19,889,769	65,981,322	26,297,797	13,079,525	1,230,501
Other assets	0.0%	93,184,051	526,925	-	4,330	166,162	11,472	-	-	-	-	92,475,161
		2,671,857,159	515,899,357	848,837,485	286,548,804	117,916,935	130,080,448	79,311,858	142,287,034	138,896,116	23,405,345	388,673,777
Liabilities												
Bills payable	0.0%	9,944,178	-	-	-	-	-	-	-	-	-	9,944,178
Borrowings	10.1%	392,739,396	359,775,652	19,111,863	10,036,682	252,115	137,518	-	113,425	3,312,140	-	-
Deposits and other accounts	4.2%	2,011,312,625	1,094,811,942	28,029,372	59,125,358	46,068,888	2,903,261	2,364,941	4,136,245	32,999	-	773,839,619
Liabilities against assets subject to finance lease	7.6%	121,077	-	-	-	32,640	-	88,437	-	-	-	-
Other liabilities	0.0%	169,713,068	306,390	669	7,869	3,154	12,635	3,562	4,862	-	-	169,373,926
		2,583,830,344	1,454,893,985	47,141,904	69,169,909	46,356,797	3,053,413	2,456,940	4,254,532	3,345,139	-	953,157,723
On-balance sheet gap		88,026,815	(938,994,628)	801,695,580	217,378,895	71,560,138	127,027,034	76,854,918	138,032,502	135,550,977	23,405,345	(564,483,946)
Off-balance sheet financial instruments												
Documentary credits and short-term trade-related transactions		716,304,478	-	-	-	-	-	-	-	-	-	716,304,478
Commitments in respect of:												
- forward foreign exchange contracts		112,547,239	31,240,350	73,421,491	10,099,425	(2,214,027)	-	-	-	-	-	-
- forward government securities transactions		45,163,250	41,587,500	3,575,750	-	-	-	-	-	-	-	-
Commitments for acquisition of:												
- operating fixed assets		431,521	328,796	6,208	41,337	55,180						
Other commitments		13,500	-	6,750	-	6,750	-	-	-	-	-	-
Off-balance sheet gap		874,459,988	73,156,645	77,010,199	10,140,762	(2,152,096)	-	-	-	-	-	716,304,478
Total Yield/Interest Risk Sensitivity Gap			(865,837,982)	878,705,779	227,519,657	69,408,041	127,027,034	76,854,918	138,032,502	135,550,977	23,405,345	151,820,532
Cumulative Yield/Interest Risk Sensitivity Gap			(865,837,982)	12,867,797	240,387,454	309,795,496	436,822,530	513,677,448	651,709,950	787,260,927	810,666,271	962,486,804

	2019	2018
48.2.2.6 Reconciliation of Financial Assets with Total Assets	Rupees in '000	
Total Financial Assets as per note 48.2.2.5	**2,987,795,497**	2,671,857,159
Add: Non-Financial Assets		
Fixed assets	**54,919,564**	54,338,676
Intangible assets	**1,070,766**	856,900
Right of Use Assets	**7,447,414**	-
Other assets	**81,127,027**	76,833,521
	144,564,771	132,029,097
Total assets as per statement of financial position	**3,132,360,268**	2,803,886,256
Total Financial Liabilities as per note 48.2.2.5	**2,877,979,695**	2,583,830,344
Add: Non-Financial Liabilities		
Deferred tax liabilities	**10,869,353**	6,945,767
Other liabilities	**4,288,665**	2,048,850
	15,158,018	8,994,617
Total liabilities as per statement of financial position	**2,893,137,713**	2,592,824,961

48.2.3 Operational Risk

The Bank may suffer losses due to its exposure to Operational Risk. To mitigate, a comprehensive 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 realizes that operational risks cannot be fully mitigated, it therefore determines an appropriate balance between accepting potential losses and incurring costs of mitigation.

Further, Bank has adopted a comprehensive Operational Risk Management Strategy and Operational Risk Tolerance limits approved by the Board in-line with Basel framework. Furthermore, Bank has rolled-out Operational Loss Data Collection Mechanism whereby field functionaries 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.

Bank has also conducted Root Cause analysis of major Operational Risk Incidents covering key control lapses and accordingly suggested recommendations & mitigations. As per regulatory framework, Bank calculates capital charge for its operational risk using Basic Indicator Approach.

48.2.4 Information Security Risk

In today's highly technology dependent environment, where most of the business functions are performed with information technology for storing, processing and sharing information; the information "assets" that are being used to store, process and transmit the information, face various types of threats. If threats get materialized and are able to exploit the vulnerabilities (weaknesses) present in these information assets, the Confidentiality, Integrity and Availability of information get compromised. In order to mitigate the risks, certain controls and countermeasures need to be assessed and implemented.

The Bank, hence, classifies Information as a critical asset and declares the related information storing, processing and transmitting facilities/systems as Information Assets. Information may exist in many forms across the organization such as digital as well as non-digital (paper based). Hence, the Risk Management Group is responsible to provide a framework for information security risk management of information assets to the respective stakeholders. The information security risk management includes risk identification, risk analysis, risk evaluation and risk treatment plans. Information Security Risk Management Framework (ISRMF) v1.0 has been approved by BoD in its 292nd meeting whereas Cyber Security Management Framework (CSMF) v1.0.has been recommended for BoD approval by ERC and BRCC Management Forums.

In addition to above IS Division is also working on Frameworks related IS Incident & Forensics and Card Security, there are other relevant information security domains in which the Information Security Division is responsible for governance and/or execution such as Information/Cyber Security awareness and trainings, Digital Payments Security and Internet/Mobile Banking Security reviews. The respective division is taking care of all such aspects by ensuring the information security in NBP while taking in loop other relevant stakeholders such as Technology & Digitalization Group, Compliance, Operations etc. The Information Security Division of Risk Management Group has also revised the Information Security Policy v3.0 in 2018 which is applicable Bank wide for information security assurance. The division reviews the policy matters related to the information security of NBP's international branches as and when contacted by the International Banking Group and currently overseeing implementation of GDPR at Frankfurt and Paris branches. The security reviews of various applications are conducted in coordination with the respective business group (owner) as well as the Technology and Digitalization Group (custodian). The establishment of Security Operations Center (SOC) to monitor Information Security operations and PCI DSS certification for Payment Card Infrastructure are major strategic initiatives that IS division is currently working on.

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

48.2.5 Enterprise-wide Risk

In addition to the above mentioned risks, the Bank has a structure to identify residual material risks through generation of various MIS reports 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), Downward Shift in NPL Categories, Reputational Risk, Strategic Risk, etc.

Moreover, all those brewing risks that are material and arise within the Bank or due to inherent behavior of country's market and economic conditions, whether in isolation or in 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.

The Bank has also started preparation on periodic basis to implement advanced methodologies of risk quantification based on sophisticated modeling techniques; macro-stress testing is, one of the tool developed and implemented by the Bank, conducted assuming synthetic deterioration in macro-economic factors to possibly measure the impact on capital of the Bank which is based on time series methodology and is validated.

48.2.6 Liquidity Risk

Liquidity risk is the risk that the Bank may be unable to meet short term financial demands. This usually occurs due to the inability to convert a security or hard asset to cash without a loss of capital and/or income in the process.Banks are often evaluated on their liquidity, or their ability to meet cash and collateral obligations without incurring substantial losses.

To mitigate this risk, management 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 or risking sustained damage to the Bank's reputation, 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.

ALCO is responsible for ensuring that the Bank has adequate liquidity and monitors liquidity gaps, to execute this responsibility. Regulatory stress as well as proprietary 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 [(LA/ D&B), Gross ADR (net of refinancing from SBP)] besides other internal liquidity measures like total approved securities to deposit, etc.

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

2019

	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	293,198,090	291,148,722	81,595	-	-	601,101	-	796,971	-	569,701	-	-	-	-
Balances with other banks	13,598,325	6,676,578	1,584,006	2,152,912	867,922	470,900	747,632	435,643	281,610	381,123	-	-	-	-
Lendings to financial institutions	144,140,344	-	131,180,048	-	1,500,000	2,099,962	-	-	-	-	1,417,699	7,942,635	-	-
Investments	1,442,403,957	4,947,640	63,689	1,476,531	1,318,622	4,676,392	47,929,607	14,695,312	523,958,573	254,853,386	188,113,878	96,113,283	98,526,197	205,730,846
Advances	1,008,398,612	314,485,555	3,448,494	1,604,893	48,123,224	47,540,751	33,979,136	76,113,053	58,168,112	27,636,798	36,974,683	53,753,611	177,837,223	128,733,080
Fixed assets	54,919,564	-	-	-	57,759	79	87,144	16,585	-	817,231	2,857,355	754,858	1,681,390	48,647,162
Intangible assets	1,070,766	-	-	-	-	-	21,689	-	-	126,077	124,983	183,241	52,222	562,553
Right of use assets	7,447,414	20	-	-	57	12,813	1,094	39,062	18,712	152,551	333,520	815,155	1,611,699	4,462,730
Other assets	167,183,196	25,571,546	229,109	1,719	716,570	28,554,846	28,765,901	14,052,343	1,910,834	1,922,937	53,568,054	9,269,695	2,597,274	22,369
	3,132,360,268	642,830,061	136,586,941	5,236,055	52,584,155	83,956,844	111,532,202	106,148,969	584,337,842	286,459,804	283,390,174	168,832,478	282,306,006	388,158,739
Liabilities														
Bills payable	19,867,424	19,867,424	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	471,757,352	3,468,570	314,697,849	5,715,707	55,955,355	13,787,296	23,926,202	22,070,344	22,981,161	343,720	863,588	2,927,955	2,908,254	2,111,350
Deposits and other accounts	2,197,984,573	1,834,856,695	16,489,427	9,565,683	114,411,441	56,248,507	12,464,141	37,582,592	35,590,618	27,718,422	11,749,879	14,177,962	25,542,734	1,586,472
Liabilities against assets subject to finance lease	194,403	-	-	-	-	-	-	-	-	56,266	-	138,137	-	-
Lease liability against right of use assets	7,831,350	-	-	-	78	13,695	1,155	39,013	20,309	155,405	355,554	853,555	1,692,291	4,700,296
Deferred tax liabilities	10,869,353	-	-	-	-	-	-	-	-	-	-	-	6,382,513	4,486,840
Other liabilities	184,633,258	79,135,146	730,486	406,431	985,613	15,212,576	29,705,804	15,991,287	1,056,906	956,693	18,253,862	4,527,368	9,142,946	8,528,141
	2,893,137,713	1,937,327,836	331,917,762	15,687,821	171,352,486	85,262,073	66,097,301	75,683,236	59,648,994	29,230,506	31,222,883	22,624,976	45,668,738	21,413,099
Net assets	239,222,555	(1,294,497,775)	(195,330,821)	(10,451,767)	(118,768,331)	(1,305,229)	45,434,901	30,465,732	524,688,848	257,229,298	252,167,291	146,207,502	236,637,268	366,745,640
Share capital	21,275,131													
Reserves	53,260,789													
Unappropriated profit	93,465,516													
Surplus on revaluation of assets	70,358,587													
Non-controlling interest	862,532													
	239,222,555													

2018

	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	247,917,421	247,804,031	112,170	-	-	1,220	-	-	-	-	-	-	-	-
Balances with other banks	13,049,725	7,125,383	1,686,740	1,089,904	726,892	297,086	619,168	800,616	579,334	124,600	-	-	-	-
Lendings to financial institutions	106,391,667	-	101,773,968	3,000,000	-	-	100,000	100,000	-	-	-	1,417,699	-	-
Investments	1,284,974,506	5,268,226	219,044,293	895,273	4,643,594	511,535,944	7,685,919	74,571,877	45,232,953	27,366,493	108,754,181	74,038,674	77,483,170	128,453,908
Advances	926,339,789	281,289,173	706,551	9,274,236	33,651,739	63,496,853	15,926,109	78,451,706	50,239,901	41,077,691	44,208,705	61,587,924	141,942,693	104,486,510
Fixed assets	54,338,676	67,589	-	-	932	484	846,389	2,768,717	829,322	1,517,222	48,003,759	10,594	219,969	73,699
Intangible assets	856,900	361	-	-	-	-	81,956	81,886	81,887	104	-	855	47,298	562,554
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	170,017,572	15,184,894	1,508,194	716,431	950,863	34,517,528	33,512,227	13,437,028	1,596,276	1,586,284	52,268,530	11,958,391	2,780,926	-
	2,803,886,256	556,739,659	324,831,916	14,975,844	39,974,020	609,849,115	58,771,766	170,211,829	98,559,674	71,672,394	253,235,175	149,014,137	222,474,056	233,576,671
Liabilities														
Bills payable	9,944,178	9,944,178	-	-	-	-	-	-	-	-	-	-	-	-
Borrowings	392,739,396	3,807,347	209,012,046	133,854,642	13,101,617	9,838,857	9,273,007	10,036,682	137,518	114,598	137,518	-	113,425	3,312,140
Deposits and other accounts	2,011,312,625	1,671,217,257	15,516,485	16,567,114	97,152,770	20,674,327	41,762,510	60,123,706	34,859,415	16,165,004	10,684,701	9,897,854	15,465,016	1,226,467
Liabilities against assets subject to finance lease	121,077	-	-	-	-	-	-	-	-	32,640	-	88,437	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	6,945,767	(3,904)	-	-	-	-	(142)	-	-	(35,229)	-	-	(4,087,385)	11,072,427
Other liabilities	171,761,918	51,302,313	234,708	34,624	83,016	23,884,327	36,506,836	10,260,759	806,361	807,520	28,690,897	3,873,414	7,921,943	7,355,200
	2,592,824,961	1,736,267,191	224,763,239	150,456,380	110,337,403	54,397,510	87,542,211	80,421,147	35,803,294	17,084,533	39,513,115	13,859,705	19,413,000	22,966,233
Net assets	211,061,295	(1,179,527,533)	100,068,677	(135,480,536)	(70,363,383)	555,451,605	(28,770,445)	89,790,682	62,756,380	54,587,861	213,722,059	135,154,432	203,061,056	210,610,438
Share capital	21,275,131													
Reserves	53,442,643													
Unappropriated profit	76,239,599													
Surplus on revaluation of assets	59,262,177													
Non-controlling interest	841,745													
	211,061,295													

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

	2019										
	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	293,198,090	165,580,920	3,238,348	58,620,388	58,393,118	7,365,317	-	-	-	-
Balances with other banks	13,598,325	11,287,456	1,212,496	435,643	662,730	-	-	-	-	-
Lendings to financial institutions	144,140,344	132,680,048	2,099,962	-	-	1,417,699	7,942,635	-	-	-
Investments	1,442,403,957	7,993,610	52,418,872	14,935,084	779,950,229	188,113,879	96,113,283	98,526,197	186,426,924	17,925,878
Advances	1,008,398,612	301,052,085	167,020,539	58,704,756	84,415,381	36,874,679	53,761,740	177,837,223	87,170,265	41,561,943
Fixed assets	54,919,564	60,385	87,223	16,585	820,869	2,854,733	751,216	1,692,577	-	48,635,974
Intangible assets	1,070,766	52,222	-	-	147,765	124,984	183,241	-	562,553	-
Right of use assets	7,447,414	77	13,907	39,062	171,263	333,520	691,665	1,735,189	3,270,264	1,192,466
Other assets	167,183,196	52,295,834	32,968,857	11,926,911	4,534,201	53,568,054	9,269,695	2,597,274	-	22,369
	3,132,360,268	671,002,638	259,060,205	144,678,429	929,095,557	290,652,866	168,713,476	282,388,460	277,430,007	109,338,630
Liabilities										
Bills payable	19,867,424	9,433,021	570,011	204,891	8,241,485	1,418,016	-	-	-	-
Borrowings	471,757,352	379,837,482	37,713,498	22,070,344	23,324,881	863,588	2,927,955	2,908,254	2,111,350	-
Deposits and other accounts	2,197,984,573	666,411,562	109,958,653	270,008,867	321,735,872	270,687,403	273,115,486	284,480,259	1,586,471	-
Liabilities against assets subject to finance lease	194,403	-	-	-	56,266	-	138,137	-	-	-
Lease liability against right of use assets	7,831,350	78	14,849	39,013	175,714	355,554	853,555	1,692,291	3,424,044	1,276,252
Deferred tax liabilities	10,869,353	-	-	-	-	-	-	6,382,513	4,486,840	-
Other liabilities	184,633,258	68,624,279	53,683,032	19,033,656	2,839,973	18,253,864	4,527,367	9,142,946	4,264,070	4,264,070
	2,893,137,713	1,124,306,421	201,940,043	311,356,772	356,374,192	291,578,424	281,562,500	304,606,262	15,872,776	5,540,323
Net assets	239,222,555	(453,303,784)	57,120,162	(166,678,343)	572,721,365	(925,558)	(112,849,024)	(22,217,802)	261,557,231	103,798,307
Share capital	21,275,131									
Reserves	53,260,789									
Unappropriated profit	93,465,516									
Surplus on revaluation of assets	70,358,587									
Non-controlling interest	862,532									
	239,222,555									

	2018									
	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	247,917,421	149,243,117	3,045,009	45,715,194	45,715,194	4,198,907	-	-	-	-
Balances with other banks	13,049,725	10,645,625	899,549	800,616	703,934	-	-	-	-	-
Lendings to financial institutions	106,391,667	104,773,968	100,000	100,000	-	-	1,417,699	-	-	-
Investments	1,284,974,506	229,851,387	518,838,296	74,571,877	73,308,516	108,754,182	74,038,674	77,495,845	112,598,318	15,517,410
Advances	926,339,789	268,857,214	153,883,978	63,526,738	87,820,432	44,222,486	61,600,705	141,942,693	65,399,030	39,086,513
Fixed assets	54,338,676	68,521	21,279	8,518	892,627	2,768,127	836,186	1,471,695	206,820	48,064,904
Intangible assets	856,900	361	70	-	81,990	81,887	82,742	47,298	562,553	-
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
Other assets	170,017,572	33,885,515	53,759,963	12,181,685	3,182,561	52,268,529	11,958,391	2,411,299	369,629	-
	2,803,886,256	797,325,708	730,548,144	196,904,629	211,705,254	212,294,117	149,934,397	223,368,831	179,136,350	102,668,827
Liabilities										
Bills payable	9,944,178	4,582,707	346,059	263,711	4,467,402	284,298	-	-	-	-
Borrowings	392,739,396	359,775,652	19,111,863	10,036,682	252,115	137,518	-	113,425	3,312,140	-
Deposits and other accounts	2,011,312,625	600,584,974	87,037,730	281,557,087	288,413,100	249,499,932	248,713,086	254,280,249	1,226,467	-
Liabilities against assets subject to finance lease	121,077	-	-	-	32,640	-	88,437	-	-	-
Subordinated debt	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	6,945,767	(3,904)	(142)	-	(35,229)	-	-	-	(4,087,385)	11,072,427
Other liabilities	171,761,918	44,730,352	65,064,835	11,800,339	2,324,938	28,690,897	3,873,414	7,921,943	3,677,600	3,677,600
	2,592,824,961	1,009,669,782	171,560,346	303,657,819	295,454,966	278,612,645	252,674,937	262,315,617	4,128,822	14,750,027
Net assets	211,061,295	(212,344,073)	558,987,798	(106,753,191)	(83,749,712)	(66,318,528)	(102,740,540)	(38,946,786)	175,007,528	87,918,800
Share capital	21,275,131									
Reserves	53,442,643									
Unappropriated profit	76,239,599									
Surplus on revaluation of assets	59,262,177									
Non-controlling interest	841,745									
	211,061,295									

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, fx 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.

49. EVENTS AFTER THE REPORTING DATE

The Board of Directors has proposed a cash dividend of Rs. Nil per share (2018: Rs. Nil per share) amounting to Rs. Nil (2018: Rs. Nil) at its meeting held on February 28, 2020 for approval of the members at the annual general meeting to be held on March 24, 2020. These consolidated financial statements do not reflect this appropriation as explained in note 5.21.

50. CORRESPONDING FIGURES

Certain corresponding figures have been reclassified wherever necessary to confirm to the presentation adopted in the current year. Such reclassifications do not impact the Group's previous year reported profit or equity.

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 February 28, 2020 by the Board of Directors of the Bank.

Zubyr Soomro Chairman	**Arif Usmani** President & CEO	**Abdul Wahid Sethi** Chief Financial Officer	**Muhammad Naeem** Director	**Imam Bakhsh Baloch** Director

Annexure - I

STATEMENT SHOWING WRITTEN-OFF LOANS OR ANY OTHER FINANCIAL RELIEF OF RUPEES FIVE HUNDRED THOUSAND OR ABOVE PROVIDED DURING THE YEAR ENDED DECEMBER 31, 2019

Rs. in 000

Sr. No.	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 (5+6+7)				
1	2	3	4	5	6	7	8	9	10	11	12
1	Muhammad Hayat Nasir Street Ahmad Faqeer Wali Near Mujahid Town Mianwali	Muhammad Hayat Nasir 38302-3075384-1	Malik Ali Muhammad	536	308	-	844	536	-	308	844
2	Asama Enterprises 210, 2ND Floor, Malla Plaza Multan Cantt. Multan	Mr. Shabbir Elahi Rana 36302-9515440-3	Mr. Asghar Elahi Rana	2,996	956	121	4,073	-	-	520	520
3	Khawar Naseer Baig House # 13 Mohallah Khan Colony Chungi No. 7, LMQ Road Multan	Mr. Khawar Naseer Baig 36302-7289487-5	Mirza Naseer Baig	2,100	864	180	3,144	-	-	645	645
4	Farooq Ahmed House # 149, Nemat Street Garden Town Multan	Mr. Farooq Ahmed 36302-0461756-5	Nemat Ali Khan	465	2,279	335	3,079	-	-	1,390	1,390
5	M/s Nadeem Textile Mills 890 - Ittefaq Pura Chungi # 14 Multan	Muhammad Naeem Iqbal 36302-8653737-1 Muhammad Nadeem Iqbal 36302-9994936-1	Haji Khushi Muhammad Haji Khushi Muhammad	-	1,665	105	1,770	-	-	1,217	1,217
6	Bhinder Traders Basiwal Guranwala C/o Zamindara Rice Mills Talwandi Musa Khan Distt Gujranwala.	Muhammad Bashir 34101-1317812-9 Muhammad Islam 34101-142167-9	Miraj Din Muhammad Bashir	-	605	5,438	6,043	-	-	2,598	2,598
7	Silk Route Transport Company General Bus Stand Jutial Gilgit	Col Karim Ahmad Shah 71501-4644425-3 Javed Wali 71502-2045149-3 Mirbaz Khan 71501-5375141-1	Shah Jahan Ghulam Wali Khan Mir Ahmad Khan	-	7,399	333	7,732	-	-	7,399	7,399
8	Tanveer Hassan H.No.CB=1028, Gali-6, Darus Salam,Dhoke Ziarat Kamalabad, Rawalpindi	Tanveer Hassan 37405-4789714-9	Manzoor Hussain	482	60	-	542	482	-	60	542
9	Muhammad Ramzan Dhoke Gujjran, P.O.Sadar, House No.460, Rawalpindi	Muhammad Ramzan 37405-5251018-3	Jan Muhammad Mughal	529	6	-	535	529	-	-	529
10	Zulkarnain Ali Shah Sheikhan Gul Ahmad Shah PO Bazar Ahmad Khan Bannu	Zulkarnain Ali Shah 11101-0487604-5	Syed Akber Ali Shah	582	7	-	589	582	-	7	589

Sr. No.	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 (5+6+7)				
11	(i) Murshid Cotton Ginning & Pressing Factory (ii) Hinglaj Oil Mill (iii)Dileep Kumar Fertilizer Survey No. 311 Nawabshah Road 6-B Dimtapa Rawtiani Taluka Sinjhoro District Sanghar	Ramesh Kumar 44203-9253012-5 Pehaj Mal 44203-6098905-7 Meero Mal 44203-2261716-1	Pehlaj Mal Geneso Mal Gawal Mal	17,603	23,893	-	41,496	-	-	1,407	1,407
12	Fakir Cotton ginning Pressing & Oil Mills Fakirabad Gambat Al Waheed House, FT # 2, 43, Rose Street, MCNeil Road, Cantt Karachi	F.S. ZAwwaruddin 42301-1541255-3 Iqtidar Uddin 42301-2230777-3 F.S.Aizazuddin 440-88-001410	F.S. Aizazuddin Fakir S. Aizazuddin F.S.Waheeduddin	-	9,477	-	9,477	-	-	2,367	2,367
13	G.M Fishries 1-B, Fish Harbour, West Wharf Road Karachi	M. Younus 42201-6461314-3 M.ahmood Yousuf 42201-4461513-3 Imran Mehmood 42201-2595267-5		-	4,748	-	4,748	-	-	2,173	2,173
14	Muhammad Arshad Band Road Mohallah, Masoom Pura Pindi Bhattian	Muhammad Arshad 34302-0129609-5	Muhammad Ashraf	619	37	-	656	619	-	37	656
15	Muhammad Farooq-e-Azam S/O Allah Bakhsh Thanda Pani,Islamabad	Muhammad Farooq-e-Azam 32402-7040301-5	Allah Bakhsh	311	298	-	609	311	-	298	609
16	Muhammad Iqbal S/o Muhammad Khan House No. 409 Street No. 02 Dhoke Sector-2 Bajora Phase - 8 Rawalpindi	Muhammad Iqbal 34402-1665065-3	Muhammad Khan	1,166	-	-	1,166	1,166	-	-	1,166
17	M/S Phoenix Metalware Toorabad, Daska Road Sialkot, Pakistan	Ms. Uzma Baig 34603-1726845-2 Shahnaz Akhtar 34603-3405569-6	Saleem Mirza Baig Shaheen Baig	-	-	4,934	4,934	-	-	3,900	3,900
18	Muhammad Yousaf Abid House No. 147 Faisal Colony No.1 Okara	Muhammad Yousaf Abid 35302-4458233-3	Shahadat	635	503	-	1,138	635	-	-	635
19	Late Imdad Ali Soomro Humal Muhallah Warrah, Dist: Kamber Shahdadkot.	Late Imdad Ali Soomro (Deceased) 43207-0809188-9	Ghulam Rasool Soomro	581	-	-	581	581	-	-	581
20	Muhammad Raziq (D) Mohallah Skar Koi, Danyore Gilgit	Muhammad Raziq (D) 71501-6096034-3	Shakoor Ali	516	175	-	691	516	-	-	516
21	M/S Malhi Travels House # 82, Block Y New Satellite Town Sargodha	Muhammad Azhar Malhi 38403-5972424-7	Muhammad Saleem	-	431	3,002	3,433	-	-	863	863
	Total			**29,121**	**53,711**	**14,448**	**97,280**	**5,957**	**-**	**25,189**	**31,146**

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

Annexure - II

ISLAMIC BANKING BUSINESS

The bank is operating 190 (2018: 192) Islamic banking branches and no Islamic banking windows at the year ended December 31, 2019.

		2019	2018
		---------- Rupees in '000 ----------	
ASSETS			
Cash and balances with treasury banks		**4,405,856**	4,649,968
Balances with other banks		**5,841**	4,319
Due from financial institutions	1	**11,419,496**	1,417,699
Investments	2	**19,416,280**	23,914,372
Islamic financing and related assets - net	3	**33,880,482**	26,827,280
Fixed assets		**174,862**	275,435
Right of use assets (ROUA)		**861,049**	-
Other assets		**5,888,864**	1,998,587
Total Assets		**76,052,730**	59,087,660
LIABILITIES			
Bills payable		**256,804**	228,382
Due to financial institutions		**-**	-
Deposits and other accounts	4	**63,285,896**	51,022,121
Due to head office		**2,784,801**	3,920,506
Lease liability against ROUA		**943,375**	-
Other liabilities		**3,767,018**	1,065,012
		71,037,894	56,236,021
NET ASSETS		**5,014,836**	2,851,639
REPRESENTED BY			
Islamic banking fund		**2,200,000**	2,200,000
Surplus / (deficit) on revaluation of assets		**775,696**	708,789
Unappropriated / unremitted profit / (loss)	6	**2,039,140**	(57,150)
		5,014,836	2,851,639

The profit and loss account of the Bank's Islamic banking branches for the year ended 2019 is as follows:

		2019	2018
		---------- Rupees in '000 ----------	
Profit / return earned	7	**7,144,877**	3,117,907
Profit / return expensed	8	**(3,284,831)**	(1,423,091)
Net profit / return		**3,860,046**	1,694,816
Other income			
Fee and commission income		**436,935**	285,190
Foreign exchange income		**105,951**	19,466
Other income		**1,006**	39,140
Total other income		**543,892**	343,796
Total income		**4,403,938**	2,038,612
Other expenses			
Operating expenses		**(2,440,512)**	(2,008,278)
Total other expenses		**(2,440,512)**	(2,008,278)
Profit / (loss) before provisions		**1,963,426**	30,334
Provisions and write offs - net		**75,714**	(87,484)
Profit / (loss) before taxation		**2,039,140**	(57,150)
Taxation		**-**	-
Profit / (loss) after taxation		**2,039,140**	(57,150)

Notes to the Consolidated Financial Statements

For the year ended December 31, 2019

		2019			2018		
		In local currency	In foreign currencies	Total	In local currency	In foreign currencies	Total
		Rupees in '000					
1	**Due from Financial Institutions**						
	Secured						
	Unsecured						
	Bai Muajjal Receiveable from State Bank of Pakistan	**11,419,496**	**-**	**11,419,496**	1,417,699	-	1,417,699
		11,419,496	**-**	**11,419,496**	1,417,699	-	1,417,699

This represent Bai Muajjal agreement with Government of Pakistan and Statement Bank of Pakistan which carries profit rate 12.78% per annum. (2018: 12.82%)

		2019				2018			
		Cost / Amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value	Cost / amortised cost	Provision for diminution	Surplus / (deficit)	Carrying value
		Rupees in '000							
2	**Investments by segments:**								
	Federal Government Securities:								
	- Ijarah Sukuks	**2,000,000**	**-**	**(21,200)**	**1,978,800**	9,740,000		(56,116)	9,683,884
		2,000,000	**-**	**(21,200)**	**1,978,800**	9,740,000	-	(56,116)	9,683,884
	Non Government Debt Securities								
	- Listed	**4,400,000**	-	602,100	**5,002,100**	600,000	-	5,211	605,211
	- Unlisted	**12,371,391**	**(130,807)**	**194,796**	**12,435,380**	12,996,390	(130,807)	759,694	13,625,277
		16,771,391	**(130,807)**	**796,896**	**17,437,480**	13,596,390	(130,807)	764,905	14,230,488
	Total Investments	**18,771,391**	**(130,807)**	**775,696**	**19,416,280**	23,336,390	(130,807)	708,789	23,914,372

		Note	2019	2018
			Rupees in '000	
3	**Islamic financing and related assets**			
	Ijarah	3.1	**255,639**	436,069
	Murabaha	3.2	**1,716,542**	2,024,071
	Musawama		**22,243**	69,867
	Diminishing Musharaka		**15,869,641**	11,971,073
	Istisna		**-**	525,434
	Other Islamic Modes (Wakala tul Istismar)		**8,500,000**	8,500,000
	Advances against Islamic assets (Ijarah, Murbaha, DM, Istasna)		**7,180,631**	3,580,044
	Inventory related to Islamic financing (Istisna)		**539,349**	-
	Gross Islamic financing and related assets		**34,084,045**	27,106,558
	Less: provision against Islamic financings			
	- Specific		**(203,324)**	(278,995)
	- General		**(239)**	(283)
			(203,563)	(279,278)
	Islamic financing and related assets - net of provision		**33,880,482**	26,827,280

3.1 **Ijarah**

	2019						
	Cost			Depreciation			
	At January 1, 2019	Additions / (deletions)	As at December 31, 2019	At January 1, 2019	Charge for the year	As at December 31, 2019	Book Value as at December 31, 2019
	Rupees in '000						
Plant & Machinery	**738,959**	**28,958**	**449,702**	**356,592**	**110,354**	**178,289**	**271,413**
		(318,215)			**(288,657)**		
Vehicles	**153,536**	**-**	**83,185**	**99,834**	**50,777**	**98,959**	**(15,774)**
		(70,351)			**(51,652)**	**-**	**-**
Total	**892,495**	**28,958**	**532,887**	**456,426**	**161,131**	**277,248**	**255,639**
		(388,566)			**(340,309)**		

	2018						
	Cost			Accumulated depreciation			
	As at Jan 01, 2018	Additions / (deletions)	As at December 31, 2018	As at Jan 01, 2018	Charge for the year	As at December 31, 2018	Book Value as at December 31, 2018
	Rupees in '000						
Plant & Machinery	451,451	287,508	738,959	216,383	140,209	356,592	382,367
Vehicles	78,867	74,669	153,536	6,682	93,152	99,834	53,702
Total	530,318	362,177	892,495	223,065	233,361	456,426	436,069

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

Future Ijarah payments receivable

	2019				2018			
	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
Ijarah rental receivables	**86,070**	**217,069**	**-**	**303,139**	159,136	323,779	-	482,915

		Note	2019	2018
			---------- Rupees in '000 ----------	
3.2	**Murabaha**			
	Murabaha financing	3.2.1	**1,716,542**	2,024,071
	Advances for Murabaha		**2,000,000**	2,102,566
			3,716,542	4,126,637

		Note	2019	2018
			---------- Rupees in '000 ----------	
3.2.1	Murabaha receivable - gross	3.2.2	**1,835,295**	2,112,680
	Less: Deferred murabaha income	3.2.4	**71,105**	25,372
	Profit receivable shown in other assets		**47,648**	63,237
	Murabaha financings		**1,716,542**	2,024,071
3.2.2	The movement in Murabaha financing during the year is as follows:			
	Opening balance		**2,112,680**	1,299,670
	Sales during the year		**9,329,239**	9,048,097
	Adjusted during the year		**9,606,624**	8,235,087
	Closing balance		**1,835,295**	2,112,680
3.2.3	Murabaha sale price		**9,329,239**	9,048,097
	Murabaha purchase price		**8,842,127**	8,757,480
			487,112	290,617
3.2.4	Deferred murabaha income			
	Opening balance		**25,372**	40,769
	Arising during the year		**487,847**	268,985
	Less: Recognised during the year		**442,114**	284,382
	Closing balance		**71,105**	25,372

4	**Deposits**	2019			2018		
		In local currency	In Foreign currencies	Total	In local currency	In foreign currencies	Total
		---------- Rupees in '000 ----------					
	Customers						
	Current deposits	**20,455,905**	**94,851**	**20,550,756**	16,286,985	60,170	16,347,155
	Savings deposits	**22,671,179**	**-**	**22,671,179**	26,885,268	-	26,885,268
	Term deposits	**12,720,085**	**-**	**12,720,085**	2,608,640	-	2,608,640
		55,847,169	**94,851**	**55,942,020**	45,780,893	60,170	45,841,063
	Financial Institutions						
	Current deposits	**815,386**	**-**	**815,386**	505,685	-	505,685
	Savings deposits	**3,028,490**	**-**	**3,028,490**	126,897	-	126,897
	Term deposits	**3,500,000**	**-**	**3,500,000**	4,548,476	-	4,548,476
		7,343,876	**-**	**7,343,876**	5,181,058	-	5,181,058
		63,191,045	**94,851**	**63,285,896**	50,961,951	60,170	51,022,121

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

		2019	2018
		---------- Rupees in '000 ----------	
4.1	**Composition of deposits**		
	- Individuals	**28,456,381**	23,931,004
	- Government / Public Sector Entities	**17,564,494**	16,962,630
	- Banking Companies	**7,339,558**	5,060,664
	- Non-Banking Financial Institutions	**4,318**	120,394
	- Private Sector	**9,921,145**	4,947,429
		63,285,896	51,022,121

4.2 This includes deposits eligible to be covered under insurance arrangements amounting to Rs. 31,851 million (2018: Rs. 26,139 million).

5 Charity Fund

Opening Balance	**1,059**	469
Additions during the period		
Received from customers on account of delayed payment	**11,852**	1,059
	12,911	1,528
Payments / utilization during the period		
Education	**-**	469
Health	**2,000**	-
Closing Balance	**10,911**	1,059
'Charity amount exceeding Rs. 0.5 million paid to the following organizations.		
The Indus Hospital	**1,000**	-
Sindh Institute of Urology and Transplantation (SIUT)	**1,000**	-
	2,000	-

6 Islamic Banking Business Unappropriated/ Unremitted Profit / (loss)

Opening Balance	**(57,150)**	(228,135)
Add: Islamic Banking profit / (loss) for the period	**2,039,140**	(57,150)
Less: Transferred / remitted to Head Office	**57,150**	228,135
Closing Balance	**2,039,140**	(57,150)

7 Profit/Return Earned of Financing, Investments and Placement

Profit earned on:		
Financing	**3,385,613**	1,663,027
Investments	**2,325,785**	1,428,950
Placements	**206,344**	16,977
Others (Bai Muajjal)	**1,227,135**	8,953
	7,144,877	3,117,907

8 Profit on Deposits and other Dues Expensed

Deposits and other accounts	**2,817,622**	965,496
Amortisation of lease liability against - ROUA	**91,487**	-
Others (General Account)	**375,722**	457,595
	3,284,831	1,423,091

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

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 (Rabbulmaal). The net return on the pool is arrived at after deduction of direct costs from the gross return earned on the pool. The entire net return after paying equity share to Mudarib is considered as distributable profit of the pool.

b) Special depositor pools (Total 43 during the year and 29 as at December 31, 2019)

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.

	2019	2018
Sector	---------- Percentage ----------	
Fertilizer	**2.16%**	3.14%
Textile	**6.48%**	3.40%
Fuel & energy	**41.72%**	45.13%
Leasing/Modarbas	**0.29%**	0.59%
Sugar	**5.88%**	4.03%
Cement	**10.54%**	13.67%
Gas	**2.57%**	3.13%
Financial	**4.87%**	1.81%
Federal Government	**17.43%**	19.20%
Others	**8.07%**	5.89%
Total	**100.0%**	100.0%

Notes to the Consolidated Financial Statements
For the year ended December 31, 2019

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-19
Mudarib Share	**Rupees in '000**
Gross Distributable Income	**4,731,636**
Mudarib (Bank) share of profit before Hiba	**1,778,374**
Mudarib Share in %age	**38%**
Hiba from Mudarib Share	
Mudarib (Bank) share of profit before Hiba	**1,778,374**
Hiba from bank's share to depositors	**241,201**
Hiba from bank's share to depositors in %age	**14%**

Profit rates

During the year the average profit rate earned by NBP Islamic Banking Group is 11.90% and the profit rate distributed to the depositors is 7.27%.

Pattern of Shareholding Report

As of December 31, 2019

PKR 'Mn

Description	No of shareholders	No of Shares	per %
Government			
M/S. FEDERAL GOVERNMENT OF PAKISTAN	1	6,238,919	0.29
M/S. PAKISTAN ATOMIC ENERGY COMMISSION	1	679,424	0.03
PRIVATISATION COMMISSION OF PAK MINISTRY OF PRVT. & INVEST.	1	1,656,788	0.08
Associated Companies, Undertakings and related parties			
FIRST CREDIT & INVESTMENT BANK LIMITED	1	70,000	0.00
CDC- TRUSTEE NBP STOCK FUND	1	330,000	0.02
STATE BANK OF PAKISTAN	1	1,599,845,728	75.20
Mutual Funds	27	15,123,625	0.71
Director, Chief Executive, and their spouse and minor children			
FARID MALIK	1	1,000	0.00
SHAHIDA NAEEM	1	23,000	0.00
MUHAMMAD NAEEM	1	23,500	0.00
SAADIA SOHAIL RAJPUT	1	3,000	0.00
Executives	3	18,745	0.00
Public Sector Companies and Corporations	9	123,053,232	5.78
Banks, Development finance institutions, non-banking finance companies, insurance companies, takaful companies, and modarabas	26	27,043,246	1.27
General Public			
Local	11,790	127,813,523	6.01
Foreign	63	924,490	0.04
Foreign Companies	66	174,972,960	8.22
Others	196	49,691,846	2.34
TOTALS	**12,190**	**2,127,513,026**	**100.00**

Shareholders holding five percent or more voting rights in the public sector company.

STATE BANK OF PAKISTAN		1,599,845,728	75.20

Notice of 71st Annual General Meeting

Notice is hereby given that **71st Annual General Meeting ("AGM")** of National Bank of Pakistan (the **"Bank"**) will be held on **Tuesday, March 24, 2020 at 10:30 A.M. (PST),** at **Crystal Ballroom, Marriott Hotel,** Karachi.

The following business will be transacted in the meeting:

Ordinary Business:

1. To confirm minutes of the Annual General Meeting of shareholders held on March 28, 2019, at Karachi.

2. To receive, consider and adopt the annual audited financial statements of National Bank of Pakistan and consolidated accounts of National Bank of Pakistan and its subsidiaries for the year ended December 31, 2019, together with the Directors' & Auditors' Reports thereon.

3. To appoint auditors for the year ending December 31, 2020 and fix their remuneration. The Board of Directors has recommended re-appointment of Messrs Grant Thornton Anjum Rahman Chartered Accountants and Messrs Deloitte Yousuf Adil, Chartered Accountants to be the auditors of the Bank for the year ending December 31, 2020, at the same fee as paid to the retiring auditors.

Special Business:

4. To approve the remuneration of the non-executive Chairman of the Bank.

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

Karachi
Dated: **March 03, 2020**

By Order of the Board
S. M. Ali Zamin
Secretary (Board)

Notes:

i) The Share Transfer Books of the Bank shall remain closed from March 17, 2020 to March 24, 2020 (both days inclusive). Transfers received at Messrs CDC Share Registrar Services Limited, CDC House 99-B, Block "B", SMCHS, Main Shahra-e-Faisal, Karachi – 74400, the Bank's Share Registrar and Transfer Agent, at the close of business on March 16, 2020 will be treated in time for the purpose of attending the meeting.

ii) A member eligible to attend and vote at the AGM is entitled to appoint another member as a proxy to attend and vote on his / her behalf. The Government of Pakistan, State Bank of Pakistan and any Corporation(s), being member of the Bank, may nominate any person as its representative to attend the AGM under authority of a Power of Attorney or a Board of Directors' resolution. Proxies or nominations, in order to be effective and valid, must be received at the office of the Bank's Registrar / Transfer Agent, Messrs CDC Share Registrar Services Limited, CDC House 99-B, Block "B", SMCHS, Main Shahra-e-Faisal, Karachi – 74400, not later than 48 hours before the time of holding the AGM.

iii) CDC Account Holders will further have to follow the under-mentioned guidelines as laid down in Circular 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan:

a. For Attending the Meeting:

- In case of individuals, the account holder or sub-account holder shall authenticate his / her identity by showing his original Computerized National Identity Card (**"CNIC"**) or original passport at the time of attending the meeting.

- In case of corporate entity, the original or duly authenticated Board of Directors' resolution/ power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

b. For Appointing Proxies:

- In case of individuals, the account holder or sub-account holder shall submit the duly filled-in proxy form as per the above requirement.

- The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be furnished with the proxy form.

- The proxy shall produce his /her original CNIC or original passport at the time of the meeting.

- In case of corporate entity, the original or duly authenticated Board of Directors' resolution/ power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) along with proxy form to Messrs. CDC Share Registrar Services Limited.

iv) CDC account holders and sub-account holders, whose registration details are available in share book detail report shall have to produce respective original Computerized National Identity Card (CNIC) or original passport for the purpose of identification to participate in the Annual General Meeting. Such account holders and sub-account holders should know the CNIC numbers and CDC account number of the respective participant and should bring the same along with them. In case of Proxy, the person should positively attach the attested copy of CNIC or passport. In case of corporate member's representative, usual documents should be accompanied for the same purpose.

v) Members are requested to immediately notify any change in their address to the Bank's registrar and transfer agent, Messrs CDC Share Registrar Services Limited.

vi. TRANSMISSION OF ANNUAL FINANCIAL

STATEMENTS THROUGH EMAIL:

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

STATEMENT OF MATERIAL FACTS.

This statement sets out material facts concerning the special business given in agenda item No.04 of the Notice, to be transacted at the 71st AGM of NBP's shareholders to be held on March 24, 2020.

Item No. 4:

TO APPROVE THE REMUNERATION OF NON-EXECUTIVE CHAIRMAN OF THE BANK IN TERMS OF SECTION 11 (3) (a) OF THE BANKS (NATIONALIZATION) ACT, 1974 AND SBP BPRD CIRCULAR NO. 03 OF 2019 DATED AUGUST 17, 2019.

In terms of Government of Pakistan, Internal Finance Wing, Notification No. F.1(11) Bkg-III /2017-568 dated April 17, 2019, Mr. Zubyr Soomro has been appointed as Chairman of the Board of Directors, of the Bank for a term of three years w.e.f. April 17, 2019.

The Board of Directors of the Bank in its 301st meeting held on December 12, 2019 has recommended the following remuneration for Mr. Zubyr Soomro, as Non-Executive Chairman of the Board of Directors of the Bank, to the shareholders in terms of Section 11(3) (a) of the Banks (Nationalization) Act, 1974 and SBP BPRD Circular No. 03 of 2019 dated August 17, 2019 for approval:

Head	Remuneration Details
Tenure	From 17-04-2019 to 16-04-2022
Meeting Fee	Rs. 150,000/- Meeting fee as approved by shareholders for non-executives directors in Extraordinary General Meeting held on 15-05-2017.
Fixed Remuneration	Nil
Travelling (Domestic) for Board meetings / Official work	As per policy / package approved by the Board / AGM for non-executive directors
Hotel / Per Diem (in lieu of hotel accommodation)	Actual / Rs. 15,000/-
Travelling (Overseas)	Business Class
Hotel / Per Diem (in lieu of hotel accommodation) – International	Actual / US$ 325/-
Office facility	Yes
Secretarial staff	5 (Max. upto Rs. 1.6 million Per month)
Security Guards at Residence	2 security guards each on 12 hours shift including one mobile gunman.
Security guards for providing security at Chairman's Office	Adequate security arrangements at office premises.
Office work expenses	In Chamber: Actual Out of Chamber: Upto Rs. 25,000/- Per Month.
Vehicle	A 1800cc Car for official-cum-domestic use

It is requested that the remuneration of Mr. Zubyr Soomro, non-executive Chairman, Board of Directors of the Bank be approved as recommended by the Board of Directors of the Bank in its 301st meeting held on December 12, 2019 and in pursuance thereof, the following resolution may be passed:

> "**RESOLVED THAT** in terms of Section 11 (3) (a) of the Banks (Nationalization) Act, 1974, and SBP BPRD Circular No. 03 of 2019 dated August 17, 2019, the remuneration for Mr. Zubyr Soomro, as non-executive Chairman, Board of Directors, NBP as recommended by the Board of Directors of the Bank in its 301st meeting held on December 12, 2019, be and is hereby approved for a term of three (3) years w.e.f. April 17, 2019."

Disclosure: In terms of Section 134 (3) of the Companies Act, 2017, no Director is directly or indirectly interested in the special resolution except the Chairman.

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